COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

NEXT MOVE HOMELESS SERVICES, INC.
FISCAL MONITORING
AGREED-UPON PROCEDURES

DEPARTMENT OF HUMAN ASSISTANCE

Audit Committee Submittal Date: 06/18/2026

SUMMARY

Background

This fiscal monitoring Agreed-Upon Procedures was requested by Department of Human Assistance (DHA) as Next Move Homeless Services, Inc. (Next Move) was assessed as a high risk subrecipient based on DHA's subrecipient risk assessment.

Audit Objective

To assist DHA in assessing Next Move's financial condition and compliance with the agreements between DHA and Next Move and to verify that monthly invoices submitted by Next Move are accurate and reasonable.

Summary

Based on our agreed-upon procedures performed, we identified concerns related to internal controls, audit compliance, and the adequacy of documentation supporting financial claims and program services.

Department of Finance
Chad Rinde
Director

County of Sacramento

Divisions
Auditor-Controller
Consolidated Utilities Billing & Service
Investments
Revenue Recovery
Tax Collection & Licensing
Treasury

April 16, 2026

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

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Dear Mr. Dye:

We have performed the procedures enumerated below, which were requested and agreed to by Department of Human Assistance (DHA) regarding Next Move Homeless Services, Inc.'s (NMHS) fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

- Emergency Shelter for Families
  - DHA-NM-01-21 for the period July 1, 2020 to June 30, 2021
  - DHA-NM-01-22 for the period July 1, 2021 to June 30, 2022
  - DHA-NM-01-23 for the period July 1, 2022 to June 30, 2023
- Mather Community Campus
  - DHA-NM-03-21 for the period July 1, 2020 to June 30, 2021
  - DHA-NM-03-22 for the period July 1, 2021 to June 30, 2022
  - DHA-NM-03-23 for the period July 1, 2022 to June 30, 2023
- Aldolfo Transitional Housing Program for Former Foster Youth
  - DHA-NM-04-21 for the period of July 1, 2020 to June 30, 2021
  - DHA-NM-04-22 for the period of July 1, 2021 to June 30, 2022
  - DHA-NM-04-23 for the period of July 1, 2022 to June 30, 2023
- Transitional Housing Program for Families Experiencing Homelessness
  - DHA-NM-05-21 for the period of July 1, 2020 to June 30, 2021
  - DHA-NM-05-22 for the period of July 1, 2021 to June 30, 2022
  - DHA-NM-05-23 for the period of July 1, 2022 to June 30, 2023

- Flexible Housing Pool, Property Related Tenant Services, Project Room Key

    - DHA-PTRS-NM-06-21 for the period September 1, 2020 to June 30, 2021
    - DHA-PTRS-NM-06-22 for the period July 1, 2021 to June 30, 2022
    - DHA-PTRS-NM-07-21 for the period January 1, 2021 to June 30, 2021
    - DHA-PTRS-NM-07-22 for the period July 1, 2021 to June 30, 2022
    - DHA-PTRS-NM-07-23 for the period January 1, 2023 to June 30, 2023

- Motel Isolation and Quarantine Care Centers

    - DHA-NM-08-23 for the period July 1, 2022 to August 31, 2022
    - DHA-NM-10-23 for the period September 1, 2022 to December 31, 2022

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

DHA's management is responsible for monitoring NMHS compliance with the Agreements.

NMHS is responsible for compliance with the Agreements. In performing our AUP engagement, we have relied solely on representations provided by DHA relating to NMHS's responsibility for compliance with the Agreements.

DHA has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purposes of assessment of NMHS'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.

The procedures performed and our findings were as follows:

1. Internal Controls – We attempted to inspect NMHS' written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation for performing our procedures. We also attempted to inspect NMHS written procedures for clients' admission and release, program eligibility verification, and services provided for its programs listed in the Agreements.

    Result: NMHS did not provide written internal controls procedures for us to perform our procedures. See ATT 2, *Findings and Recommendations*.

2. Financial Statements and Audit Reports – Initially we requested annual financial audit and Single Audit reports for fiscal years ended December 31, 2021, 2022, and 2023 from NMHS to identify concerns or issues requiring your attention. However, NMHS did not provide the requested audit reports for our review. Alternatively,, we

obtained from the Federal Audit Clearinghouse and reviewed the annual financial audit and Single Audit reports for fiscal years ended December 31, 2021, 2022, and 2023.

