

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT UNIT REPORT

THE NATIONAL ASSOCIATION FOR THE ADVANCEMENT OF COLORED PEOPLE - SACRAMENTO FISCAL MONITORING AGREED-UPON PROCEDURES

DEPARTMENT OF HUMAN ASSISTANCE



Audit Committee Submittal Date: 05/21/2025

EXECUTIVE SUMMARY

Background

The Department of Human Assistance (DHA) requested Department of Finance (DOF), Internal Audit Unit (“we” and “us”) to perform Fiscal Monitoring Agreed Upon Procedures (AUP) relating to two contracts with The National Association for the Advancement of Colored People - Sacramento (Sac NAACP), commonly referred to as Greater Sacramento National Association for the Advancement of Colored People. Sac NAACP’s Employer Identification Number (EIN) is 94-6172654.

Sac NAACP is a subsidiary unit of The National Association for the Advancement of Colored People (NAACP), a national not-for-profit organization. NAACP’s EIN is 38-4108034.

DHA awarded the County Food Insecurity Pilot Program (CFIPP) and Food Insecurity Outreach and Education (FIOE) contracts (Agreements) to Sac NAACP for the period April 1, 2022, to June 30, 2023.

The purpose of CFIPP is to provide restaurant meals and food assistance to eligible Sacramento County residents experiencing economic hardship due to COVID-19. The CFIPP agreement’s total budget amount was \$2,500,000. The CFIPP budget included contractor costs for managing and operating the program, catering company costs for providing meal kits to participants, and related operating and administrative expenses. Sac NAACP claimed a total of \$2,437,920 CFIPP expenses for reimbursement. CFIPP was funded by the County’s General Fund. These General Funds were derived from Revenue Replacement Funds from the American Rescue Plan Act (ARPA) of 2021. However, the CFIPP Agreement required that all Sac NAACP’s records of revenues and expenditures be subjected to *Title 2 Code of Federal Regulations Part 200 - Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The purpose of FIOE is to provide outreach and education to food insecure families and individuals seeking food assistance in Sacramento County. The FIOE agreement’s total budget amount is \$250,000. The FIOE budget included contractor costs for managing and operating the program and program support costs. Sac NAACP claimed a total of \$246,000 FIOE expenses. FIOE was funded by Federal Coronavirus State and Local Fiscal Recovery Funds from ARPA and is subjected to Uniform Guidance.

Sac NAACP has no current agreement with the County since the CFIPP and FIOE agreements ended on June 30, 2023.

AUP Objective

The objective of the AUP is to assist DHA in assessing Sac NAACP’s compliance with the CFIPP and FIOE agreements, and to verify whether monthly invoices submitted by Sac NAACP are accurate and supported by proper documentation.

AUP Process

On December 21, 2023, DHA mailed a letter to notify Sac NAACP about the fiscal monitoring and requested Sac NAACP to contact DHA for scheduling an entrance meeting. After DHA and DOF both followed up with Sac NAACP several times, a fiscal monitoring AUP entrance meeting was scheduled on April 2, 2024. Sac NAACP informed NAACP about the entrance meeting. Subsequently, DHA and DOF met with Sac NAACP and NAACP in the entrance meeting. During the meeting, we explained the fiscal monitoring objective, process, and other related information. We also provided a written list of document requests for Sac NAACP to submit by April 15, 2024.

Both Sac NAACP and NAACP requested us to perform the fiscal monitoring AUP through NAACP rather than directly with Sac NAACP. Therefore, we performed the AUP through NAACP. On April 12, 2024, we were notified by Latham & Watkins LLP, a law firm serving as Sac NAACP's counsel, that they would be responsible for production of those documents requested for the AUP. We also received NAACP's acknowledgement that production of documents requested for the AUP and further inquiries and requests should be directed and performed through Sac NAACP's counsel.

AUP Results

Sac NAACP's counsel informed us that most of our requested documents were not in Sac NAACP's possession, custody, and control. Sac NAACP's counsel stated that the Sac NAACP personnel who supervised or administered CFIPP and FIOE were no longer associated with Sac NAACP. They further stated that crucial documents relevant to the AUP were in possession, custody, or control of these former Sac NAACP personnel.

Initially, Sac NAACP counsel stated that they made several requests for documents to certain former Sac NAACP personnel but received no responses to such requests. They also stated that Sac NAACP had no authority over or ability to compel the former Sac NAACP Personnel to provide responsive information and documents in their possession, custody, or control.

Sac NAACP's counsel provided some requested documents in Sac NAACP's possession, custody, and control by April 15, 2024. Subsequently, on January 17, 2025, Sac NAACP's counsel communicated that certain former Sac NAACP personnel subsequently cooperated with their request and provided additional supporting documentation to us on February 28, 2025. We reviewed the additional supporting document and noted most of the requested documents were still not provided.

Sac NAACP's counsel asserted that Sac NAACP and NAACP cooperated with the AUP review and those documents provided represented their best efforts. However, we did not obtain all of the requested documents to fully perform the AUP.

Based on the agreed upon procedures performed, we noted the significant exceptions, non-compliance, questioned costs and disallowed costs as summarized below:

- Not able to provide all requested documentation
- Inadequate or no written fiscal policy and procedures provided

Internal Audit Unit
Sac NAACP Fiscal Monitoring
Agreed-Upon Procedures

- Inadequate or no written program operation policy and procedures provided
- No program participant eligibility verification policy and procedures provided
- Non-compliance with Agreements' annual audit report submission requirements
- General ledger not reconciled to invoice claims
- Agreements' transactions not identifiable in the general ledger
- No written contract monitoring policy and procedures provided
- No contractor contracts provided for seven (7) of eight (8) contractors
- Claimed contractor expenses did not comply with the Agreements' Conflict of Interest requirements
- Inadequate supporting document for program participants' eligibility to participate in CFIPP
- Inclusion of potential ineligible participants that answered "no" to the question on whether they were experiencing hardship due to COVID-19 or answered "no" to the question on whether they were food insecure
- 13 of the 14 catering companies' contracts were not provided
- A catering company's California Franchise Tax Board's entity status was suspended and did not comply with CFIPP agreement
- Two (2) CFIPP catering companies had several participant daily signature sheets which appeared duplicated from the first days of the months' signature sheets or signed by one person rather than each participant.
- Inadequate supporting document for claimed expenses
- Discrepancies between invoices claimed and supporting documents

Recommendation

DHA should take immediate and appropriate remedial action. We recommend DHA resolve all reported exceptions and non-compliance with Sac NAACP before awarding any new contract to Sac NAACP and/or NAACP.

Based on our AUP, we noted \$1,728,769 in questioned costs and \$948,037 in disallowed costs.

Per definitions listed under Uniform Guidance 200.01, *"Disallowed costs" means those charges to a Federal award that the Federal awarding agency or pass-through entity (County of Sacramento) determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award. "Questioned costs" means a cost that is questioned by the auditor because of an audit finding: (1) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award... (2) Where the costs, at the time of the audit, are not supported by adequate documentation."*

The findings, questioned costs, and disallowed costs set forth in this report, enclosed attachments, and schedules are based on the limited agreed upon procedures we were able to perform. Had we been able to fully perform those agreed upon procedures and not been limited, or performed additional procedures, the questioned and disallowed costs may have changed, and other matters or additional non-compliance might have come to our attention that would have also been reported.

Department of Finance

Chad Rinde

Director

**County of Sacramento****Divisions**

Auditor-Controller

Consolidated Utilities Billing &
Service

Investments

Revenue Recovery

Tax Collection & Licensing

Treasury

May 19, 2025

Ethan Dye, Director
Department of Human Assistance
County of Sacramento
1825 Bell Street, Suite 200
Sacramento, CA 95825

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

Dear Mr. Dye:

We have performed the Agreed-Upon Procedures (AUP), enumerated below on The National Association for the Advancement of Colored People - Sacramento (Sac NAACP), commonly referred to as Greater Sacramento National Association for the Advancement of Colored People's fiscal compliance as outlined in the following contractual agreements (Agreements):

- **County Food Insecurity Pilot Program (CFIPP)**
 - DHA-NAACP-01-22 for the period April 1, 2022, to June 30, 2023
- **Food Insecurity Outreach and Education (FIOE)**
 - DHA-NAACP-02-22 for the period April 1, 2022, to June 30, 2023

Sac NAACP is responsible for compliance with the Agreements. In performing our AUP engagement, we have relied solely on representations provided by Department of Human Assistance (DHA) relating to Sac NAACP's responsibility for compliance with the Agreements.

DHA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assessment of Sac NAACP's compliance with the Agreements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We attempted to perform the AUP through Sac NAACP. However, both Sac NAACP and Sac NAACP's parent organization, National Association for the Advancement of Colored People (NAACP), requested us to perform the AUP through NAACP rather than directly with Sac NAACP. Therefore, we performed the AUP through NAACP.

Subsequently, we were notified by Latham & Watkins LLP, a law firm (Sac NAACP Counsel) that it would represent Sac NAACP and would be responsible for production of those documents requested for the AUP. We also received NAACP's acknowledgement confirming Sac NAACP Counsel's production of documents requested for the AUP and that further inquiry and requests be directed to Sac NAACP Counsel.

