



County of Sonoma

*Agreed-Upon Procedures
Performed by Independent Accountant*



PISENTI & BRINKER LLP
Certified Public Accountants & Advisors

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Independent Accountant's Report

County of Sonoma
Auditor-Controller-Treasurer-Tax Collector
Attention: Erick Roeser

We have performed the procedures enumerated in Attachment A (Scope of Services), which were agreed to by the County of Sonoma (the "County").

The County has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining if DEMA Consulting & Management ("DEMA") maintained appropriate and sufficient documentation to support charges included in DEMA's invoices to the County under their contracts for alternative care sites ("ACS") and non-congregate shelters ("NCS") facility staffing and operations. 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 associated findings are as follows:

Findings under procedure #1:

- DEMA salaried employees are not required to track their time with respect to activities or client jobs or tasks.
- DEMA does not have a documented process for ensuring that clients are only billed for the time DEMA salaried employees worked for the client.
- The performance of all accounting and billing functions are performed by DEMA management/owners, which does not provide for segregation of duties.

Findings under procedure #2:

- DEMA invoices did not include the minimum essential detail required under the ACS and NCS contracts.
- Of the invoices tested, P&B substantiated that hourly employees were paid by DEMA for the hours charged to the County.
- Salaried employees and management did not track their time respective to the hours charged to the County.
- Accordingly, P&B was unable to substantiate any charges billed for salaried employees and management as other reconciliations comprised of independent contemporaneous records were not attainable.

Independent Accountant's Report (continued)

Findings under procedure #2 (continued):

- Of the total invoiced amount P&B tested of \$5,567,201 we were unable to substantiate \$2,310,670 related to salaried employees' time charged to the County.
- For the invoices tested, the hours captured in DEMA's time keeping system for employees did not match by position to DEMA invoices.

Findings under procedure #3:

- P&B successfully agreed all amounts charged to the County for third-party security invoices passed through to the County at cost.
- For one of the third-party contractors filling a budgeted position with assigned billing rates within the ACS and NCS contract, the contractor invoices did not identify where the services were performed and did not identify who the services were performed for (i.e. the County).
- Total charges to the County for the months tested from the third-party contractor whose invoices did not meet the minimum standard documentation detail was \$457,149.
- P&B obtained evidence that third-party contractors received payment from DEMA for their services provided to the County.

Findings under procedure #4:

- P&B noted discrepancies between the billed rates and the ASC and NCS contract rates for 11 positions across 10 invoices.
- For invoices tested, the total value of underbillings due to budget rate discrepancies was \$1,699 and the total value of overbillings was \$2,058.
- Other than the discrepancies noted above, observed rate charges on DEMA invoices were in accordance with contract rates.

Specific details of each of the observed findings can be found in Attachment C (Details of Procedures).

We were engaged by the County to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on determining if DEMA maintained appropriate and sufficient documentation to support charges included in DEMA's invoices to the County under their contracts for ACS and NCS facility staffing and operations. 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.

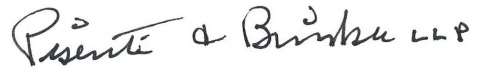
We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

Independent Accountant's Report (continued)

This report is intended solely for the information and use of the County and is not intended to be and should not be used by anyone other than the specified parties.

We appreciate this opportunity to provide services to the County of Sonoma.

Respectfully,

A handwritten signature in black ink that reads "Pimenti & Brinker LLP". The signature is written in a cursive, flowing style.

Pimenti & Brinker LLP
February 15, 2024

Attachment A

County of Sonoma Scope of Services List of Agreed-Upon Procedures

1. Obtain an understanding of DEMA's accounting processes and evaluate the design of DEMA's internal control environment relevant to the billing processes used under the ACS and NCS contracts with the County of Sonoma.
2. Select five separate months of charges billed to the County, at least one in each calendar year, from June 2020 to June 2023, from a population of all charges billed to the County under the agreements. From this sample of invoices, review appropriate support for all charges, including but not limited to, timecards or other time keeping records, canceled checks, payroll register reports, and other support to validate the occurrence and valuation of each charge.
3. Compare support received under item #2 to other contemporaneous records such invoices, bank statements and payroll tax returns to substantiate occurrence and valuation of payments made by DEMA to third parties that were charged to the County.
4. Compare charges selected under item #2 against contract budgets and contract budget rates by positions to ensure total billings and billed rates comply with ACS and NCS contract budgets. The County will provide all budget information once the months have been selected under item #2.

