COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

THE SALVATION ARMY
FISCAL MONITORING
AGREED-UPON PROCEDURES

DEPARTMENT OF HOMELESS SERVICES & HOUSING

Audit Committee Submittal Date: 06/18/2026

SUMMARY

Background

This fiscal monitoring Agreed-Upon Procedures was requested by Department of Homeless Services and Housing (DHSH) for The Salvation Army (TSA).

Internal Audit Unit performed this Agreed-Upon Procedures engagement for the following Program:

- **The Center of Hope Emergency Shelter**
  - DHA-SA-01-22 for the period May 1, 2022 through June 30, 2023

Audit Objective

To assist DHSH in assessing TSA's financial condition and compliance with the agreement between DHSH and TSA, and to verify that monthly invoices submitted by TSA are accurate and reasonable.

Summary

Based on our agreed-upon procedures performed, we identified exceptions related to TSA's internal controls related to financial reporting, claim submission, and general ledger reconciliation. These deficiencies resulted in disallowed costs totaling $1,392.83 and questioned costs amounting to $12,627.92.

Department of Finance
Chad Rinde
Director

County of Sacramento

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

April 23, 2026

Emily Halcon, Director
Department of Homeless Services and Housing
County of Sacramento
1000 G Street Suite 300
Sacramento, CA 95814

INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Dear Ms. Halcon:

We have performed the procedures enumerated below, which were requested and agreed to by the Department of Homeless Services and Housing (DHSH), to assist DHSH in assessing The Salvation Army (TSA)'s financial condition and compliance with the agreement between DHSH and TSA (Agreement) listed below:

► The Center of Hope Emergency Shelter program
  - DHA-SA-01-22 for the period May 1, 2022, through June 30, 2023

DHSH's management is responsible for monitoring TSA's compliance with the Agreement.

TSA is responsible for compliance with the Agreement. In performing our agreed-upon procedures engagement, we have relied solely on representations provided by DHSH relating to TSA's responsibility for compliance with the Agreement.

DHSH has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purposes of assessment of TSA's compliance with the Agreement. 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) Inspect TSA's written internal control policies and procedures for purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation to identify any concerns or issues that may require your attention.

Result: We identified issues with inadequate internal controls over compliance with financial reporting and maintaining supporting documentation for invoice claiming as described in procedures #2 through 4 below.

2) Inspect TSA's audited financial reports for fiscal years 2022 and 2023 to identify any concerns or issues that may require your attention.

   Result: We identified non-compliance and other issues from TSA's annual Single Audit reports for the fiscal years ended September 30, 2022 and 2023. See Finding #1 in ATT 2 – *Current Findings and Recommendations* for details.

3) Obtain TSA's monthly invoice claims for the entire agreement period and select three months for inspection. Test a total of 60 clients/units and/or 60 expense transactions from the selected three months. Extrapolate the results from this procedure to compute projected disallowed/questioned costs for the entire contract period, as applicable, if any.

   Result: We noted unsupported expense claims and identified a total of $12,627.92 in questioned costs as a result of our testing. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned* and Finding # 2 in ATT 2 – *Current Findings and Recommendations* for details.

4) Trace TSA's total claimed amounts to its general ledger for the Agreement period under review.

   Result: We noted unexplained excess claimed amounts of $1,266.21 over the general ledger, resulting in disallowed costs in amount of $1,392.83. See *ATT 1 – Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned* and Finding # 2 in *ATT 2 – Current Findings and Recommendations* for details.

5) Inspect TSA's cost allocation policies and procedures to identify any concerns or issues that may require your attention. Test a total of 60 transactions from the selected three months to identify any issues related to cost allocations.

   Result: We did not have adequate supporting document for eight (8) personnel cost transactions to complete this procedure. See Finding # 2 in *ATT 2 – Current Findings and Recommendations* for details.

6) Inquire with TSA's management to identify any funding sources other than DHSH's Agreement. Inspect TSA's general ledger and invoice claims for the three sample months to identify any inappropriate or duplicate charges/claims.

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

We were engaged by DHSH to perform this agreed-upon procedures 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 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 TSA's financial condition, compliance with the Agreement, and accuracy of invoice claims for Center of Hope Emergency Shelter Program. 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 DHSH and TSA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report relates only to the results of our procedures referred to above and does not extend to DHSH's and TSA's operations as a whole.

