

Sonoma County

Auditor-Controller-Treasurer-Tax Collector

Internal Audit Report

**Grant Monitoring:
County of Sonoma
Human Services Department
My Pathway Program Services
and Sonoma County Youth Ecology Corps**

For the Period: July 1, 2022 - June 30, 2023

Engagement No: 3240
Report Date: July 10, 2023



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Executive Summary

The County of Sonoma Human Services Department (HSD) awarded grants totaling \$1,335,569 to two community based organizations (CBOs), Social Advocates for Youth (SAY) and Conservation Corps North Bay (CCNB), to provide youth education and employment services.

At the request of HSD, the Internal Audit Division of the County of Sonoma Auditor - Controller - Treasurer - Tax Collector's Office (ACTTC) performed certain monitoring procedures for the months of July and August of 2022 for these two CBOs that received funds during the fiscal year ending June 30, 2023.

We note the following exceptions for SAY, which are discussed in detail in the body of this report:

1. Unallowable salary costs of \$1,300 was claimed (see finding 1 on page 5)
2. Required monitoring was not performed on federal Workforce Innovation and Opportunity Act (WIOA) funds subrecipient Petaluma People Services Center (PPSC), which is contracted for services for a budgeted amount of \$63,000 for the fiscal year (see finding 2 on page 5)
3. The claims filed included several erroneous entries including out of period expense, incorrect category, and use of outdated allocation tables (see finding 3 on page 6)
4. Support for items purchased for youths did not include documentation showing the youth actually received the item (see finding 4 on page 6)
5. Pooled costs were distributed based on budgeted rather than actual FTE (full-time employee) cost (see finding 5 on page 7)

We noted CCNB, had used the incorrect approved indirect cost rate in preparing their July and August claims (see finding 6 on page 7 for details).

We noted no other material exceptions.

Introduction and Background

Introduction

ACTTC has completed the monitoring procedures requested by the County of Sonoma HSD relating to claims for the My Pathway Program Services (MPP) and Sonoma County Youth Ecology Corps (SCYEC) programs from federal WIOA and Temporary Assistance for Needy Families (TANF) funds for the months of July and August 2022.

Background

For many years HSD has provided federal WIOA funding to CBOs to assist youth, aged 14-21 years of age, with education and employment skills. In recent years and for the year under review, the program received additional funding from the County and the Sonoma County Water Agency.

The services provided to individuals include, but are not limited to, the following:

- MPP Services
 - Recruitment to attract interested and eligible youth.
 - In-depth objective assessment.
 - Development of an individual service strategy.
 - Case management.
 - Tutoring.
 - Study skills and instruction.
 - Alternative secondary school services.
 - Summer employment opportunities.
 - Paid and unpaid work experience.
 - Occupation skills training.
 - Leadership development opportunities.
 - Adult mentoring.
 - Comprehensive guidance counseling.
- SCYEC Services
 - Outreach and recruitment to attract interested and eligible youth.
 - Ecology-based work experience opportunities.
 - Environmental education.
 - Development of post-secondary and career opportunities.
 - Soft skill development.

The two CBOs that were awarded WIOA, TANF, and other county funding during the contract period were CCNB and SAY. Reimbursement requests from each CBO were based on amounts incurred for:

- Staff Wages and Benefits
- Youth Wages and Benefits
- Crew Leader Wages and Benefits
- Work Experience Staff Wages and Benefits

Background

- Work Experience Staff Support (not case management)
- Rent/Lease of Facility
- Utilities/Building Maintenance
- Telephone/Communications
- Insurance Expense
- Equipment Rental/Lease/Maintenance
- Office Supplies/Expenses
- Books/Education Materials
- Staff Mileage/Travel
- Staff Training/Conferences
- Work Experience Materials/Equipment
- Crew Transportation Costs
- Youth Support/Incentives
- Other Fees
- Indirect Costs

HSD is responsible for performing ongoing monitoring of funds awarded to the CBOs. To assist in fulfilling that responsibility, HSD engaged Internal Audit to perform certain monitoring procedures on the claims submitted to HSD for the months of July and August 2022.