Sac NAACP's Counsel informed us that most of our requested documents were not in Sac NAACP's possession, custody, and control. Sac NAACP's Counsel stated that the Sac NAACP personnel¹ who supervised or administered CFIPP and FIOE were no longer associated with Sac NAACP. They further stated that crucial documents relevant to the fiscal monitoring AUP were in possession, custody, or control of certain former Sac NAACP personnel.

Initially, the Sac NAACP's Counsel stated that they made several requests for documents to certain former Sac NAACP personnel but received no responses to such requests. They also stated that Sac NAACP had no authority over or ability to compel the former Sac NAACP personnel to provide responsive information and documents in their possession, custody, or control. We did not contact the former Sac NAACP personnel after receiving an explanation from Sac NAACP's counsel about no responses from former Sac NAACP personnel about the document request. Sac NAACP's Counsel informed us most of our requested documents were not able to be located as the Sac NAACP personnel who supervised or administered CFIPP and FIOE were no longer associated with Sac NAACP.

Sac NAACP's Counsel initially provided some requested documents on April 15, 2024, in Sac NAACP's possession, custody, and control. Subsequently, on January 17, 2025, Sac NAACP's Counsel communicated that certain former Sac NAACP personnel subsequently had later cooperated with their request and as such Sac NAACP Counsel provided additional supporting documentation to us on February 28, 2025. We reviewed the additional supporting document and noted most of the requested documents were still not provided.

Therefore, we did not obtain most requested documents to fully perform the AUP. Had we fully performed the AUP or performed additional procedures, other matters might have come to our attention that would have been reported to you. Accordingly, we did not receive most requested documents to perform the AUP from Sac NAACP. Also, we

¹ In our report and attachments, Sac NAACP personnel refer to those former SAC NAACP executive officers, who managed CFIPP and FIOE. NAACP asserted that its executive officers were all volunteers.

were not able to make inquiries with Sac NAACP personnel who supervised or administered CFIPP and FIOE. Therefore, we were not able to fully perform the AUP.

The performed AUP, including results and limitations are as follows:

1. Internal Controls - We attempted to review Sac NAACP's written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, subaward process, and financial report preparation. Sac NAACP's counsel provided NAACP's written "Unit Financial and Bookkeeping Guide" in this regard. The Guide covers vendor payments, payroll, general ledger, and financial report preparation procedures. However, Sac NAACP's counsel did not provide any written policies or procedures for purchasing, claim submissions, cost allocation, and subaward for our review procedures.

We also attempted to review Sac NAACP's written procedures for program participant eligibility verification and services provided for the CFIPP and FIOE. However, Sac NAACP's counsel only provided Sac NAACP's written standard operating procedures for CFIPP. Sac NAACP's counsel did not provide any written procedures for participant eligibility verification for the CFIPP and FIOE programs nor service procedures for FIOE.

Result: Based on limited AUP performed, we noted exceptions from the AUP. See Finding #1 and #2 in ATT 3 – *Current Findings and Recommendations* for detail of exceptions.

2. Financial Statements – We attempted to inspect Sac NAACP's audits reports for years ended December 31, 2022 and 2023, respectively, to identify any concerns or issues that require your attention. However, Sac NAACP's counsel did not provide Sac NAACP's financial audit reports to us.

Result: We could not inspect Sac NAACP's audits reports and noted non-compliance with audit requirements of the Agreements. See Finding #1 and #3 in ATT 3 – *Current Findings and Recommendations* for detail of non-compliance.

3. General Ledger - We attempted to trace Sac NAACP's invoice claims to its general ledger and financial records for the sample months indicated in Procedure #4 listed below. However, Sac NAACP's counsel indicated that NAACP has not identified expense reconciliations between the general ledger and invoice claims. The general ledger included transactions for CFIPP, FIOE, and other activities. It appeared that Sac NAACP did not use any specific accounts or codes in the accounting records to separately track the CFIPP and FIOE's transactions. Accordingly, we were not able to trace the invoice claims to the general ledger or financial records.

Result: Based on limited AUP performed, we noted exceptions. See Finding #1 and #4 in ATT 3 – *Current Findings and Recommendations* for detail of exceptions.

4. Claim Submissions - We inspected Sac NAACP's monthly invoice claims for below sampled Agreements and months:

- CFIPP: April 2022, August 2022, September 2022, October 2022, March 2023, and June 2023
- FIOE: April 2022, August 2022, September 2022, October 2022, and March 2023

We attempted to select and test a total of 60 expense transactions/participants on claim invoices per each agreement from the above selected months. However, we could not select 60 expense transactions/participants as the invoice claims were not reconciled to the general ledger. Instead, we traced all claimed line items on the selected months' invoice claims to available supporting documentation.

Result: Based on the limited AUP performed, we noted exceptions, disallowed and questioned costs. See Finding #1 and #5 in ATT 3 – *Current Findings and Recommendations* for detail of exceptions.

5. Contract Process and Contract Monitoring – We attempted to review Sac NAACP's contract process and inspect Sac NAACP's subcontracting and monitoring activities. However, Sac NAACP's counsel did not provide Sac NAACP's contract process and subcontractor monitoring policies and procedures. Sac NAACP's counsel also did not provide all Sac NAACP's contracts with its contractors or documentation of any contract monitoring. We reviewed a sample of Sac NAACP's subcontractors claims and the supporting documentation for the selected months listed in Procedure #4 above.

Result: Based on the limited AUP performed, we noted exceptions. See Finding #1, #5 and #6 in ATT 3 – *Current Findings and Recommendations* for detail of exceptions.

6. Cost Allocations – We attempted to inspect Sac NAACP's cost allocation policies and procedures. However, as described at Procedure #1, Sac NAACP's counsel did not provide Sac NAACP's written cost allocation policies and procedures to us. We noted that Sac NAACP claimed a 10% de minimis indirect cost rate for CFIPP and no indirect costs appeared to be claimed under FIOE. We assessed CFIPP claimed indirect allocated costs based on the result of Procedure #4 and #5.

Result: Based on the limited AUP performed, we noted exceptions. See Finding #1, #5, and #7 in ATT 3 – *Current Findings and Recommendations* for detail of exceptions.

7. Funding Sources – We inquired with NAACP to identify any funding sources other than funds provided by DHA for CFIPP and FIOE. We attempted to inspect Sac NAACP's general ledger and invoice claims for the months indicated in Procedure #4 to identify any inappropriate or duplicated charges. However, as described in Procedure #3, it appeared that Sac NAACP did not use any specific accounts or

codes to track the CFIPP and FIOE's transactions in its general ledger. Also, Sac NAACP's general ledger is not reconciled to CFIPP and FIOE's invoice claims. Therefore, we were not able to inspect Sac NAACP's general ledger and invoice claims identifying any inappropriate or duplicated charges from other funding sources.

Result: Based on the limited AUP performed, we noted exceptions. See Finding #1 and #8 in ATT 3 – *Current Findings and Recommendations* for detail of exceptions.

Disallowed and questioned costs from the AUP for these two (2) programs are presented in ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned*, ATT 2 – *Summary of Claimed, Disallowed and Questioned Costs* and ATT 3 – *Current Findings and Recommendations*.

We were engaged by DHA to perform this AUP engagement and conducted our engagement in accordance with the standards for attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. An AUP engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed. We were not engaged to, and did not perform an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on Sac NAACP's compliance with the Agreements. Accordingly, we do not express such an opinion or conclusion.

We are required to be independent of Sac NAACP, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our AUP engagement.

DHA's management response to the findings and recommendations identified during our engagement is described in ATT 3 – *Current Findings and Recommendations*. We did not perform procedures to validate DHA's management response to the findings and recommendations and, accordingly, we do not express an opinion on DHA's management response.

Sac NAACP's response to the fiscal monitoring agreed-upon procedures report is included in ATT 4 – *Sac NAACP's Response*. We did not perform procedures to validate Sac NAACP's response and, accordingly, we do not express an opinion on Sac NAACP's response.