DHSH's response to the findings identified during our engagement are described in ATT 2 - *Current Findings and Recommendations*. We did not perform procedures to validate DHSH's 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 DHSH'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 – *Current Findings and Recommendations*

County of Sacramento
Department of Homeless Services and Housing
The Salvation Army (TSA)
Agreed-Upon Procedures
Schedule of Amounts Budgeted, Claimed, Tested, Disallowed and Questioned
For the period May 1, 2022 to June 30, 2023

Budget Categories	Approved Budget	Total Claimed Amount	Amount Tested	Disallowed Costs [1]	Questioned Costs [2]
Salaries	$ 391,816.00	309,298.96	6,354.81	1,224.42	337.64
Benefits	191,050.00	124,294.67	1,068.86		122.10
Utilities	74,120.00	52,544.57	5,274.15	41.79	2,960.99
Transportation	24,901.01	8,485.40	1,052.00		1,003.53
Maintenance Upkeep	128,240.00	90,977.13	15,142.17		7,055.67
Meals	165,800.00	24,259.27	2,634.51		
Subtotal - Direct Costs	**975,927.01**	**609,860.00**	**31,526.50**	**1,266.21**	**11,479.93**
Indirect Costs (10%)	**97,593.00**	**60,986.00**		**126.62**	**1,147.99**
Total	**$ 1,073,520.01**	**670,846.00**	**31,526.50**	**1,392.83**	**12,627.92**

[1] The amounts represent excess claims over The Salvation Army (TSA)'s general ledger. See Finding #2 in ATT 2 - *Current Findings and Recommendations* for details.

[2] The amounts represent expenses that were not supported with adequate documentation by TSA. See Finding #2 in ATT 2 - *Current Findings and Recommendations* for details.

County of Sacramento
Department of Homeless Services and Housing
The Salvation Army
Fiscal Monitoring Agreed-Upon Procedures
For the Period May 1, 2022 to June 30, 2023
Current Findings and Recommendations

1. Audit Report Finding and Issues

Criteria

Per Agreement DHA-SA-01-22 (Agreement), Section XXXIII E. "*Should any findings be noted in the audit report, SUB-RECIPIENT* [The Salvation Army (TSA)] *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."*

TSA's Center of Hope Emergency Shelter program (Program) with is funded by American Rescue Plan Act (ARPA) passed through from Sacramento County (County) Department of Homeless Services and Housing (DHSH). The program is subjected to Title 2 Code of Federal Regulation (2 CFR). Per 2 CFR 200.511 Audit findings follow-up, (a) General, *"The auditee (TSA) is responsible for follow-up and corrective action on all audit findings…."*

Condition

TSA's Single Audit reports for the fiscal years ended September 30, 2022, and 2023 included the following findings:

Descriptions/Years	2022	2023
Significant Deficiency (2022) / Material Weakness (2023) Financial Statement Finding: - Grant Revenue and Deferred Revenue	X	X
Significant Deficiency Financial Statement Finding: - Schedule of Expenditures of Federal Awards reporting		X
Federal Award Finding for a Non-County Program: - Documentation for vendor procurement compliance	X	

TSA's 2023 Single Audit identified TSA's Center of Hope Emergency Shelter Program (Program) with the Department of Homeless Services and Housing (DHSH) as a major Federal program. TSA's 2022 and 2023 Single Audit reports did not include any specific findings for the Program.

Cause

TSA did not have appropriate policies and controls for financial reporting and compliance.

County of Sacramento
Department of Homeless Services and Housing
The Salvation Army
Fiscal Monitoring Agreed-Upon Procedures
For the Period May 1, 2022 to June 30, 2023
Current Findings and Recommendations

Effect
If these findings are not addressed in a timely manner, they may lead to potential misstatements in TSA's financial statements and federal award reporting, heightened risk of non-compliance with federal regulations and Agreement requirements, and delays in implementing corrective actions, which may affect future funding opportunities or result in additional oversight.

Recommendation
We recommend that DHSH contact TSA regarding the status of implementing the Single Audit recommendations. DHSH should take TSA's corrective actions and responses into account when conducting its risk assessment for future program funding.

TSA should:

- Develop and implement a formal corrective action plan to address each finding within six months of receiving the audit report, as required by the Agreement and Title 2 CFR 200.511.
- Strengthen internal controls related to financial statements, federal award reporting, and compliance requirements.
- Conduct regular training and monitoring to ensure compliance across all federally and County funded programs.

DHSH Management's Response
DHSH acknowledges the finding and will work with TSA to address the identified issues as it pertains to this program. DHSH's current practices include a review of financial statement audit and single audit report findings when conducting its risk assessments.