Objective, Scope, Methodology and Staff Acknowledgement

Objective

The primary objective of this monitoring engagement was to determine if the CBO's are meeting financial record keeping requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards with a special emphasis on salaries and wages.

Scope

The monitoring was for the period July 1, 2022 to June 30, 2023. As directed by HSD, we conducted revenue and expenditure testing on July and August of 2022 reimbursement claims submitted by each CBO. The scope of our work included the following:

- A review and evaluation of internal controls, as described by the management of the two CBOs, designed to ensure compliance with the above requirements.
- Tests of transactions reported in the claims.
- Follow up to determine the status of previous audit report findings and recommendations.

Methodology

We performed the following procedures:

1. Obtained copies of the HSD award agreements and any amendments with the CBOs to verify the existence and amount of funding available and to be disbursed.
2. Primarily through inquiry, reviewed and evaluated the CBOs system of internal controls over record keeping and claim preparation.
3. Verified that the funds disbursed by HSD were received, posted to the CBOs books and deposited into their bank accounts.
4. Traced the personnel costs and selected operating expenditures to appropriate supporting documents and books of the respective CBOs.
5. Ensured that expenditures were recorded in the correct period of the CBOs general ledgers.
6. Reviewed the overhead allocation methodology where applicable.

Staff Acknowledgement

We would like to thank the management and accounting staff of the two CBOs monitored, as well as the accounting staff of HSD for their time, information, and cooperation throughout the engagement.

Current Year Findings and Recommendations

We identified six items, as noted below, with a Risk Classification C: Control Findings, as a result of our procedures. For purposes of reporting our audit findings and recommendations, we classify audit report findings into three distinct categories to identify the perceived risk exposure. These categories are outlined in detail in Appendix B of this report. Except as discussed below, the claims for the months of July and August 2022 were supported by approved invoices, time sheets and entries in the CBOs books.

FINDING 1

In July of 2022 SAY claimed expenses totaling \$1,300 (\$1,184 in salaries and \$116 in benefits) that do not appear to qualify for reimbursement under OMB financial record keeping cost principles for non-profit organizations. They represent earned vacation time buy out, restoration pay and overclaimed benefits.

This is a repeat finding from last year's monitoring.

RECOMMENDATION:

HSD should:

- a) Recover the over claimed amount from SAY.
- b) Ensure that SAY is aware of the requirements of OMB financial record keeping cost principles for non-profit organizations.

MANAGEMENT RESPONSE:

HSD Management concurs and will send an official letter to SAY, HSD is already working with SAY on these findings.

FINDING 2

SAY did not perform subrecipient monitoring on their subcontractor, Petaluma People Services Center (PPSC), as required by the OMB A-133 Compliance Supplement. SAY was authorized to contract with PPSC for services for a budgeted amount of \$63,000 for the fiscal year.

Under the agreement with the County, SAY is allowed to subcontract for program services and claim up to \$63,000 in costs for the fiscal year. Per the OMB A-133 Compliance Supplement, pass-through entities are responsible to perform monitoring of the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administered the Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements. SAY did not conduct any such monitoring activities on PPSC during our review period. This is a repeat finding from last year's monitoring.

Current Year Findings and Recommendations

RECOMMENDATION:

HSD should:

- a) Ensure that SAY performs subrecipient monitoring on any subcontractors hired to provide services with grant funds.
- b) Ensure that SAY is aware of OMB financial record keeping cost principles for non-profit organizations, such as subrecipient monitoring as outlined in Compliance Supplement A-133, M. Subrecipient Monitoring.

MANAGEMENT RESPONSE:

HSD Management concurs and will include this in the monitoring results letter to SAY.

FINDING 3

SAY over claimed \$566 in expenses as a result of accounting errors. Some expenses were not adequately supported. These errors were likely a result of a lack of training of newly hired staff.

RECOMMENDATION:

HSD should require SAY to train its staff to comply with the rules and requirements of the My Pathway Program Services grant.

MANAGEMENT RESPONSE:

HSD Management concurs and will include this in the monitoring results letter to SAY.