Result: We identified non-compliance and other issues from NMHS's annual financial audit and Single Audit reports for the fiscal years ended December 31, 2021, 2022, and 2023. See ATT 2, *Findings and Recommendations*.

3. Claim Submissions - We inspected NMHS's monthly invoice claims for March 2021, June 2021, October 2021, January 2022, March 2022, June 2022, September 2022, March 2023, and May 2023. We haphazardly selected and tested a total of 30 participants/invoices per program year from the selected months as applicable.

   Result: We noted issues from our testing procedures. See ATT 1, *Schedule of Program Budgets, Claims Paid, Claims Tested, and Questioned Costs* and ATT 2, *Findings and Recommendations*.

4. General Ledger - We traced NMHS' total claimed amounts to its general ledger for each contract year under review.

   Result: We noted issues from our procedures. See ATT 2, Findings and Recommendations.

5. Subrecipient Monitoring – We attempted to review NMHS' subrecipient monitoring plan and inspect NMHS's subrecipient monitoring activities including review of subrecipient claims and the supporting documentation on a sample basis.

   Result: We noted that the Agreements did not have subrecipients. Therefore, we did not perform this procedure and thus did not note any exceptions.

6. Cost Allocations – We attempted to inspect NMHS' cost allocation policies and procedures to identify any concerns or issues. We tested samples from Procedure # 3 above to identify any issues related to cost allocation.

   Result: NMHS did not provide its cost allocation policies and procedures; therefore, we were unable to inspect them. However, based on our transaction testing, we did not identify any issues related to cost allocation.

7. Funding Sources – We inspected NMHS general ledger and financial statements to identify any duplicative funding for the services provided.

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

We were engaged by DHA to perform this agreed-upon procedures engagement and conducted our engagement in accordance with the standards for attestation engagements contained in Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States of America. An agreed-upon procedures 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 conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on NMHS's financial condition, compliance with the Agreements, and accuracy of invoice claims. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of NMHS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

DHA's management responses to the findings identified during our engagement are described in ATT 2 – Findings and Recommendations. We did not perform procedures to validate DHA'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 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 Program Budgets, Claims Paid, Claims Tested, and Questioned Costs*
ATT 2 – *Findings and Recommendations*

County of Sacramento
Department of Human Assistance
Next Move Homeless Services, Inc
Fiscal Monitoring Agreed-Upon Procedures
Schedule of Agreement Budgets, Claims Paid, Claims Tested, and Questioned Costs
For the Period of July 1, 2020 to June 30, 2023

Agreement Period		Agreement * Budget	Claims * Paid	Claims * Tested	Questioned * Costs
Emergency Shelter for Families					
DHA-NM-01-21	July 1, 2020 to June 30, 2021	$ 833,748	832,642	147,977	-
DHA-NM-01-22	July 1, 2021 to June 30, 2022	833,748	833,748	275,447	-
DHA-NM-01-23	July 1, 2022 to June 30, 2023	833,748	833,748	145,021	-
Total		2,501,244	2,500,138	568,445	-
Mather Community Campus					
DHA-NM-03-21	July 1, 2020 to June 30, 2021	2,234,696	2,182,635	392,593	-
DHA-NM-03-22	July 1, 2021 to June 30, 2022	2,321,818	2,279,052	806,850	-
DHA-NM-03-23	July 1, 2022 to June 30, 2023	2,247,022	2,107,585	361,096	-
Total		6,803,536	6,569,272	1,560,539	-
Adolfo Transitional Housing Program for Former Foster Youth					
DHA-NM-04-21	July 1, 2020 to June 30, 2021	1,987,785	1,637,237	374,383	
DHA-NM-04-22	July 1, 2021 to June 30, 2022	1,987,785	1,735,596	515,516	1,100
DHA-NM-04-23	July 1, 2022 to June 30, 2023	2,136,985	1,976,117	326,473	350
Total		6,112,555	5,348,950	1,216,372	1,450
Transitional Housing Program for Families Experiencing Homelessness					
DHA-NM-05-21	July 1, 2020 to June 30, 2021	720,780	709,178	159,229	-
DHA-NM-05-22	July 1, 2021 to June 30, 2022	720,780	660,837	281,051	1,695
DHA-NM-05-23	July 1, 2022 to June 30, 2023	720,780	700,789	96,118	-
Total		2,162,340	2,070,804	536,398	1,695
Flexible Housing Pool, Property Related Tenant Services, Project Room Key					
DHA-PTRS-NM-06-21	Sept 1, 2021 to June 30, 2021	1,820,000	1,480,702	546,647	-
DHA-PTRS-NM-06-22	July 1, 2021 to June 30, 2022	2,260,455	2,190,150	717,251	-
Total		4,080,455	3,670,852	1,263,898	-
Flexible Housing Pool, Property Related Tenant Services					
DHA-PTRS-NM-07-21	Jan 1, 2021 to June 30, 2021	475,000	157,766	96,007	-
DHA-PTRS-NM-07-22	July 1, 2021 to Dec 31, 2022	2,160,621	1,787,335	462,663	1,606
DHA-PTRS-NM-07-23	Jan 1, 2023 to June 30, 2023	348,429	197,836	19,538	-
Total		2,984,050	2,142,937	578,208	1,606
Motel Isolation and Quarantine Care Centers					
DHA-NM-08-23	July 1, 2022 to August 31, 2022	608,344	553,040	-	-
DHA-NM-10-23	Sept 1, 2022 to Dec 31, 2022	1,197,064	1,089,680	276,000	-
Total		1,805,408	1,642,720	276,000	-
	Grand Total	**$ 26,449,588**	**23,945,673**	**5,999,860**	**4,751**

