

# COUNTY OF SACRAMENTO

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

## INTERNAL AUDIT REPORT

**DEPARTMENT OF HEALTH SERVICES ISSUES  
NOTED DURING FISCAL MONITORING**

**SOUTHEAST ASIAN ASSISTANCE CENTER**



**Audit Committee Submittal Date: 01/28/2019**

## **SUMMARY**

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### **Background**

Federal Uniform Grant Guidelines require pass-through agencies to perform fiscal monitoring of sub-recipients of Federal funding. The Department of Health Services requested the Internal Audits Unit perform fiscal monitoring of its identified sub-recipient, Southeast Asian Assistance Center, to satisfy the Uniform Grant Guideline requirements.

### **Audit Objective**

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

### **Summary**

We noted several issues related to DHS's payment of invoice claims to Southeast Asian Assistance Center and DHS's cost allocation methodology regarding Southeast Asian Assistance Center's funding sources.

**Department of Finance**

Ben Lamera  
Director



**Auditor-Controller Division**

Joyce Renison  
Assistant Auditor-Controller

**County of Sacramento**

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*Inter-Departmental Memorandum*

December 19, 2018

To: Dr. Peter Beilenson  
Director of Health Services

From: Ben Lamera  
Director of Finance

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

A handwritten signature in black ink, appearing to be "H. Yu", is written over the name of the sender.

Subject: **DEPARTMENT OF HEALTH SERVICES ISSUES NOTED DURING THE REVIEW OF SOUTHEAST ASIAN ASSISTANCE CENTER TRANSLATION SERVICES AGREEMENTS FOR THE PERIODS OF JULY 1, 2015 TO JUNE 30, 2016, JULY 1, 2016 TO JUNE 30, 2017, AND JULY 1, 2017 TO FEBRUARY 28, 2018**

In connection with the agreed upon procedures with the Department of Health Services (DHS) for Southeast Asian Assistance Center's (SAAC) fiscal compliance, we noted issues that are specific to DHS with respect to the oversight of the contractual agreements (Agreements) listed below:

- Negotiated Rate Agreement Number Agreement Number 7202900-16-301 and A1 for interpretation and translation services to Sacramento County residents with mental disorders (a.k.a. Program Services) for the period from July 1, 2015 to June 30, 2016.
- Cost Reimbursement Agreement Number 7202900-17-301 for Program Services for the period from July 1, 2016 to June 30, 2017.
- Cost Reimbursement Agreement Number 720900-18-301 for Program Services for the period from July 1, 2017 to February 28, 2018.

DHS's management is responsible for ensuring that SAAC is in compliance with the requirements specified in the above Agreements.

The issues that we noted during our procedures are summarized as follows:

1. We noted an issue related to the tracking and allocation of Realignment, Mental Health Services Act (MHSA), and Substance Abuse Prevention and Treatment (SAPT) funding sources.
2. We noted an issue related to the variances between the expenditures reported in SAAC's general ledger and the amounts claimed by SAAC and paid by DHS. See Attachment I, *Comments and Recommendations*.

This report does not constitute an examination made in accordance with attestation standards established by the American Institute of Certified Public Accountants, and we do not express an opinion on any of the accounts or items reported in this report. This report only relates to issues about DHS's oversight of SAAC's Agreements we noted during our agreed-upon procedures engagement. However, we did not perform specific procedures to review DHS's oversight of SAAC's Agreements. Had we performed specific procedures to review DHS's oversight of SAAC's Agreements, other matters may have come to our attention that would have been reported to you.

This report relates only to DHS's oversight of SAAC's Agreements, and does not extend to any of DHS's other operations or programs as a whole.