FINDING 4

In July and August 2022 SAY purchased direct assistance items for youth with grant funds but did not have any documentation that the youth received the items. In October 2022, SAY implemented a new policy requiring that any direct assistance items purchased for youth have a supervisor's approval and an Acknowledgment of Receipt form completed and signed by the youth receiving the item.

RECOMMENDATION:

HSD should ensure that SAY is following its newly adopted Direct Client Assistance Policy, requiring that youth acknowledge receipt of any direct assistance items purchased for them.

MANAGEMENT RESPONSE:

None. The changes discussed above will provide adequate assurance that the direct assistance expenditures are properly supported.

Current Year Findings and Recommendations

FINDING 5

SAY allocated pooled costs as a direct expense based on budgeted FTE instead of actual. Direct cost allocations should be based on actual salary and benefit costs not estimated, per the OMB financial record keeping cost principles for non-profit organizations.

RECOMMENDATION:

HSD should:

- a) Request that SAY review the claims submitted for the fiscal period and reconcile any differences between allocated expenses based on budgeted FTE to expenses based on actual FTE, and reimburse any overclaimed amount.
- b) Ensure that SAY is aware of OMB financial record keeping cost principles for non-profit organizations.

MANAGEMENT RESPONSE:

HSD Management concurs and will include this in the monitoring results letter to SAY.

FINDING 6

Indirect costs are claimed based on rates approved by the US Department of the Interior. For the claim period covered by our review, CCNB used the indirect cost rate that was approved for another period. As a result, the indirect cost included in the claim was overstated by \$1,288.

RECOMMENDATION:

HSD should request that CCNB resubmit the July and August claims with the approved FY 22/23 indirect cost rate of 40.61%.

MANAGEMENT RESPONSE:

HSD Management concurs and will request that CCNB resubmit the July and August claims with the correct indirect cost rate as approved by the Department of the Interior for FY 22/23.

CONCLUSION

For the months of July and August 2022, CCNB and SAY appear to have met the financial record keeping requirements of OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards except as noted in the findings above.

Prior Year Findings and Recommendations

FINDING 1

CCNB claimed direct SCYEC payroll expenses in July and September based on estimated instead of actual salary and benefit costs, as required by the OMB financial record keeping cost principles for non-profit organizations.

In order to be timely, CCNB sometimes prepares claims prior to payroll being finalized, requiring the use of estimated payroll costs for the period. There are no procedures in place to correct the claims once the actual payroll costs are determined. As a result, the claim for September was overstated by \$665.

We also noted that in the months reviewed for our audit period, two staff claimed direct time spent on the grant during holiday, vacation and sick time, and four youth timesheets were not signed by the youth participants.

RECOMMENDATION:

HSD should:

- a) Request CCNB review all the SCYEC claims for the entire fiscal period and reconcile any differences between actual expenses incurred and claims submitted.
- b) Inform CCNB that claims should be submitted after payroll has been finalized or prepare reconciliations for the monthly claims based on actuals once they are available.
- c) Inform CCNB that staff cannot claim direct hours worked to the grant during paid time off and advise CCNB on a method to account for the program cost of the paid time off.
- d) Ensure that CCNB is aware of OMB financial record keeping cost principles for non-profit organizations.
- e) Follow-up and obtain documentation confirming that CCNB assessed and addressed their internal control weaknesses with payroll processing and claim preparation.

MANAGEMENT RESPONSE:

Management concurs with above recommendations and will provide a letter to CCNB.

STATUS: Partially Implemented

This finding is from the FY 20/21 monitoring. Human Services sent a letter to CCNB with the above recommendation. CCNB responded that it would be too costly to perform a recalculation and reconciliation for the past 2 years; however, they are open to HSD recommending an amount to be refunded.

Currently, HSD management is in discussion with CCNB regarding an alternative method to recover the amount they over claimed for the past two years.

FINDING 2

SAY claimed direct MPP payroll expenses in August and December that are not allowable under OMB financial record keeping cost principles for non-profit organizations. The unallowable costs for the period included hazard, retroactive and restoration pays, employee bonuses, direct charges for an allocation of an administrative employee and vacation buy outs. Unallowable costs also include vacation/holiday pay claimed when no hours were claimed to the grant by that employee in the pay period. In total, for the two months covered by our review, SAY over claimed \$8,227 (\$7,358 in salaries and \$869 in benefits).