*Amounts rounded to the nearest dollar.

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Current Findings and Recommendations
For the Period of July 1, 2020 to June 30, 2023

1. INTERNAL CONTROLS

Criteria
Since a portion of the Agreements (Agreements) between Department of Human Assistance (DHA) and Next Move Homeless Services, Inc. (NMHS) is Federal funded, NMHS is required to comply with Title 2 Code of Federal Regulations Part 200 (2 CFR 200) *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (commonly known as the Uniform Guidance).

Additionally, per the Agreements, *"If this Contract includes County of Sacramento General Fund it is understood that COUNTY will require CONTRACTOR* (NMHS) *to subject all records of revenue or expenditures under this Contract to 2 CFR 200 compliance requirements, unless CONTRACTOR has obtained prior written approval from COUNTY to the contrary".*

Accordingly, the Agreements require NMHS to comply with 2 CFR 200.

Per 2 CFR 200.320, "*The non-Federal entity (*NMHS*) 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 2 CFR 200.303 parts (a) and (e), "*The non-Federal entity* (NMHS) *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*…"

Condition
We requested NMHS to provide its written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, financial report preparation, clients' admission and release, program eligibility verification, and services provided for its programs listed in the Agreements for our inspection. However, despite multiple requests, NMHS did not provide the required policies and procedures for our inspection.

Cause
The cause for the lack of documentation is unknown, as NMHS did not provide an explanation for its failure to submit the requested policies and procedures.

Effect
Without access to NMHS's internal control documentation, we were unable to verify whether appropriate controls are in place to ensure compliance with federal and contractual requirements. This limits the County's ability to assess risk, ensure accountability, and confirm that program funds are being managed appropriately.

Recommendation
We recommend that NMHS develop, maintain, and provide upon request comprehensive written internal control policies and procedures that comply with 2 CFR 200 and the Agreements. DHA should follow up to ensure compliance and consider corrective actions, if documentation is not provided.

DHA Management's Response
DHA does not currently have an active contract with Next Move Homeless Services, Inc. (NMHS). Should NMHS seek future contracting opportunities, DHA will require NMHS to maintain and provide, upon request, documented internal control policies and procedures that comply with applicable federal regulations, including 2 CFR 200, and contract terms.

DHA will not enter into an agreement with NMHS if the required documentation is not provided or is determined to be insufficient. DHA will verify compliance through established fiscal and program monitoring processes to ensure public funds are managed in accordance with Federal, State, and County requirements.

2. FINANCIAL STATEMENTS AND AUDIT REPORTS

a. Audit Report Submission Timing

Criteria
Per the Agreements, "*The audit shall be conducted in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and the Provisions of Office of Management and Budget Circular "2 CFR Chapter I, Chapter II, Part 200, et al.*".