2. INVOICE CLAIM and GENERAL LEDGER

Criteria
Per TSA's National Uniform Accounting Policy and Procedure Manual (Manual) page 20, *"All expenditures must have supporting documentation. This would normally be in the form of an invoice, bill, or other request from a vendor for payment; interoffice check requests, without supporting documentation, are considered insufficient to issue payments. Purchases of any type must be supported by original invoices or sales slips issued by the seller, clearly detailing quantities, type of goods purchased, or services rendered, and the amounts. Monthly statements, if submitted to The Salvation Army, are not acceptable as supporting documentation unless they provide the same level of detail noted above.*

County of Sacramento
Department of Homeless Services and Housing
The Salvation Army
Fiscal Monitoring Agreed-Upon Procedures
For the Period May 1, 2022 to June 30, 2023
Current Findings and Recommendations

Per Agreement DHA-SA-01-22, Section XXII E. "*SUB-RECIPIENT* (TSA) *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."*

Per Agreement DHA-SA-01-22, Exhibit C, Section IV H "*All ARPA funded Agreements will be subject to continuous monitoring by COUNTY as deemed necessary. Continuous monitoring will include a monthly validation of reimbursements requested by SUB-RECIPIENT* (TSA)*, in which COUNTY shall select and request supporting documentation for transactions and submitted by SUB-RECIPIENT* (TSA)*. SUB-RECIPIENT* (TSA) *shall submit requested supporting documentation within five (5) days of initial request by COUNTY. Electronic Claim Forms subject to validation will not be processed until COUNTY completes its validation of selected transactions. Transactions determined by COUNTY to be non-compliant with this Agreement, ARPA requirements, or 2 CFR 200 will not be reimbursed to SUB-RECIPIENT* (TSA)*."*

<u>Condition</u>

a. Reconciliation of invoice claims and general ledger
During our review of reconciliation between TSA's invoice claims and general ledger (GL) for the entire contract period, we noted two (2) line-item claim amounts exceeded the amounts recorded in the GL as shown below:

Line Item	Claim	GL	Claim Over GL
Salaries	$309,298.96	$308,074.54	$1,224.42
Utilities	52,544.57	52,502.78	41.79
Total			**$1,266.21**

We consider the excess claimed amounts over those supported by the General Ledger – $1,224.42 and $41.79 – as disallowed costs.

b. Salaries and Benefits
We selected 30 personnel cost transactions, consisting of salaries and benefits, for testing. Despite multiple follow-ups with TSA, we did not receive adequate supporting document for eight (8) out the 30 transactions tested. Due to the

County of Sacramento
Department of Homeless Services and Housing
The Salvation Army
Fiscal Monitoring Agreed-Upon Procedures
For the Period May 1, 2022 to June 30, 2023
Current Findings and Recommendations

absence of adequate documentation to substantiate these eight (8) personnel costs, we consider claimed salaries and benefits totaling $337.64 and $122.10 for these eight (8) personnel costs, respectively, to be questioned costs.

c. **Non-personnel costs**
We selected a total of 30 non-personnel costs (utilities, meals, transportation and maintenance upkeep) for testing. On May 28, 2025, we requested supporting documentation. Despite multiple follow-ups, TSA did not provide supporting documentation for nine (9) of 30 expenses totaling $11,020.19, itemized as:

- Utilities $2,960.99
- Transportation $1,003.53
- Maintenance Upkeep $7,055.67

Accordingly, we consider $11,020.19 as questioned costs.

d. **Indirect Costs (De Minimis Rate)**
TSA applied a 10% de minimis rate to claim indirect costs. We calculated 10% of the $1,266.21 in disallowed costs and $11,479.93 ($337.64 + $122.10 + $11,020.19) in questioned costs, resulting in $126.62 and $1,147.99 as disallowed and questioned indirect costs, respectively.

See details in ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, Disallowed, and Questioned.*

<u>Cause</u>
The conditions were attributable to inadequate or absence of internal controls for:
- Collecting and retaining supporting documentation
- Reconciliation between invoice claims and GL
- Compliance monitoring and staff training on documentation requirements

<u>Effect</u>
TSA did not comply with the documentation requirements outlined in its Manual and the Agreement, resulting in total of $1,392.83 ($1,266.21+ $126.62) in disallowed costs and $12,627.92 ($11,479.93 + $1,147.99) in questioned costs.

If these issues are not addressed in a timely manner, they may lead to the disallowance of reimbursement claims in accordance with the Agreement, potentially affecting program funding.

County of Sacramento
Department of Homeless Services and Housing
The Salvation Army
Fiscal Monitoring Agreed-Upon Procedures
For the Period May 1, 2022 to June 30, 2023
Current Findings and Recommendations

Recommendation
We recommend that TSA strengthens its internal controls by implementing the following measures:

- Establish procedures for timely collection and retention of supporting documentation
- Perform accurate reconciliation of claims with the general ledger prior to submission
- Conduct regular compliance monitoring and provide staff training on documentation requirements

Additionally, we recommend that DHSH work with TSA to resolve the identified disallowed and questioned costs by seeking repayments if these costs are determined to be improper payments.

DHSH' Management Response
DHSH acknowledges the finding and will work with TSA to resolve the identified questioned and disallowed costs. DHSH will also work with TSA to ensure future invoices submitted for reimbursement have adequate support.