Prior Year Findings and Recommendations

Summary of Questioned Costs				
	August	December	Total	
Salaries	\$ 2,390	\$ 4,968	\$	7,358
Benefits	253	616		869
Total	\$ 2,643	\$ 5,584	\$	8,227

Some of the errors appear to be systematic thus the over payment for the 12 month period is likely higher.

RECOMMENDATION:

HSD should:

- a) Request SAY review all the MPP claims for the entire fiscal period, account for differences between expenses claimed and allowable expenses, and return unallowable and/or unsupported grant funds claimed.
- b) Ensure that SAY is aware of OMB financial record keeping cost principles for non-profit organizations.

MANAGEMENT RESPONSE:

HSD Management concurs and will send an official letter to SAY, HSD is already working with SAY on these findings.

STATUS: Partially Implemented

HSD is working with SAY to recover the unallowable and/or unsupported grant funds claimed. This is a repeat finding in the FY 22/23 monitoring; but only for the month of July.

FINDING 3

Per the agreement between the County and SAY, SAY was authorized to contract with subcontractors for services for a budgeted amount of \$61,368 for the fiscal year. As stated in the agreement "In the event the Contractor is allowed to subcontract, the County shall look to the Contractor for results of its subcontracts. The Contractor agrees to be responsible for all the subcontractor's acts and omissions to the same extent as if the subcontractors were employees of the Contractor." SAY was not able to provide evidence that they performed subrecipient monitoring on their subcontractor, PPSC. Per the OMB A-133 Compliance Supplement, pass-through entities are responsible to perform monitoring of the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administered the Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements.

RECOMMENDATION:

HSD should:

- a) Ensure that SAY perform subrecipient monitoring on any subcontractors hired to provide services with grant funds.

Prior Year Findings and Recommendations

- b) Ensure that SAY is aware of OMB financial record keeping cost principles for non-profit organizations, such as subrecipient monitoring as outlined in Compliance Supplement A-133, M. Subrecipient Monitoring.

MANAGEMENT RESPONSE:

HSD Management concurs and will include this in the letter to SAY.

STATUS: Not Implemented

This is a repeat finding in the FY 22/23 monitoring.

Appendix A: Schedule of Funds Awarded and Selected Months Claimed, Audited and Questioned Costs

County of Sonoma Human Services Department

Youth Education & Employment Services

Fiscal Monitoring

Schedule of Funds Awarded and Selected Month Claimed, Audited, and Questioned Costs

For the Period July 1, 2022 - June 30, 2023

Contract	CBO	Funds Awarded	July & August & 2022 Claimed	July & August 2022 Audited	July & August 2022 Questioned Costs	% Claimed/Award
ET-CCNB-SCYEC-2023	Conservation Corps North Bay	\$ 775,349	\$ 246,086	\$ 244,798	\$ 1,288	31.74%
ET-SAY-MPP-2023	Social Advocates for Youth	560,220	58,423	56,558	1,865	10.43%
Total		\$ 1,335,569	\$ 304,509	\$ 301,356	\$ 3,153	22.80%

Appendix B: Report Item Risk Classification

For purposes of reporting audit findings and recommendations, audit report items are classified into three distinct categories to identify the perceived risk exposure:

➤ **Risk Classification A: Critical Control Weakness:**

Serious audit findings or a combination of Significant Control Weaknesses that represent critical exceptions to the audit objective(s), policies, and/or business goals of a department/agency or the County as a whole. Management is expected to address Critical Control Weaknesses brought to their attention immediately.

➤ **Risk Classification B: Significant Control Weakness:**

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses generally will require prompt corrective actions.

➤ **Risk Classification C: Control Findings:**

Audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process.

The current status of implementation of recommendations will be followed up no later than the end of the second fiscal year after the report has been issued. Critical control weakness findings will be followed up between six months and one year of the date of the report.