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Per the Agreements, "*The annual audit shall be submitted electronically to the Contracts Manager within six months of the end of the Contract period. Should the Contract have an ending date different from CONTRACTOR's (NHMS) fiscal year end, and CONTRACTOR (NHMS) elects to have an agency-wide audit, then the audit report shall be submitted within six months of the final year end. Should there be any delay; CONTRACTOR (NHMS) shall immediately inform the Contracts Manager of the delay. Under no circumstances shall the audit be submitted later than six (6) months after CONTRACTOR's (NMHS) year end…".*
NMHS' fiscal year ends on December 31 each year. Therefore, NMHS should submit its annual financial and Single Audit report to DHA by June 30 of the following year.

Per CFR 200.501 Audit Requirements, "*A non-Federal (NMHS) entity that expends $750,000 or more during the non-Federal entity's fiscal year in Federal awards must have a single or program-specific audit conducted for that year in accordance with the provisions of this part."*

Per CFR 200.512 Report submission, "*The audit must be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period."*

Per the Agreements, "*Should any findings be noted in the audit report, CONTRACTOR (NMHS) must submit an action plan with the audit report detailing how the finding will be addressed. Federal regulations require all findings to be corrected within six months after receipt of the audit report."*

Condition
NMHS did not submit its annual financial audit and Single Audit reports to DHA for the fiscal years ended December 31, 2021, 2022, and 2023 by June 30 of the following year as required by the Agreements.

- The 2021 financial and Single Audit report was dated December 9, 2022 – over five (5) months late.

- The 2022 financial and Single Audit report was dated February 9, 2024 – over one (1) year and one (1) month late.

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- The 2023 financial and Single Audit report was dated July 22, 2024 – 22 days late.

In addition, NHMS' 2021 and 2022 Single Audits were not completed by September 30 of the following year as required by CFR 200.512 Report Submission.

As such, NHMS did not comply with the Agreements and/or Single Audit report submission compliance requirements for the years referenced above.

Based on our further review, NHMS completed 2024 financial audit on June 20, 2025, and Single Audit on September 30, 2025.

Cause

The cause for the delayed submissions was not provided by NMHS. The absence of timely communication or justification suggests potential deficiencies in internal controls over financial reporting and audit compliance.

Effect

DHA was unable to timely assess NMHS's financial condition and compliance with federal and contractual requirements. In addition, delayed audit submissions may impact funding decisions, oversight responsibilities, and risk assessments. Furthermore, noncompliance with federal regulations could result in jeopardize future funding eligibility.

Recommendation

We recommend DHA contact NMHS' and communicate the contractual expectations regarding NMHS' past and future audit report submissions.

NMHS should implement stronger internal controls and monitoring procedures to ensure timely completion and submission of required audit reports. NMHS should also establish accountability measures and designate responsible personnel to oversee audit compliance in accordance with both contractual and federal requirements.

DHA Management's Response

Should NMHS seek future contracting opportunities, DHA will require NMHS to demonstrate its ability to meet audit submission deadlines, including providing written internal controls and clear internal timelines and procedures for audit completion and submission.

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b. Audit Report Findings and Issues

Criteria

Per the Agreements, "*Should any findings be noted in the audit report, CONTRACTOR (NMHS) must submit an action plan with the audit report detailing how the finding will be addressed. Federal regulations require all findings to be corrected within six months after receipt of the audit report.*"

Per CFR 200.511 Audit findings follow-up, (a) General, *"The auditee (NHMS) is responsible for follow-up and corrective action on all audit findings…."*

Condition

NMHS' 2021, 2022, and 2023 audit reports included the following findings:

Descriptions/Years	2021	2022	2023
Material Weakness Financial Statement Finding: Internal Control Over Financial Reporting		X	X
Material Weakness Federal Award Finding: Reasonable Rent Rates - Continuum of Care Program (Non-DHA Program)	X	X	X
Material Weakness Federal Award Finding: Procurement Policy • Continuum of Care Program (Non-DHA Program) • Mather Community Campus for 2022 and 2023 (DHA Program) • Flexible Housing Pool, Property Related and Tenant Services, Project Room Key for 2022 (DHA Program) • Motel Isolation and Quarantine Care Centers for 2022 (DHA Program)		X	X

NMHS' 2022 Single Audit included DHA's Mather Community Campus, Flexible Housing Pool, Property Related Tenant Services, Project Room Key, and Motel Isolation and Quarantine Care Centers programs as part of its major Federal programs. The 2023 Single Audit included only the Mather Community Campus program as DHA's major Federal programs. In both years, NMHS' independent auditor issued unmodified opinions for DHA programs audited. Overall, the independent auditor concluded that NMHS complied with applicable Federal regulations for the audited DHA programs in both 2022 and 2023, based on the Single Audit results.