**DEMA Consulting &
Management Accounting Procedures
(11/1/2023)**

Payroll Process

1. Time Reporting

Employee follows established procedures for completing timesheet and obtaining supervisor's / owner's approval. Past procedures were as follows:

- 06/29/2020 – 07/15/2020: Employees were provided timecards which were used by employees to punch in their start and end time, using a time clock machine. Co-owner, Michelle Patino, reviewed and approved all timecards at the end of the pay period after verbally verifying with supervisors that the time cards were correct and / or investigating and resolving any discrepancies.
- 07/16/2020 – 11/13/2021: Employees recorded their time in the TSheets time tracking system. This system enabled employees to record their time from their cell phones. At the end of the pay period (semi-monthly), Site Administrators reviewed and approved the time recorded. Any discrepancies were documented in a binder that was noted as the Payroll Activity Log. These discrepancies were reviewed and approved by the employees' supervisor before processing payroll. Following the Site Administrators review and approval, Co-owner, Mica Pangborn, would print out the payroll detail report to perform a final review and then process payroll.

Currently, wage employees record their time in the ESO time tracking system (see attached Company Policy on Timekeeping Payroll Policy). This system enables employees to record their time from their cell phones. At the end of the pay period (bi-weekly), employees will approve their own recorded time at the end of each pay period. This employee approval process is simply done on the employees' cell phone by clicking "Yes" for approval. The evidence of this approval is stored electronically in the ESO time tracking system. After recorded time is submitted, Co-owners Mica Pangborn and Michelle Patino, will review and approve the employees' time. In addition, the Company's "Scheduler" performs a daily review of the Payroll Discrepancy Report, reviewing the employees' time submissions with their respective scheduled hours. At the end of each pay period, the Company's "Scheduler" reviews all online timecards for approvals / disapprovals. Any discrepancies are investigated by the Company's Scheduler to resolve any issues. Co-owner, Mica Pangborn, would then print out a payroll report, Payroll Detail Report by Date Span, to perform a final review and then process payroll.

2. Processing Payroll

At the end of each pay period and after all discrepancies are investigated and cleared, Co-owner, Mica Pangborn, prints out the Payroll Detail Report by Date Span, and manually enters the time data into QuickBooks. Payroll is submitted and processed by QuickBooks Total Pay Support.

Attachment B

County of Sonoma DEMA Accounting Procedures

Payroll payments are made to employees by either direct deposit or check. For employees that are paid by check, payroll checks are printed and signed by either Owner.

Salaried employees are not expected to record their time in the ESO time tracking system. Salaried employees keep an agreed-upon schedule. The work schedule for salaried employees is monitored by both Owners and the HR Director. Salaried employees are also on-call and respond to emergencies.

3. Payroll Tax Filings

QuickBooks Total Pay Support is a third-party service provider that the Company uses to perform the following:

- a) Monthly payroll tax payments.
- b) Quarterly payroll tax return filings.
- c) Annual Form W-2 / W-3 filings and Form W-2 issuances to all employees.

Purchase Process [Vendor / Contract Payments]

1. Purchases by Credit Card

Supplies, materials and equipment are usually purchased with the Company credit card. The Company credit cards are accessible to both Co-owners and administrative employees. All purchases are approved by Co-owner, Michelle Patino.

Each month, the credit card statement is reviewed and approved by Co-owner, Mica Pangborn. Any discrepancies found on the monthly credit card statement are investigated and resolved. All credit card transactions are entered into QuickBooks by Co-owner, Mica Pangborn.

2. Contracts / Agreements

Co-owner, Michelle Patino, is involved in the acquisition stage of all purchases / services requiring a contract / agreement. Co-owner, Michelle Patino, reviews the terms and conditions, approves and signs all contracts / agreements. Current contracts / agreements include (1) a contract with the Medical Director, Dr. Amy Adams, (2) a contract with Director of Operations, Adelia Godoy, and (3) a contract for security for each location / site.

Each month, invoices received are reviewed and approved by Co-owner, Mica Pangborn. Any discrepancies found are investigated and resolved. All invoices are entered into QuickBooks by Co owner, Mica Pangborn.

3. Vendor / Contract Payments

After all credit card transactions / invoices are entered into QuickBooks, checks are printed and signed by either Owner. Therefore, all vendor and contract payments are approved by either Owner.