Ethan Dye, Director
May 19, 2025

This report is intended solely for the use of the Sacramento County Board of Supervisors, 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,

CHAD RINDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Chief of Audits

Enclosures:

- ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned*
- ATT 2 – *Summary of Claimed, Disallowed and Questioned Costs*
- ATT 3 – *Current Findings and Recommendations*
- ATT 4 – *Sac NAACP's Response*

County of Sacramento
 Department of Human Assistance (DHA)
 The National Association for the Advancement of Colored People Sacramento (Sac NAACP)
 County Food Insecurity Pilot Program (CFIPP)
 Fiscal Monitoring Agreed-Upon Procedures (AUP)
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned
 For the period April 1, 2022 to June 30, 2023

Budget Categories	Approved Budget	Total Claimed Amount	Amount Tested	Disallowed ¹ Costs	Questioned ² Costs
Direct Salaries - Contractors					
Executive Director	\$ 32,400	32,400	9,000	32,400	
Business Compliance Officer	130,500	130,500	48,000	130,500	
Accountant	28,650	28,650	12,000	21,650	7,000
Chef Advisor	26,000	26,000	8,000	14,000	12,000
Administrative Assistant	52,000	52,000	18,992	52,000	
Total Direct Personnel and Other	\$ 269,550	269,550	95,992	250,550	19,000
Direct Program Costs and Expenses					
Dine-In 2 - Meal Kits	\$ 2,067,450	2,005,370	1,065,590	387,665	1,617,705
Digital Marketing and Outreach					
Graphic Design/Web	9,000	9,000	9,000		3,000
Printing/Copies	667	667	200		200
Total Program Costs and Expenses	\$ 2,077,117	2,015,037	1,074,790	387,665	1,620,905
Total Direct Personnel and Program Expenses	\$ 2,346,667	2,284,587	1,170,782	638,215	1,639,905
Indirect Costs³	\$ 153,333	153,333	94,624	63,822	88,864
Total⁴	\$ 2,500,000	2,437,920	1,265,406	702,037	1,728,769

¹ Disallowed Costs represents items disallowed as a result of our testing of Sac NAACP budget line items reviewed under claims submission. See Finding #5 at ATT 3 - *Current Findings and Recommendations* for the detail.

² Questioned Costs represents items questioned as a result of our testing of Sac NAACP budget line items reviewed under claims submission. See Finding #5 at ATT 3 - *Current Findings and Recommendations* for the detail.

³ Per CFIPP Agreement, Sac NAACP was allowed to claim 10% indirect costs of direct cost, up to the budgeted amount of \$153,333.

⁴ Additional disallowed and questioned costs beyond total claim amount tested are additional identified costs that are not allowed by the CFIPP Agreement or inadequate supporting documents provided.

County of Sacramento
 Department of Human Assistance (DHA)
 The National Association for the Advancement of Colored People Sacramento (Sac NAACP)
 Food Insecurity - Outreach and Education (FIOE)
 Fiscal Monitoring Agreed-Upon Procedures (AUP)
 Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned
 For the period April 1, 2022 to June 30, 2023

Budget Categories	Approved Budget	Total Claimed Amount	Amount Tested	Disallowed ¹ Costs	Questioned Costs
Direct Salaries - Contractors					
Outreach and Community Engagement Liaison	\$ 86,400	86,400	36,000	86,400	
Program Coordinator	60,000	60,000	25,000	60,000	
Marketing Consultant	93,600	93,600	39,000	93,600	
Workshop Coordinator	6,000	6,000	2,500	6,000	
Total Direct Personnel and Other	\$ 246,000	246,000	102,500	246,000	
Direct Services/Support Costs					
Permits/Event Space/Staff	\$ 1,000				
Outreach Partnerships	1,200				
Promotional Expenses	200				
Graphic Design	200				
Miscellaneous (Mileage, utilities, etc.)	800				
Workshop Presenters	600				
Total Direct Program Costs	\$ 4,000				
Total²	\$ 250,000	246,000	102,500	246,000	

¹ Disallowed Costs represents items disallowed as a result of our sample testing of Sac NAACP budget line items reviewed under claims submission. See Finding #5 at ATT 3 - *Current Findings and Recommendations* for the detail.

² Additional disallowed cost beyond total claim amount tested is additional identified costs that are not allowed by the FIOE Agreement.

County of Sacramento
 Department of Human Assistance (DHA)
 The National Association for the Advancement of Colored People Sacramento (Sac NAACP)
 Fiscal Monitoring Agreed-Upon Procedures (AUP)
 Summary of Claimed, Disallowed and Questioned Costs
 For the period April 1, 2022 to June 30, 2023

Program/Period	Total Claimed Amount	Disallowed Costs	Questioned Costs
<u>County Food Insecurity Pilot Program</u>			
April 1, 2022 to June 30, 2023	\$ 2,437,920	702,037	1,728,769
<u>Food Insecurity - Outreach and Education</u>			
April 1, 2022 to June 30, 2023	246,000	246,000	
Total	<u>\$ 2,683,920</u>	<u>948,037</u>	<u>1,728,769</u>

County of Sacramento
 Department of Human Assistance (DHA)
 The National Association for the Advancement of Colored People Sacramento (Sac NAACP)
 Fiscal Monitoring Agreed-Upon Procedures (AUP)
 Current Findings and Recommendations

FINDING SECTION

1. DOCUMENTATION

Criteria

Per the County Food Insecurity Pilot Program (CFIPP) Agreement Exhibit C, *“CONTRACTOR (The National Association for the Advancement of Colored People – Sacramento referenced in this attachment as “Sac NAACP”) shall keep documentation to substantiate all charges for line items claimed on the County of Sacramento Department of Human Assistance’s (DHA) Electronic Claim Form (ECF). Documentation may include timesheets for personnel used in this Contract, receipts, invoices, restaurant food purchase costs or bills for items claimed. Documentation shall be made available to DHA upon request or provided to an auditor in case of an audit.”*

Per the Food Insecurity Outreach and Education (FIOE) Agreement Exhibit C, *“SUB-RECIPIENT (Sac NAACP) shall keep documentation to substantiate all charges for line items claimed on the ECF. Documentation may include, but not be limited to: timesheets and paystubs for personnel used in this Agreement, receipts, invoices or bills for items claimed. Documentation shall be made available to DHA upon request or provided to an auditor in case of an audit within 5 business days.”*

Per the Audits and Records section of DHA’s CFIPP and FIOE agreements (Agreements), *“Upon COUNTY’s request, COUNTY or its designee shall have the right at reasonable times and intervals to audit and/or monitor and review, at CONTRACTOR’s (Sac NAACP’s) premises, CONTRACTOR’s (Sac NAACP’s) financial and program records as COUNTY deems necessary to determine CONTRACTOR’s (Sac NAACP’s) compliance with legal and contractual requirements and correctness of claims submitted by CONTRACTOR (Sac NAACP). CONTRACTOR (Sac NAACP) shall maintain such records for a period of five (5) years following termination of the Contract, and shall make them available for copying upon COUNTY’s request...”*

Condition

County of Sacramento Department of Finance, Internal Audit Unit (“we” and “us”) provided a written list of document requests on April 2, 2024, to Sac NAACP regarding our fiscal monitoring Agreed-Upon Procedures (AUP). Sac NAACP’s parent organization, the National Association for the Advancement of Colored People (NAACP), informed us that counsel from Latham & Watkins LLP (Sac NAACP’s counsel) will be responsible for production of our requested documents for this AUP.

County of Sacramento
Department of Human Assistance (DHA)
The National Association for the Advancement of Colored People Sacramento (Sac NAACP)
Fiscal Monitoring Agreed-Upon Procedures (AUP)
Current Findings and Recommendations

Sac NAACP's counsel informed us that most of our requested documents were not in Sac NAACP's possession, custody, and control. Sac NAACP's counsel stated that the Sac NAACP personnel who supervised or administered CFIPP and FIOE were no longer associated with Sac NAACP. They further stated that crucial documents relevant to the fiscal monitoring AUP were in possession, custody, or control of certain former Sac NAACP personnel. Initially, the Sac NAACP counsel stated that they made several requests for documents to certain former Sac NAACP personnel but received no responses to such requests. Sac NAACP's counsel also stated that Sac NAACP had no authority over or ability to compel the former Sac NAACP Personnel to provide responsive information and documents in their possession, custody, or control.

Sac NAACP's counsel initially provided some requested documents in Sac NAACP's possession, custody, and control. Subsequently, on January 17, 2025, Sac NAACP's counsel communicated that certain former Sac NAACP personnel cooperated with their request and as such, Sac NAACP counsel provided additional supporting documentation to us on February 28, 2025. We reviewed the additional supporting documents and noted most of the requested documents have still not been provided.

Effect

Sac NAACP did not comply with the Agreements with the County by providing all requested documentation for the AUP. Also, Sac NAACP did not comply with the Agreements by maintaining CFIPP and FIOE's financial and program records for five (5) years following termination of the Agreements.

We were not able to ascertain the current existence of the unavailable requested documentation. As part of the fiscal monitoring AUP, substantial time was afforded to Sac NAACP and its counsel to locate and produce the requested documents, however not all requested documents were received. Without most of the requested documentation, we were not able to fully perform the AUP.

Recommendation

See Recommendation Section of this Attachment.

DHA's Management Response

See Recommendation Section of this Attachment.

County of Sacramento
Department of Human Assistance (DHA)
The National Association for the Advancement of Colored People Sacramento (Sac NAACP)
Fiscal Monitoring Agreed-Upon Procedures (AUP)
Current Findings and Recommendations

2. INTERNAL CONTROLS

Criteria

Per Title 2 Code of Federal Regulations Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Section 200.320, "The non-Federal entity (Sac NAACP) must have and use documented procurement procedures, consistent with the standards of this section [Methods of procurement to be followed] and §§ 200.317, 200.318, and 200.319 for any of the following methods of procurement used for the acquisition of property or services required under a Federal award or sub-award."