However, NMHS received qualified opinions for its Continuum of Care program in 2021, 2022, and 2023 Single Audits. In general, the independent auditor concluded that NMHS did not comply with all material Federal regulations for the Continuum of Care program during those years. NMHS' Continuum of Care program is not funded by DHA.

Cause

NMHS did not maintain adequate internal controls to ensure accurate financial reporting and compliance with program requirements.

Effect

All of NMHS' audit findings were classified as material weaknesses by its independent auditor. These material weaknesses could result in misstatements in NMHS' financial statements and non-compliance with program requirements outlined in the Agreements, which may not be prevented, or detected and corrected in a timely manner.

In addition, NMHS' lack of provision of the audits did not allow DHA to consider the risks, controls, or appropriate actions that may be needed for current or future DHA programs.

Recommendation

We recommend DHA contact NMHS' regarding NMHS' status about implementation of audit recommendations for internal control over financial reporting and procurement policy. DHA should consider NMHS' corrective actions and responses in its risk assessment for future DHA program funding.

NMHS should:

- Strengthen internal controls over financial reporting.
- Review and update procurement policies to align with federal requirements.
- Conduct regular training and monitoring to ensure compliance across all federally funded programs.

DHA Management's Response

DHA will contact NMHS for an update on the status of corrective actions taken in response to the material weaknesses identified in the 2021–2023 financial statement audit reports, particularly those related to internal control over financial reporting and procurement compliance. Although DHA has not held an active contract with NMHS since June 30, 2025, the results of this fiscal monitoring remain relevant to evaluating NMHS for any future program funding or service agreements. Should NMHS seek future contracting opportunities, DHA will require NMHS to demonstrate that all audit findings have been addressed.

3. INVOICE CLAIM AND GENERAL LEDGER

<u>Criteria</u>
Per Exhibit C, Section III, G of the Agreements, "*CONTRACTOR (NMHS) shall keep documentation to substantiate all charges for line items claimed on the Electronic Claim Form. Documentation may include timesheets and paystubs for personnel used in this contract, receipts, invoices or bills for items claimed*."

Per Section XXII. Compensation And Payment of Invoices Limitations Subsection D of the Agreements, "*CONTRACTOR shall maintain for five (5) years following termination of this Agreement full and complete documentation of all services and expenditures associated with performing the services covered under this Agreement. Expense documentation shall include but is not limited to time sheets or payroll records for each employee; receipts for supplies; applicable subcontract expenditures; applicable overhead and indirect expenditures*.

If a post-agreement monitoring conducted by COUNTY, finds that the actual aggregate costs for services furnished pursuant to this Agreement are lower than the payments made by COUNTY to CONTRACTOR, the difference shall be repaid by CONTRACTOR forthwith by cash payment, or, at the sole discretion of DIRECTOR, as a credit on future billings. If such post-agreement audit or monitoring finds that the actual costs of services furnished hereunder are higher than the payments made by COUNTY, then the difference may be paid to CONTRACTOR, up to the maximum obligation of this Agreement, at the sole discretion of COUNTY."

<u>Condition</u>

a. Gift Card

NMHS lacks adequate control over the issuance of gift cards to program participants. We reviewed nine (9) $50 gift cards claimed under March 2023 NM-04-23 Adolfo

Transitional Housing program and compared the claims to general ledger and corresponding gift card authorization forms. The following issues were and noted:

- No written policies and procedures were provided regarding the issuance of and accounting for gift cards awarded to program participants.
- Eight (8) of the nine (9) $50 gift cards recorded on the general ledger were listed as $100 on the "Aldofo Transitional Housing Program Gift Card Acknowledgement Form" (Form).
- Two (2) Forms were missing participant initials acknowledging the card use guidelines.
- One (1) Form was not signed by the program manager.
- Four (4) Forms were not signed by the case manager.
- One (1) participant had two Forms submitted, but only one (1) was recorded in the general ledger.
- One (1) participant had two forms submitted with different amounts, and neither was in the general ledger. Forms not intended for use should be clearly voided.
- The Form did not include a section for acknowledging the issuance of a gift card.