Attachment B

County of Sonoma
DEMA Accounting Procedures

Billing / Customer Invoices

Billings are performed by either Owner. Employee time data is exported from the Company's time tracking system into Excel. The employee's time data is then broken down by employee position and location. Contractor hours for the Medical Director and the Director of Operations are obtained from the contract invoices they submit to the Company. Hours of employees and independent contractors are assigned their own billing rates. Contract invoices for security are billed at cost. This information is used to prepare a billing invoice to Sonoma County.

Deposits / Accounts Receivable

Customer payments received and accounted for by Co-owner, Mica Pangborn. These customer payments are entered into QuickBooks in order to maintain the customer's accounts receivable balance. Deposits are prepared and handled by Co-owner, Mica Pangborn.

Bank Reconciliation

Monthly bank reconciliations are performed by Co-owner, Mica Pangborn.

Timekeeping and Payroll Policy

Purpose:

To ensure the rules of timekeeping and payroll are clearly defined.

Policy:

DEMA Consulting & Management defines a paid day as the day an employee starts their shift until he or she ends his or her same shift regardless of date. The company's pay week is defined as a seven (7) day period which begins at 00:00.00 on Sunday and ends at 23:59.59 the following Saturday. A pay period is defined as two pay weeks combined.

The Company takes all reasonable steps to ensure that employees receive the correct amount of pay and that employees are paid promptly on the scheduled payday. It is the responsibility of each employee to ensure that actual hours worked are recorded accurately and that time cards are approved in ESO the date they are to be approved by each employee. This occurs on the Monday of the week of payday. Employees must review their timecards for errors. If a mistake is found while approving their time card an employee must state they do not approve and the reasoning for the non approval. This informs payroll to proceed to correct any errors prior to the final submission of hours for payroll. If a time card is not approved by the employee when due then any errors to hours an employee finds will need to be addressed by email only and emailed to **HR (hr@demacm.com)** for processing and will be addressed promptly to correct the error. The pay for the missing hours will be applied to the employees following pay period and paycheck.

Attachment B

County of Sonoma
DEMA Accounting Procedures

Falsifying time records (including failing to record or inflating time worked), tampering with another employee's time card, failing to clock in via the Company's electronic timekeeping system or failing to approve time cards when due is considered a breach of Company policy and is grounds for corrective action up to and including termination.

Final paychecks will be processed in accordance with state and local laws.

Attachment C

County of Sonoma Details of Procedures

Pisenti & Brinker LLP (“P&B”) was engaged by the County on November 14th, 2023, to evaluate DEMA’s system of internal controls from June 2020 to June 2023 and for the purpose of determining if DEMA maintained appropriate and sufficient documentation to support charges under DEMA’s contracts with the County as listed in Attachment A. Our sample consisted of all charges billed to the County during five separate months, at least one from each calendar year 2020, 2021, 2022, and 2023 from a population of all charges billed under the contract.

The County provided a full listing of all charges from DEMA, the related invoices, as well as contract budget rates by position. Accounting procedures and support for charges were obtained from DEMA’s management, which consists of the owners of the company. Such support consisted of scanned electronic copies of employee timesheets, employee pay stubs, third-party invoices, and redacted bank statements for DEMA bank accounts. DEMA also provided lists of all third-party vendor charges paid by DEMA, and payroll registers from the Company’s accounting records as Excel documents. Some employee timecards were also provided as Excel documents.

Details of Procedure #1 - Understanding of DEMA Internal Controls Over the Billing Process

As stated in Attachment B, DEMA utilized a mobile time tracking system “TSheets” from July 2020 to November 2021. As communicated by management, DEMA ceased using TSheets as it allowed employees to clock in and out from any location. As such there was no way for management to ensure that employees were recording accurate time entries. Recognizing this issue DEMA switched to a mobile time tracking system “ESO” that prohibits employees from clocking in and out if they are a certain distance from their scheduled work site. DEMA has utilized ESO since December 2021.

Per Attachment B, “salaried employees are not expected to record their time in the ESO time tracking system.” P&B noted that management is also exempt from tracking their time. As salaried employee time is charged to the County this lack of design in the accounting process led to our inability to substantiate a significant portion of all charges billed to the County as documented in procedures 2, 3 and 4. Additionally, through review of DEMA’s accounting procedures, and confirmed through inquiry with management, P&B was unable to identify a documented internal control that could reliably prevent the County from being charged for salaried employees sick or vacation time. There was also an absence of a documented invoice reconciliation procedure, therefore there is no way to ensure that all of the charges billed to the County by DEMA are related to services for the County and not a different DEMA client.