Per Uniform Guidance Section 200.303 parts (a) and (e), "The non-Federal entity (Sac NAACP) must: (a) Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award... and (e) Take reasonable measures to safeguard protected personally identifiable information..."

Per CFIPP Agreement Section XXII, G. "If this Contract includes County of Sacramento General Fund it is understood that COUNTY will require CONTRACTOR (Sac NAACP) to subject all records of revenue or expenditures under this Contract to 2 CFR 200 (Uniform Guidance) compliance requirements, unless CONTRACTOR has obtained prior written approval from COUNTY to the contrary."

Per FIOE Agreement Section XXI, F. "This Agreement includes Federal ARPA funding, therefore, it is understood that all records of revenue or expenditures under this Agreement shall be subject to compliance with Title 2 Code of Federal Regulations Part 200 - Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (hereinafter referred to as 2 CFR 200)."

Condition

We requested Sac NAACP's written policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, subaward process, and financial report preparation. Sac NAACP's counsel provided NAACP's written "Unit Financial and Bookkeeping Guide." The Unit Financial and Bookkeeping Guide is intended for all NAACP's units that include Sac NAACP but is not specific for Sac NAACP. The Guide covers vendor payments, payroll, general ledger, and financial report preparation procedures but does not cover purchasing, claim submissions, cost allocation, and subaward. Since we could not obtain Sac NAACP's written purchasing, claim submissions, cost allocation, and subaward policies and procedures, we could not review and/or determine if there were written documents for its personnel to follow.

County of Sacramento
Department of Human Assistance (DHA)
The National Association for the Advancement of Colored People Sacramento (Sac NAACP)
Fiscal Monitoring Agreed-Upon Procedures (AUP)
Current Findings and Recommendations

We also requested Sac NAACP's written procedures for program participant eligibility verification and services provided for its programs for DHA's CFIPP and FIOE agreements. Sac NAACP's counsel only provided Sac NAACP's written standard operating procedures for CFIPP. However, Sac NAACP's counsel did not provide any written procedures for participant eligibility verification for both CFIPP and FIOE nor service procedures for FIOE.

Effect

Without pertinent written policies and procedures, Sac NAACP does not appear to have had sufficient controls to operate CFIPP and FIOE properly. Inadequate internal controls can lead to operation inefficiency, non-compliance, incorrect claims, and disallowed costs.

Recommendation

See Recommendation Section of this Attachment.

DHA's Management Response

See Recommendation Section of this Attachment.

3. FINANCIAL STATEMENTS

Criteria

Per CFIPP Agreement Section XXXIII and FIOE Agreement Section XXXII, "CONTRACTOR (Sac NAACP) shall submit to DIRECTOR (DHA) an annual financial and compliance audit prepared by an independent accounting firm if the maximum total payment amount is \$100,000 or more...The annual audit shall be submitted to DIRECTOR (DHA) within six months of the end of each fiscal year of this Agreement."

Condition

We requested Sac NAACP's annual audits for the years ended December 31, 2022, and 2023, respectively. Sac NAACP's counsel indicated that NAACP has not identified any documents in its possession, custody, and control relating to Sac NAACP's financial audits that it conducted for the year ended 2022 or 2023, respectively.

Effect

No submission of audited reports by Sac NAACP resulted in non-compliance with the Agreements. DHA did not have timely financial audit reports available to assess Sac NAACP's financial condition and compliance with the Agreements.

Recommendation

See Recommendation Section of this Attachment.

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DHA's Management Response

See Recommendation Section of this Attachment.

4. GENERAL LEDGER

Criteria

Per Uniform Guidance Section 200.302 part (a) “...*the other non-Federal entity (Sac NAACP)’s financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit...and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award.*” Part (b) noted “*The financial management system of each non-Federal entity (Sac NAACP) must provide for the following... (1) Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received.*”

Proper internal controls indicate general ledger should agree to the monthly invoice claims and year-to-date invoice claim amounts at the end of the period for these Agreements. The general ledger should be reconciled to the invoice claims on a monthly basis. Any differences should be researched and resolved in a timely manner.

Condition

Sac NAACP's counsel provided a copy of Sac NAACP's general ledger for the period under review. However, Sac NAACP's counsel indicated that Sac NAACP has not identified any documents in its possession, custody, and control, relating to expense reconciliations between the general ledger and invoice claims. As such we could not determine if Sac NAACP performed expense reconciliation between the general ledger and invoice claims. The general ledger included transactions for CFIPP, FIOE, and other activities. It appeared that Sac NAACP did not use any specific accounts or codes in the accounting records to separately track the CFIPP and FIOE's transactions. Therefore, we were not able to identify any transactions from the general ledger that have been included in Sac NAACP's CFIPP and FIOE's invoice claims. Also, Sac NAACP's total claimed amounts did not agree with its general ledger.

Effect

By not tracking expenses and not reconciling the general ledger to the invoice claims, Sac NAACP could have made invoice claim errors and omissions and not be in compliance with the Agreements and Uniform Guidance. Also, an unreconciled general ledger may not be considered as supporting documentation for the invoice claims.

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As described in Finding #5, we identified significant questioned and disallowed costs from invoice claims testing procedures.

Recommendation

See Recommendation Section of this Attachment.

DHA's Management Response

See Recommendation Section of this Attachment.

5. CLAIMS SUBMISSION

Criteria

Both CFIPP and FIOE Agreements' Conflict of Interest sections states: *"CONTRACTOR/SUB-RECIPIENT (Sac NAACP) and Sac NAACP's officers and employees shall not have a financial interest, or acquire any financial interest, direct or indirect, in any business, property, or source of income which could be financially affected by or otherwise conflict in any manner or degree with the performance of services required under this Contract."*

Both CFIPP and FIOE Agreements' Subcontracts and Assignment section of Contract Agreements note: *"CONTRACTOR/SUB-RECIPIENT (Sac NAACP) is required to have, and must provide COUNTY with a copy of, executed contracts between CONTRACTOR/SUB-RECIPIENT (Sac NAACP) and all subcontractors used to provide services for this Contract, outlining responsibilities, budget, and all other terms of the Contract to which the subcontractor must conform."*

Per Uniform Guidance Section 200.459, *"Cost of professional and consultant services rendered by persons who are members of a particular profession or possess a special skill, and who are not officers or employees of the non-Federal entity (Sac NAACP), are allowable, subject to paragraph (b) and (c)..."* Under 200.459 (b) (8), *"In determining allowability of costs...the following factors are relevant: Adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions)."*

Per CFIPP Agreement, Exhibit A, Section IV, *"CONTRACTOR (Sac NAACP) shall ensure: ... Verify participant eligibility and ensure requirements are associated with economic harm due to COVID-19...Restaurants will verify eligible participants on CONTRACTORS list prior to providing meal services..."*

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The Compliance with Laws section of the CFIPP and FIOE Agreements states:
“CONTRACTOR/SUB-RECIPIENT (Sac NAACP) shall observe and comply with all applicable Federal, State, and County laws, regulations and ordinances.”

Per Exhibit A to CFIPP Agreement, Section 3 Item #4, *“CONTRACTOR (Sac NAACP) shall ensure subcontracted restaurants/caterers etc.: Operate within the Sacramento County line.”*

CFIPP and FIOE Agreements require the CONTRACTOR/SUB-RECIPIENT (Sac NAACP) to keep documentation to substantiate all charges for line items claimed on the ECF. Documentation shall be made available to DHA upon request or provided to an auditor in case of an audit.

Condition

As described in Finding #4, since general ledger and invoice claims were not reconciled, we did not select a sample of expense transactions from the general ledger for testing. Instead, we traced and tested all claimed line items on the invoice claims to supporting documentation from the below months.

CFIPP: April 2022, August 2022, September 2022, October 2022, March 2023, and June 2023

FIOE: April 2022, August 2022, September 2022, October 2022, and March 2023

Based on the above procedures, we noted the following issues:

CFIPP

Direct Salaries – Contractors Line Item

Direct salaries expense - contractors line item is for Sac NAACP's CFIPP contractors' cost. Sac NAACP contracted with six (6) contractors to serve as executive director, administrative assistant, business compliance officer, accountant, and chef advisor for CFIPP. These contractors submitted monthly invoices to Sac NAACP for their CFIPP work. Sac NAACP paid the contractors' monthly invoices and included the contractors' invoice payments to its monthly CFIPP invoice claim, Direct Salaries – Contractors Line Item submitted to DHA.

We inquired with Sac NAACP's counsel about Sac NAACP contractors' contract award and monitoring process as the requested policies and procedures were not provided as described at Finding #2. We further inquired with Sac NAACP's counsel about the roles and responsibilities of Sac NAACP personnel related to oversight and management of its

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CFIPP contractors. Sac NAACP's counsel reported that the individuals who were involved with CFIPP were no longer associated with Sac NAACP and current Sac NAACP personnel would not have the knowledge to address inquiries nor have access to documents requested related to DHA's programs. Thus, we could not review the contract awarding and monitoring process for Sac NAACP.