Based on our review, seven (7) of the nine (9) gift card Forms did not appear to be properly completed or authorized. Therefore, we consider $350 (7 X $50) in gift card claims under the Aldolfo Transitional Housing program to be questioned costs. See ATT – 1 *Schedule of Agreement Budgets, Claims Paid, Claims Tested, Disallowed Costs, and Questioned Costs.*

b. Supporting Documentation for claimed expenses

We tested a sample of NMHS' claims and noted that the following expenses lacked adequate supporting documentation:

- Aldolfo Transitional Housing Program for Former Foster Youth, DHA-NM-04-22 June 2022
    - $1,100 for Juneteenth community catering

- Transitional Housing Program for Families Experiencing Homelessness, DHA-NM-05-22, June 2022
    - $695 for moving expense

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  - $1,000 for vehicle maintenance

- Flexible Housing Pool, Property Related Tenant Services, Project Room Key, DHA-PTRS-NM-07-22, March 2022
  - $606 for Furnishing Payments
  - $1,000 for Permanent Housing Rent Payments (only $1,280 of the claimed $2,280 was supported by documentation)

We consider the above claimed expenses to be questioned costs due to insufficient supporting documentation. See ATT – 1 *Schedule of Agreement Budgets, Claims Paid, Claims Tested, Disallowed Costs, and Questioned Costs.*

c. Recurring Expenses

We noted that NMHS prepared recurring payments (such as rent) using forms that included the payment details; however, these forms lacked any indication that the recurring payments were reviewed or approved by appropriate personnel.

d. General Ledger

- For the Mather Community Campus program (NM-03-22), while the total FY 2021/22 invoice claim matched the total program expense amount posted in the general ledger, we identified discrepancies between individual line-item claims and the corresponding general ledger accounts. NMHS did not provide requested reconciliation reports to support the alignment between its claims and general ledger.

Cause
NMHS did not maintain or implement adequate internal controls and documentation procedures. Specifically:

- Gift card issuance lacked formal policy and verification steps.
- Claims were submitted without maintaining required supporting documentation or reconciliation to the general ledger.
- Recurring payments were not reviewed or approved by responsible personnel.

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Effect
Without accounting policies and procedures governing the issuance of gift cards to program participants, DHA and NMHS could not verify whether the gift card program is being properly administered, whether gift card awards met the program requirements, whether duplicate awards have been issued, or whether assets are properly accounted for and safeguarded.

Without proper supporting documents or general ledger records for claims, DHA and NMHS lack sufficient evidence to determine whether the claimed expenses are allowable and appropriate for the programs.

Without written approvals on recurring payment forms, unapproved or unallowable expenses may be submitted and reimbursed without detection.

As a result, we identified:

- $4,751 ($350 + $1,100 + $695 + $1,000 + $606 + $1,000) in questioned costs due to lack of documentation.

See ATT – 1 See ATT – 1 *Schedule of Agreement Budgets, Claim Paid, Tested, and Questioned Costs.*

Recommendation
We recommend that DHA follow up with NMHS to make sure that NMHS:

- Develop and implement written policies and procedures for gift card issuance, recurring payments, and documentation retention.
- Ensure all claims are supported by complete and accurate documentation
- Submit reconciliation reports between invoice claim and general ledger with NMHS' monthly invoice submissions as part of the required documentation.
- Require formal review and approval of recurring payments by designated personnel.
- Provide staff training on compliance requirements of the Agreements and internal control expectations.

We also recommend that DHA follow up with NMHS to resolve the identified questioned costs. Further, DHA should consider whether additional review is needed for NMHS invoice submissions in the future to ensure they are reasonable and supported prior to payment.

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DHA Management's Response

DHA does not currently have an active contract with NMHS. For any future contracting opportunities, DHA will require NMHS to:

- Develop and implement written policies and procedures addressing gift card issuance, recurring payments, and document retention
- Ensure all claims are supported by complete and accurate documentation
- Provide monthly reconciliation reports comparing invoice claims and the general ledger
- Implement formal review and approval processes for recurring payments
- Train staff on agreement requirements and internal control expectations

DHA will evaluate compliance with these requirements during the procurement and contracting process and will not enter into an agreement if these standards are not met.

Regarding the identified questioned costs, DHA will review the available information and determine whether any follow-up actions are appropriate.