DHS's management responses to the findings identified during our engagement are described in Attachment I, *Comments and Recommendations*. We did not perform procedures to validate DHS's management responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and DHS's management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Enclosures

Attachment I: *Comments and Recommendations*

County of Sacramento  
Department of Health Services  
Southeast Asian Assistance Center  
For the Periods July 1, 2015 to June 30, 2016, July 1, 2016 to June 30, 2017,  
and July 1, 2017 to February 28, 2018

Comments and Recommendations

**1. Invoice Claim Review**

Comment

During our engagement, we noted several line items claimed by Southeast Asian Assistance Center (SAAC) and paid by the Department of Health Services (DHS) exceeded SAAC's general ledger, resulting in questioned costs:

- I. In January 2016, salaries were over-claimed by \$1,857; rent was over-claimed by \$625; office expenses were over-claimed by \$313; mileage was over-claimed by \$248; allocated salaries were over-claimed by \$4,160.
- II. In June 2016, payroll taxes were over-claimed by \$3,498; insurance was over-claimed by \$474.
- III. In June 2017, salaries were over-claimed by \$754.
- IV. In January 2017, salaries were over-claimed by \$1,557.

The over-claimed amounts total \$13,486 ( $\$1,857 + \$625 + \$313 + \$248 + \$4,160 + \$3,498 + \$474 + \$754 + \$1,557$ ), resulting in questioned costs. Based on the over-claimed amounts described above, it appears that DHS is not properly reviewing SAAC's claims.

Proper internal controls indicate all invoice claims submitted to DHS be adequately reviewed and compared to SAAC's general ledger records prior to making any payments. Inadequate review of SAAC's invoice claims has caused DHS to overpay several invoice claims.

Recommendation

We recommend DHS compare SAAC's claims to their support prior to making any payments. Any differences between SAAC's support and the amount claimed should be researched and resolved in a timely manner prior to making payments.

DHS Management's Response

DHS will require SAAC to submit supporting documentation with its invoice claims, and any discrepancies will be researched and resolved in a timely manner prior to payment of invoice claims.

County of Sacramento  
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Comments and Recommendations

**2. Funding Source Allocations**

Comment

SAAC's Agreements with DHS are funded by Realignment, Mental Health Services Act (MHSA), and Substance Abuse Prevention and Treatment (SAPT) grants. We noted that the SAPT funding provided is a Federal funding source.

During our engagement, we noted that DHS allocates all three funding sources to SAAC's invoice claims by dividing the entire funding source amounts by twelve (12) months and distributing the amounts accordingly. Per our inquiry, DHS requests SAAC to perform translation services for DHS clients receiving program services from providers throughout the County of Sacramento. Services provided to clients are tracked in Avatar, DHS's billing system, based on types of services received from various funding sources and providers. However, we noted that the translation services are not tracked in Avatar for the respective services and clients. Accordingly, DHS is not tracking the translation services activities in a way that can be easily traced to the respective funding sources.

In accordance with Title 2 Code of Federal Regulations, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (a.k.a. Uniform Grant Guidelines), Part 200, Section 200.400:

*“(a) [DHS] is responsible for the efficient and effective administration of Federal awards through the application of sound management practices.”*

And Section 200.403:

*“...Costs must meet the following general criteria in order to be allowable under Federal awards:*

*(g) Be adequately documented...”*

And Section 200.405:

*(d) ... If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or costs, the cost should be allocated to the projects based on the proportional benefit...”*

Funding sources should be adequately tracked and allocated to reflect the proportional benefit of the respective services and to be in compliance with Uniform Grant Guidelines. By not properly allocating the funding sources, DHS is not in compliance and could lead to questionable or disallowable expenses.

County of Sacramento  
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Comments and Recommendations

Recommendation

We recommend DHS track SAAC's translation services (if possible, in Avatar) to ensure that Realignment, MHSA, and SAPT funding sources can be properly allocated to SAAC's invoice claim payments based on services performed.

DHS Management's Response

DHS will work with SAAC to explore viable options for tracking SAAC's interpretation and translation services, so that Realignment, MHSA, and SAPT funding sources can be appropriately allocated to SAAC's invoice claim payments based on services performed.