We identified \$85,992 claimed direct salaries – contractors' expenses from our testing sample of \$95,992 were costs for contractors owned or operated by individuals who appears to have a direct financial relationship with Sac NAACP's personnel during the CFIPP Agreement period. Sac NAACP personnel who appeared to have a direct financial relationship with the contractors included Sac NAACP's former president who signed the CFIPP Agreement during the Agreement period. It appears that this conflicts with the CFIPP Agreement which did not allow Sac NAACP personnel to have any financial interest from CFIPP. Therefore, any CFIPP costs for Sac NAACP Contractors who were either owned by or had direct financial interest with Sac NAACP personnel are disallowed costs for the CFIPP. We further identified four (4) out of six (6) Sac NAACP's CFIPP contractors totaling \$250,550 claimed direct salaries – contractors' expenses for the entire CFIPP invoice claims appeared either owned by or operated by individuals who had direct financial relationships with Sac NAACP's personnel during the CFIPP Agreement period. We therefore consider the \$250,550 of CFIPP direct salaries – contractors' expenses as a disallowed cost. See Table 1 and Table 2 of this attachment.

Sac NAACP's counsel indicated that Sac NAACP has not identified any documents in its possession, custody, and control, relating to copies of all executed contracts between Sac NAACP and its CFIPP contractors. We were only provided with one (1) out of six (6) contractors' contracts. We thus could not verify if there were any executed contracts for services and the contracted pay rates for five (5) out of six (6) contractors. For the one (1) contract provided, we noted inconsistencies between the contract, invoices, and ECFs. Therefore, we could not verify all contractor contracts, pay rates, and the validity of the contracts' costs. Accordingly, we consider all claimed contractors' costs in the amount of \$269,550 are questioned costs. As we identified \$250,550 disallowed claimed contractors' costs, the net questioned CFIPP direct salaries - contractors' cost is \$19,000 (\$269,550 - \$250,550). See Table 1 and Table 2 of this attachment.

Several discrepancies were noted between listed contractors on ECFs versus contractor invoices or listed positions on the ECFs versus contractor invoices. Several discrepancies between hours, hourly rates, and amounts on ECFs were noted versus information on contractor invoices. In addition, we did not receive all the support documents for our testing sample. A \$16,000 claim submitted on May 2023 ECF for April 2023 correction appeared to be a duplicate claim for April 2023. The total amount of discrepancies is \$72,737 for sample months reviewed. Sac NAACP's counsel did not provide a response to our explanation request for the discrepancies. The discrepancies are considered as

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questioned costs and have already been included in the above identified \$250,550 disallowed cost.

Dine-In-2 Meal Kits Line Item

Sac NAACP contracted with 14 catering companies to prepare and provide meal kits to CFIPP's eligible participants. The catering companies submitted monthly invoices to Sac NAACP that list the number of meal kits served to CFIPP participants. Sac NAACP paid the catering companies' monthly invoices and included the catering companies' invoice payments to its monthly CFIPP invoice claim, Dine-In-2 (DI2) Meal Kits line item submitted to DHA.

We inquired with Sac NAACP's counsel about Sac NAACP's contract award and monitoring process for the catering companies as the requested policies and procedures were not provided as described in Finding #2. We further inquired with Sac NAACP's counsel about the roles and responsibilities of Sac NAACP personnel related to oversight and management of the catering companies. Sac NAACP's counsel indicated that the Sac NAACP personnel who were involved with CFIPP were no longer associated with Sac NAACP and current Sac NAACP personnel would not have the knowledge to address inquiries nor have access to documents requested related to DHA programs. Except for receiving an application from one (1) catering company that applied to provide services for CFIPP, we were not provided with other documents to review related to the catering companies' contract award and monitoring process for Sac NAACP.

We requested a copy of the executed contracts between Sac NAACP and its catering companies; however, we only received a copy of an executed contract with one (1) of fourteen (14) contracted catering companies.

Since Sac NAACP did not claim DI2 Meal Kit expenses for April 2022, we requested Sac NAACP to provide DI2 Meal Kits participant signature sheets for August 2022, September 2022, October 2022, March 2023, and June 2023 (total 5 months) as a sample for our testing. However, Sac NAACP's counsel indicated that Sac NAACP has not identified any documents in its possession, custody, and control, relating to the majority of the requested participant signature sheets. We obtained some participant signature sheets from DHA and identified the missing participant signature sheets' DI2 Meal Kits expenses as questioned costs. These questioned costs were included as part of the total DI2 Meal Kits questioned cost and disallowed costs identified in this finding section.

Based on a review of the limited participant signature sheets, we noted issues with two (2) catering companies as described below.

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For Company A^a, it appeared that this catering company's participant daily signature sheets were copies of the first day of services for the entire months' claims for three (3) out of five (5) sample months. Many of the other two (2) months' daily participant signature sheets appeared signed by one person rather than each participant. The signatures were mostly initials in place of actual signatures. In addition, Company A's manager listed in the California Secretary of State's Business Search website appeared to be affiliated with FIOE Contractor 7 whose costs charged to FIOE are disallowed due to potential conflict of interest issue as described in Direct Salaries – Contractors Line Item section of this finding listed below (also see Table 1). Contractor 7 was listed as the agent and as the manager of Company A on forms downloaded from California Secretary of State. Also, Company A's initial filing date was May 31, 2022, which followed the commencing period of April 1, 2022 and contract execution date of June 13, 2022 for CFIPP contract with DHA. Accordingly, we consider Company A's all DI2 meal kits claims in the amount of \$230,736 as disallowed costs.

For Company B, it appeared that this catering company's several participant daily signature sheets were copies from other participant daily signature sheets for four (4) out of five (5) sample months. Some daily participant signature sheets appeared signed by one person rather than each participant and as such the daily total numbers of meals received were less than the actual claims for two (2) of four (4) days services provided for that month. We consider the DI2 meal kits claims from our testing sample supported by Company B's duplicated participant daily signature sheets and unsupported by participant daily signatures in the amount of \$35,052 as disallowed costs for those sample months reviewed.

In addition, one (1) catering company (Company C)'s California Franchise Tax Board (FTB) entity status was suspended before and during the CFIPP Agreement's period. Also, according to the California Secretary of State Business Search website, Company C was not a registered business of Sacramento County. A copy of a catering permit issued by Amador County's Environmental Health Department was included in the application submitted to Sac NAACP. The CFIPP Agreement requires catering companies to be operated within Sacramento County. The total meal kits reimbursement claimed for Company C was \$36,156. We consider the \$36,156 as disallowed costs.

The CFIPP Agreement requested Sac NAACP to verify participants' eligibility and ensure requirements are associated with economic harm due to COVID-19 and ensure the catering companies verified services were provided to eligible participants on a listing approved by the Sac NAACP. As described at Finding #2, Sac NAACP's counsel could

^a Company and Contractor names were not included in the report as the focus of the Agreed-Upon Procedures was to assess Sac NAACP's compliance with the agreements.

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not provide the program's eligibility verification policy and procedures. However, based on review of documents available, we noted information that may have been collected and considered for eligibility verification. Per the DI2 Program Final Report, prospective participants were asked to register for the program and complete a comprehensive questionnaire used for eligibility determination. Items that Sac NAACP indicated were included in its questionnaire were: gender, age, race, other resources received, number of people in household, household makeup, annual salary, dietary restrictions, dietary requirements, pandemic induced hardships, needs met for current month, and resources needed. Additionally, the DI2 program publication calling for initial applicants listed the following eligibility requirements: 1) Families and individuals experiencing food insecurity; 2) Those who are ineligible for other feeding programs; 3) Live in food desert; and 4) Reside in listed zip codes served.

We requested Sac NAACP's counsel to provide participant applications and a list of eligible participants approved by Sac NAACP for the program. Sac NAACP's counsel provided two (2) Excel files of downloaded form responses for July 2022 and then September/October 2022 (combined). Based on review of download form responses, the following items were included: number of people in the household, name of individuals in household, pandemic induced hardships, resources needed, and if a family is food insecure. We noted some eligibility requirements listed in the DI2 program publications (e.g. other resources received, annual salary, and ineligible for other feeding programs) were not included in the files provided and as such could not determine if these items were collected and considered. The review and approval process for participants approved to receive services was not documented or not provided.

We compared one month of participants served to the two (2) files and noted that there were participants served that were not listed in July 2022 or September/October 2022 downloaded form responses. These two (2) files of download form responses submitted by participants for services may not be the complete record for participant applications.

There were seven (7) participants with form responses that answered "no" to the question of whether they were experiencing hardship due to COVID-19 and six (6) participants with form responses that answered "no" to the question related to whether they were food insecure. The goal of CFIPP was to provide food assistance to eligible participants experiencing economic hardship due to COVID-19. Participants who answered "no" to the above questions indicated that they may be not eligible to the DI2 program. Therefore, the costs associated with these participants could be disallowed. Accordingly, based on available participant signature sheets and other document received, we identified total potential \$28,152 disallowed meal kits costs for the participants who answered "no" to experiencing hardship due to COVID-19. We also identified total potential \$57,569 disallowed meal kits cost for participants who answered "no" for food insecure.

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Based on DI2 Program Participant Guide, participants must recertify every six (6) weeks. Sac NAACP's counsel also provided one (1) file that may be related to the initial recertification of participants as file included data for August 2022 month and recertification dates of October 2022. We could not determine if participants recertified every six (6) weeks for the duration of the contract period.

Also, as described at Finding #2, Sac NAACP's counsel could not provide the program's eligibility verification policy and procedures. Without receiving all requested documentation, we could not perform testing to verify whether the participants served were eligible participants for this program. The total claimed amount for DI2 Meal Kits Line Item is \$2,005,370. We consider the total claimed DI2 Meal Kits amount as questioned costs. Since we have already identified \$387,665 (\$230,736 + 35,052 + \$36,156 + \$28,152 + \$57,569) disallowed costs from the DI2 Meal Kits Line Item, the net questioned cost for claimed DI2 Meal Kits is \$1,617,705 (\$2,005,370 - \$387,665).

Sac NAACP's counsel could not provide most of the requested supporting documentation to support the claims. Also, several catering company invoices provided by Sac NAACP were modified without explanation. We saw handwritten notes from Sac NAACP's accountant increasing or decreasing the quantity of meal kits and/or amounts listed on invoices from catering companies. Claims without proper supporting documents or modified without proper supporting documents are considered as questioned costs. Sac NAACP's counsel did not provide adequate explanations for the discrepancies in response to our request. Sac NAACP's counsel reported that the Sac NAACP personnel who were involved with CFIPP were no longer associated with Sac NAACP and current Sac NAACP personnel would not have the knowledge to address inquiries nor have access to documents requested related to DHA's programs. Any claims under DI2 Meal Kits Line Item without support or support with discrepancies are thus considered questioned costs. Claims to DI2 Meal Kits Line Item in above \$2,005,370 has been included as part of \$387,665 disallowed or \$1,617,705 questioned cost.

Digital Marketing & Outreach, Graphic Design/Web Line Item

Digital Marketing & Outreach – Graphic Design/Web Line Item is for Sac NAACP's expenditure types such as website fees, graphic design fees, etc. During our review of limited supporting documentation for a total claim of \$9,000 to this line item, we noted that supporting documentation for claimed expenses of \$3,000 for this line item was inadequate to justify the cost. As such, this amount was included as a questioned cost.

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Digital Marketing & Outreach, Printing/Copies Line Item

Digital Marketing & Outreach – Printing/Copies Line Item is for Sac NAACP's expenditure types such as printing materials, etc. Sac NAACP's counsel indicated that Sac NAACP has not identified any documents in its possession, custody, and control, relating to supporting documentation for claimed expenses for this line item. As such, the \$200 was included as a questioned cost.

Indirect Cost Line Item

We attempted to inspect Sac NAACP's cost allocation policies and procedures. However, as described at Finding #2, Sac NAACP's counsel indicated that Sac NAACP has not identified any documents in its possession, custody, and control, relating to Sac NAACP's written cost allocation policies and procedures. We could not review Sac NAACP's cost allocation practices or procedures for CFIPP claims.

In addition, we attempted to test a sample of indirect cost transactions from selected months. However, as described above, we were not able to do so. We assessed CFIPP's claimed indirect allocated costs based on the results of our procedures performed. Sac NAACP claimed fixed 10% de minimis rate for CPIFF's invoice claims' indirect costs. Accordingly, as results of the identified disallowed and questioned costs, we consider the claimed indirect costs related to the identified questioned and disallowed cost as questioned indirect cost in the amount of \$88,864 and disallowed indirect costs in the amount of \$63,822. See a summary of amounts disallowed and questioned from claims submission tested and other procedures performed at Table 4 of this attachment.

FIOE

Direct Salaries Line Item

Direct salaries expense - contractors line item is for Sac NAACP's FIOE contractors' costs. Sac NAACP contracted with four (4) contractors to serve as outreach and community engagement liaison, program coordinator, workshop coordinator, and marketing consultant for FIOE. These contractors submitted monthly invoices to Sac NAACP for their FIOE work. Sac NAACP paid the contractors' monthly invoices and included the contractors' invoice payments to its monthly FIOE invoice claim, Direct Salaries – Contractors Line Item submitted to DHA.

We inquired with Sac NAACP's counsel about Sac NAACP contractors' contract award and monitoring process as the requested policies and procedures were not provided as described at Finding #2. We further inquired with Sac NAACP's counsel about the roles

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and responsibilities of Sac NAACP officers related to oversight and management of its FIOE contractors. Sac NAACP's counsel reported that the individuals who were involved with CFIPP were no longer associated with Sac NAACP and current Sac NAACP personnel would not have the knowledge to address inquiries nor have access to documents requested related to DHA's programs. We were thus unable to review the contract award and monitoring process for Sac NAACP.

We identified \$102,500 claimed FIOE direct salaries – contractors' expenses from our testing sample months were costs for contractors who appeared either owned or operated by individuals who had direct financial relationships with Sac NAACP's personnel during the FIOE Agreement period. Sac NAACP personnel who appeared to have a direct financial relationship with the contractors included Sac NAACP's former president who signed the FIOE Agreement. The FIOE Agreement did not allow Sac NAACP personnel to have any financial interest from FIOE. Therefore, any FIOE costs for Sac NAACP Contractors who were either owned or operated by and had direct financial interest with Sac NAACP personnel are disallowed costs for FIOE. We further identified all four (4) Sac NAACP's FIOE contractors' \$246,000 total claimed direct salaries – contractors' expenses for the entire FIOE invoice claims as such contractors appeared to be owned or operated by individuals who had a direct financial relationship with Sac NAACP's personnel during the FIOE Agreement period. Consequently, we consider the \$246,000 of FIOE direct salaries – contractors' expenses as disallowed cost. See Table 1 and Table 3 of this attachment.

Sac NAACP's counsel indicated that Sac NAACP has not identified any documents in its possession, custody, and control, relating to copies of all executed contracts between Sac NAACP and its FIOE contractors. We therefore could not verify if there were contracts executed for services and the contracted pay rates. Also, Sac NAACP's counsel indicated that Sac NAACP has not identified any documents in its possession, custody, and control relating to most of the requested other supporting documentation for claims. Supporting documentation was not provided for \$40,500 out of \$102,500 total sample reviewed. In addition, based on review of limited supporting documents, we noted a discrepancy between the contractor listed on an ECF and invoicing contractor for one (1) out of five (5) sample months reviewed, discrepancies between one (1) listed position title on the ECFs and contractor invoices for three (3) out of five (5) sample months reviewed and discrepancies between amounts claimed on ECFs and contractor invoices for three (3) out of five (5) sample months reviewed. The total amount of discrepancies is \$47,300 for sample months reviewed. Claims without proper support documents or discrepancies without proper support documents are considered as questioned costs. However, all claimed FIOE direct salaries – contractors' expenses have already been considered as disallowed costs.

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See summary of amounts disallowed and questioned from review of claims submission at ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed, and Questioned*, and ATT 2 – *Summary of Claimed, Disallowed and Questioned Costs*.

Per definitions listed under Uniform Guidance 200.01, *“Disallowed costs means those charges to a Federal award that the Federal awarding agency or pass-through entity (County of Sacramento) determines to be unallowable, in accordance with the applicable Federal statutes, regulations, or the terms and conditions of the Federal award. “Questioned costs” means a cost that is questioned by the auditor because of an audit finding: (1) Which resulted from a violation or possible violation of a statute, regulation, or the terms and conditions of a Federal award... (2) Where the costs, at the time of the audit, are not supported by adequate documentation.”*

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Table 1: Summary of Amount Claimed and Disallowed/Questioned for Contractors

Contractors	Positions	Potential Affiliated Sac NAACP Personnel	Programs	Amount Claimed *	Amount Disallowed	Amount Questioned
Contractor 1	Executive Director	**	Former Sac NAACP President	CFIPP	\$ 32,400	32,400
	Administrative Assistant			CFIPP	32,000	32,000
	Outreach and Community Engagement Liaison		FIOE	86,400	86,400	
				<u>\$150,800</u>	<u>150,800</u>	
Contractor 2 ***	Business Compliance Officer Accountant	**	Former Sac NAACP Education Chair	CFIPP	\$ 64,000	64,000
				CFIPP	20,650	20,650
					<u>\$ 84,650</u>	<u>84,650</u>
Contractor 3 ***	Business Compliance Officer Accountant	**	Former Sac NAACP Education Chair	CFIPP	\$ 66,500	66,500
				CFIPP	1,000	1,000
					<u>\$ 67,500</u>	<u>67,500</u>
Contractor 4	Accountant			CFIPP	<u>\$ 7,000</u>	<u>7,000</u>
Contractor 5 ****	Chef Advisor	**	Former Sac NAACP Treasurer	CFIPP	\$ 14,000	14,000
	Administrative Assistant			CFIPP	20,000	20,000
	Program Coordinator			FIOE	60,000	60,000
	Workshop Coordinator			FIOE	2,500	2,500
					<u>\$ 96,500</u>	<u>96,500</u>
Contractor 6	Chef Advisor			CFIPP	<u>\$ 12,000</u>	<u>12,000</u>
Contractor 7 ***	Marketing Consultant	**	Former Sac NAACP Education Chair	FIOE	<u>\$ 93,600</u>	<u>93,600</u>
Contractor 8 ****	Workshop Coordinator	**	Former Sac NAACP Treasurer	FIOE	<u>\$ 3,500</u>	<u>3,500</u>

* Amount claimed were as reported on the Electronic Claim Forms for each contractor.

** Based on available information, it appears that these contractors were owned by or had direct financial relationship with NAACP personnel.

*** Contractor 2, 3, and 7 appeared to have direct financial relationship with a former Sac NAACP Education Chair.

**** Contractor 5 and 8 appeared to have direct financial relationship with separate former Sac NAACP Treasurers.

Program	Amount Claimed	Amount Disallowed	Amount Questioned
Total CFIPP	\$ 269,550	250,550	19,000
Total FIOE	246,000	246,000	
Grand Total	\$515,550	496,550	19,000

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Table 2: CFIPP Amount Disallowed and Questioned by Positions

Positions	Contractors	Amount Disallowed	Amount Questioned
Executive Director	Contractor 1	\$ 32,400	
Business Compliance Officer	Contractor 2	\$ 64,000	
	Contractor 3	66,500	
	Subtotal	\$ 130,500	
Accountant	Contractor 2	\$ 20,650	
	Contractor 3	1,000	
	Contractor 4		7,000
		\$ 21,650	7,000
Chef Advisor	Contractor 5	\$ 14,000	
	Contractor 6		12,000
	Subtotal	\$ 14,000	12,000
Administrative Assistant	Contractor 1	\$ 32,000	
	Contractor 5	20,000	
	Subtotal	\$ 52,000	
Total		\$ 250,550	19,000

Table 3: FIOE Amount Disallowed and Questioned by Positions

Positions	Contractors	Amount Disallowed	Amount Questioned
Outreach and Community Engagement Liaison	Contractor 1	\$ 86,400	
Program Coordinator	Contractor 5	\$ 60,000	
Marketing Consultant	Contractor 7	\$ 93,600	
Workshop Coordinator	Contractor 5	\$ 2,500	
	Contractor 8	3,500	
	Subtotal	\$ 6,000	
Total		\$ 246,000	

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Table 4: Disallowed and Questioned Indirect Costs (IC)

Budget Categories	Disallowed Costs	Rate	Disallowed IC	Questioned Costs	Rate	Questioned IC
Direct Salaries - Contractors	\$ 250,550	10.00%	25,055	19,000	10.00%	1,900
Direct Program Costs and Expenses - DI2 Meal Kits	387,665	10.00%	38,767	1,617,705	10.00%	86,964 *
Digital Marketing and Outreach - Graphic Design/Web		10.00%		3,000	10.00%	
Digital Marketing and Outreach - Printing/Copies		10.00%		200	10.00%	
Total	\$ 638,215		63,822	1,639,905		88,864

* Questioned indirect costs limited by budgeted amount of \$153,333 and less \$647 (10% of \$6,467 claims that were not disallowed or questioned).

Effect

Sac NAACP did not comply with the Agreements. As results of the noncompliance and inadequate supporting document, a total of \$1,728,769 (\$19,000 + 1,617,705 + \$3,000 + \$200 + \$88,864) questioned CFIPP costs and \$948,037 (\$250,550 + \$387,665 + \$63,822 + \$246,000) disallowed costs (\$702,037 CFIPP and \$246,000 FIOE) are identified.

Recommendation

See Recommendation Section of this Attachment.

DHA's Management Response

See Recommendation Section of this Attachment.

6. SUBCONTRACTS

Criteria

Both CFIPP AND FIOE Agreements' Subcontracts and Assignment section require that "CONTRACTOR/SUB-RECIPIENT (Sac NAACP) remains legally responsible for the performance of all Contract terms including work performed by third parties under subcontracts." Per Uniform Guidance Section 200.303, "The non-Federal (Sac NAACP) entity must: (c) Evaluate and monitor the non-Federal entity's (Sac NAACP's) compliance with statutes, regulations, and the terms and conditions of Federal awards."

Both CFIPP and FIOE Agreements' Subcontracts and Assignment section of Contract Agreements note: "CONTRACTOR/SUB-RECIPIENT (Sac NAACP) is required to have, and must provide COUNTY with a copy of, executed contracts between CONTRACTOR/SUB-RECIPIENT (Sac NAACP) and all subcontractors used to provide services for this Contract, outlining responsibilities, budget, and all other terms of the Contract to which the subcontractor must conform." Also, Exhibit D to the FIOE Agreement noted, "SUB-RECIPIENT (Sac NAACP) shall enter into a written contract

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when it purchases goods or services using ARPA funds...In addition to other provisions required by the Federal agency or non-Federal entity (County of Sacramento), all contracts made by the non-Federal entity (Sac NAACP) under the Federal award must contain 2 CFR Part 200 Appendix II provisions, listed in Exhibit E of this Agreement, as applicable.”

Condition

We attempted to review Sac NAACP's contract process and inspect Sac NAACP's subcontract monitoring activities for CFIPP and FIOE. However, Sac NAACP's counsel indicated that Sac NAACP has not identified any documents in its possession, custody, and control, relating to Sac NAACP's contract process and subcontractor monitoring policies and procedures. Sac NAACP's counsel also indicated that Sac NAACP has not identified any documents in its possession, custody, and control, relating to seven (7) of eight (8) Sac NAACP's contracts with its contractors for CFIPP and FIOE and 13 of 14 catering companies' CFIPP contracts, nor documentation of any contract monitoring. We reviewed a sample of Sac NAACP's subcontractors' claims and the supporting documentation for the selected months listed at Finding #5.

Effect

We reiterate the effect listed at Finding #2. Without documented policies and procedures, it does not appear Sac NAACP had adequate guidance to ensure compliance with the contract award and monitoring requirements of CFIPP and FIOE. Further, we identified issues in Finding #5 related to contracts awarded to contractors who appeared either owned or operated by individuals who had a direct financial relationship with Sac NAACP's personnel. This also included a contract awarded to a catering company that had a suspended status and operated outside of Sacramento County, which did not comply with the agreement. We could not determine whether Sac NAACP monitored its subcontractors as there were no documented monitoring reports provided. This resulted in further non-compliance with the agreement's requirements.

Also, without executed contracts, we could not determine if all applicable provisions and requirements of the DHA contract agreements were communicated to these independent contractors. Sac NAACP is required to appropriately include all relevant information to their contractors to comply with the Agreements and Uniform Guidance requirements.

Recommendation

See Recommendation Section of this Attachment.

DHA's Management Response

See Recommendation Section of this Attachment.

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7. COST ALLOCATION

Criteria

CFIPP Agreement noted that indirect costs would be reimbursed on a fixed 10% de minimis rate, unless Sac NAACP has an approved Federal indirect cost rate.

Condition

As described at Finding #2, we attempted to inspect Sac NAACP's cost allocation policies and procedures. However, as described at Finding #2, we did not obtain any documents relating to Sac NAACP's written cost allocation policies and procedures.

As described at Finding #5, we identified significant questioned and disallowed CFIPP indirect costs. The agreement for FIOE did not include a budget line item for indirect costs.

See amounts documented at ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned*.

Effect

Indirect costs were overclaimed and reimbursed as indirect costs were calculated at 10% of direct program costs that included disallowed or questioned costs.

Recommendation

See Recommendation Section of this Attachment.

DHA's Management Response

See Recommendation Section of this Attachment.

8. FUNDING SOURCES

Criteria

See first criteria listed at Finding #4.

Condition

Sac NAACP's counsel indicated CFIPP and FIOE were only funded by the County of Sacramento Agreements, which included both County General Funds and Federal Funds.

However, we could not verify Sac NAACP's counsel's response that other outside funding sources were not utilized, or expenditures were not duplicated by Sac NAACP to other

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funding sources as we could not complete an inspection of general ledger for the two (2) programs since it was not reconciled. See additional details at Finding #4.

Effect

We could not determine if there were any inappropriate or duplicated transactions included in the general ledger.

Recommendation

See Recommendation Section of this Attachment.

DHA's Management Response

See Recommendation Section of this Attachment.

RECOMMENDATION SECTION

Based on the agreed upon procedures we performed for this review, Sac NAACP did not comply with the terms required under the Agreements and Uniform Guidance. We identified **\$1,728,769 in questioned costs** and **\$948,037 in disallowed costs**.

Per CFIPP and FIOE Agreements' Compensation and Payment section, *"In the event of audit/review disallowance of any claim amount, regardless of funding source, COUNTY shall not be liable for any lost revenue resulting therefrom. CONTRACTOR/SUB-RECIPIENT (Sac NAACP) shall reimburse COUNTY in the amount of such disallowance within thirty (30) days..."* *"If a post-Contract audit, conducted in accordance with generally accepted auditing standards, or a post-Contract monitoring conducted by COUNTY, finds that the actual aggregate costs for services furnished pursuant to this Contract are lower than the payments made by COUNTY to CONTRACTOR/SUB-RECIPIENT (Sac NAACP), the difference shall be repaid by CONTRACTOR/SUB-RECIPIENT (Sac NAACP) forthwith by cash payment..."* **Accordingly, Sac NAACP must make reimbursement of \$948,037 for the disallowed costs to the County.**

Per CFIPP and FIOE Agreements' Compensation and Payment section, *"CONTRACTOR/SUB-RECIPIENT (Sac NAACP) shall maintain for five (5) years following termination of this Contract full and complete documentation of all services and expenditures associated with performing the services covered under this Contract. Expense documentation shall include, but is not limited to: time sheets or payroll records for each employee; receipts for supplies; applicable subcontract expenditures; applicable overhead and indirect expenditures."*

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Per CFIPP Agreement at Exhibit C, *“CONTRACTOR (Sac NAACP) shall keep documentation to substantiate all charges for line items claimed on the ECF (Electronic Claim Form). Documentation may include timesheets for personnel used in this Contract, receipts, invoices, restaurant food purchase costs or bills for items claimed. Documentation shall be made available to DHA upon request, or provided to an auditor in case of an audit.”*

Per FIOE Agreement at Exhibit C, *“SUB-RECIPIENT (Sac NAACP) shall keep documentation to substantiate all charges for line items claimed on the Electronic Claim Form. Documentation may include, but not limited to: timesheets and paystubs for personnel used in this Agreement, receipts, invoices or bills for items claimed. Documentation shall be made available to DHA upon request, or provided to an auditor in case of an audit within 5 business days.”*

Sac NAACP did not provide majority of requested documentation to substantiate its claims. **Accordingly, Sac NAACP should provide adequate supporting documentation to substantiate the \$1,728,769 questioned costs. Failure to provide proper supporting documentation could cause the \$1,728,769 questioned costs to be considered by DHA as disallowed costs.**

DHA should take immediate and appropriate remedial action. This remedial action could include but not be limited to

- Demand Sac NAACP to repay \$948,037 disallowed costs.
- Review the \$1,728,769 questioned costs with Sac NAACP and seek to obtain additional records to the extent that they are available to determine if the payments were proper or improper for those questioned costs. In making that determination, DHA should consider following U.S. Office of Management and Budget (OMB) Circular A-123, *Requirements for Payment Integrity Improvement* as guidance. Should insufficient information or lack of documentation continue to exist, and DHA determines payments to Sac NAACP were improper, DHA should seek return of those improper payments.
- Take all other remedies that are legally available.

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We also recommend DHA resolve all reported exceptions and non-compliance with Sac NAACP before awarding any new contract to Sac NAACP and NAACP. DHA should require Sac NAACP to provide the following items before awarding any new contract to Sac NAACP and NAACP:

- Written fiscal and program policies and procedures as listed in Finding #2
- Annual financial audit reports for 2022, 2023, and all subsequent years
- Demonstration of a system process of reconciliation of invoice claims to the general ledger
- Establishment of account codes tracking DHA's program transactions in the general ledger
- Demonstration of contract award and monitoring process that ensure that any contractors perform services were properly procured and selected

DHA's Management Response

The Department of Human Assistance (DHA) Management agrees with the Department of Finance (DOF) findings and recommendations. As identified in the Fiscal Monitoring Agreed-Upon Procedures (AUP), Sac NAACP did not comply with the terms required under the agreements and the Uniform Guidance. Due to these significant compliance failures, DHA will not conduct further business with Sac NAACP or NAACP until the reported findings are fully addressed and resolved.

To be reconsidered for future engagement, Sac NAACP or NAACP must provide the following documentation and assurances:

- Written fiscal and program policies and procedures as referenced in the AUP findings.
- Evidence of an established reconciliation process to ensure that all invoice claims are accurately reconciled to the general ledger.
- Implementation of a tracking mechanism within Sac NAACP's general ledger specific to DHA transactions.
- A comprehensive monitoring process for all contracts involving DHA funding.

Furthermore, DHA Management supports DOF's recommendation to demand that Sac NAACP repay \$948,037 and seek to obtain the supporting documentation of \$1,728,769 in questioned costs. If Sac NAACP fails to submit the necessary documentation by DHA's deadline, DHA will deem the payment improper and will also demand repayment of the questioned costs of \$1,728,769. Until these corrective actions are taken, and the disallowed and questioned costs amount is repaid, Sac NAACP and NAACP will remain ineligible for funding or partnership with DHA.

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LATHAM & WATKINS LLP

May 19, 2025

VIA E-MAIL

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Re: Sacramento NAACP Fiscal Monitoring Agreed-Upon Procedures Report

Dear Messrs. Rinde and Yu:

I write on behalf of our client, The Greater Sacramento National Association for the Advancement of Colored People ("Sac NAACP"), to provide a final response to your Fiscal Monitoring Agreed-Upon Procedures Report ("Report"), which I understand you soon intend to finalize and publish.

While the Report is highly critical of Sac NAACP in detailing a variety of alleged exceptions and instances of noncompliance with the Dine-In 2 Program contracts that were entered into in connection with the County Food Insecurity Pilot Program ("CFIPP") and the Food Insecurity Outreach and Education Program ("FIOE"), it omits certain central facts that are critical to the reader's understanding of the complete picture here. For that reason, we provide the following details to help the reader contextualize the Report and the observations set forth therein:

First, Sac NAACP relies upon and places its trust in the unpaid member volunteers who support its mission to bring about justice for all and its activity in support thereof; it has no paid employees or other personnel.

Second, and regrettably, that trust was broken by various of the (now former) Sac NAACP volunteers who were involved in the Dine-In 2 Program. Those volunteers acted without the authorization they were required to have from Sac NAACP as a whole to enter into the CFIPP and FIOE contracts. Pursuant to the Bylaws for Units of the National Association for the Advancement of Colored People ("NAACP Bylaws") in effect at the time those contracts were executed, Sac NAACP was not permitted to incur any "indebtedness exceeding \$300.00 per month in the aggregate . . . in the name of, or on behalf of the State/State-Area Conference or Branch unless by vote of the Executive Committee." NAACP Bylaws, Article V, § 15(b). This provision required Sac NAACP's Executive Committee to authorize execution of the Dine-In 2 Program contracts with the County of Sacramento. However, there is no evidence that Sac NAACP's Executive Committee provided the requisite approval. As such, the former Sac NAACP volunteers who

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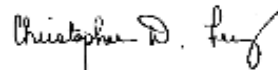
entered into the Dine-In 2 Program contracts on behalf of Sac NAACP did so without proper authority.

Third, because Sac NAACP did not maintain its own e-mail domain during the relevant time period, the volunteers involved in the Dine-In 2 Program used their own individual personal e-mail addresses when they conducted Sac NAACP business. They also personally and individually maintained all documents and other materials related to entering into the contracts at issue and thereafter administering the Dine-In 2 Program pursuant to those contracts. It is principally for this reason that facts and materials relevant to the underlying subject of the Report are scarcely known or accessible to Sac NAACP itself at this juncture.

Fourth, at all times, both Sac NAACP and The National Association for the Advancement of Colored People ("NAACP") acted prudently and responsibly. When indicia of inappropriate and nonconforming activity related to the contracts at issue first came to light, Sac NAACP immediately suspended the memberships of several Sac NAACP volunteers involved in the Dine-In 2 Program and noticed individual hearings to determine whether those memberships should be reinstated. And when the Sacramento County Department of Finance ("DOF") initiated the instant fiscal monitoring audit, both of those entities cooperated fully to the extent they were able to do so. Not only did Sac NAACP itself produce more than 1,158 pages of documents to DOF in response to its requests, but both Sac NAACP and NAACP also made repeated requests to the former volunteers involved in the Dine-In 2 Program to provide additional relevant materials believed to be solely in those individuals' personal possession, custody, and control. Those requests achieved only limited success, however, because both Sac NAACP and NAACP lack the power to compel those individuals to provide anything relevant to this exercise. Nonetheless, through these efforts, Sac NAACP was ultimately able to provide DOF with an additional 1,121 pages of documents to further its review of this matter.

Finally, owing to the above and to other reasons, the reality is that the true and complete story of what happened here is known only to those former Sac NAACP volunteers who were involved in the Dine-In 2 Program and who are no longer associated with either Sac NAACP or NAACP. As the Report makes clear, DOF made no effort itself to contact these former volunteers or to obtain any relevant materials directly from them. The Report therefore rests on an incomplete (and potentially misleading) record. Given that inescapable reality, to hold Sac NAACP responsible for any amount of disallowed costs and/or questioned costs as a result of the unauthorized, rogue actions of the former Sac NAACP volunteers who were involved in the Dine-In 2 Program would work a travesty of justice here.

Respectfully submitted,



Christopher D. Frey
of LATHAM & WATKINS LLP

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cc: Kyle Hammon, Senior Accounting Manager, DHA
Selina Lei, Accounting Manager, DHA
Janette McCarthy Wallace, General Counsel, NAACP
Anthony P. Ashton, Senior Associate General Counsel, NAACP
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