P&B noted a potential lack of segregation of duties as final approval of time entry, payroll processing, invoice approval, posting to the general ledger and billing could all be completed by a sole member of management.

Details of Procedures #2, #3 and #4 - Testing of Charges Billed to the County

The following months were selected for testing: September 2020, August 2021, October 2021, July 2022, and May 2023. Each invoice may consist of a combination of hours worked by DEMA employees and third-party contractor charges. P&B identified appropriate support as contemporaneous records independently prepared from management, such as timecards prepared by employees through DEMA’s time tracking software and invoices from third-party contractors.

Attachment C

County of Sonoma Details of Procedures

P&B obtained copies of all DEMA invoices selected for testing and noted that they lacked the required information as required in the ACS and NCS contract. Per the contract, "The bills and supporting documentation shall show or include, for each individual performing services: (i) the task(s) performed; (ii) the time in quarter hours devoted to the task(s); (iii) the name and hourly rate or rates of the persons performing the task(s); (iv) specific site location and assignment; (v) days worked; and (vi) copies of receipts for reimbursable materials/expenses, if any." The invoices obtained by P&B did not include the name and hourly rate or rates of the persons performing the task(s).

P&B did not consider staff scheduling calendars, Incident Command System 214 Activity Logs ("214 Activity Logs"), or any other type of non-formal or non-independent records as appropriate support for our testing. A 214 Activity Log is a detailed record required by the Federal Emergency Management Agency. Utilizing these 214 Activity Logs for billing is inconsistent with DEMA's documented accounting procedures. As salaried employees did not track their time, P&B could not rely on the underlying accounting records to authenticate the information contained within the 214 Activity Logs. Such support may have been used by DEMA to create invoices, however as P&B would be unable to trace the creation of 214 Activity Logs to underlying independent contemporaneous records, P&B deemed it inappropriate for our testing.

DEMA Employee Charges

P&B recalculated the hours worked for each position listed on the invoice for the respective location using employee timecards. P&B noted that hours captured in DEMA's time keeping system for employees did not match by position to DEMA invoices. For each month, P&B noted that there was time recorded by position and location that was not billed to the County for that position. P&B was unable to substantiate any charges billed for salaried employees for the months selected. This was due to the inability to obtain independent contemporaneous records related to salaried employees. As noted above salaried employees and management are not required to record their time according to DEMA's accounting procedures. Per DEMA's management, many salaried employees are certified to fill multiple positions and work at multiple sites within a billing period. As such, a consistent employee listing by position as charged to the County was unobtainable. As we were unable to trace salaried employees' time to specific positions or locations using independent contemporaneous records, we were unable to test the validity of a significant portion of amounts charged by DEMA to the County. The lack of supporting documentation for salaried employees prohibits us from determining if the hours underlying these charges were or were not worked by DEMA employees. Specific amounts of these discrepancies are detailed in the Discrepancies by Month section below.

Attachment C

County of Sonoma
Details of Procedures

Discrepancies by Month

Month	Total Invoices	Dollar Value of Invoices	Unvalidated Time (hours)	Unvalidated Value	Timecard Hours in Excess of Invoice Hours	Value of Timecard Hours in Excess of Invoice Hours
September 2020	13	\$ 588,350	3,721	\$ 279,793	477	\$ 24,932
August 2021	22	1,733,298	12,019	707,825	880	47,533
October 2021	18	1,725,416	9,006	802,728	1,813	98,019
July 2022	3	655,518	3,258	319,281	1,213	76,035
May 2023	9	864,619	9,453	201,043	228	7,068
Totals	65	\$5,567,201	37,457	\$2,310,670	4,611	\$ 253,587

“Unvalidated Time” signifies the time charged by DEMA to the County that we were unable to obtain appropriate support for, as such “Unvalidated Value” signifies the dollar value associated with the unvalidated time based on the billing rates associated with those hours. The lack of recorded time by salaried employees prohibits us from determining if the hours underlying these charges were or were not worked by DEMA employees. “Timecard Hours in Excess of Invoice Hours” signifies the number of hours that P&B observed in DEMA’s timekeeping system that did not match the invoices by position, however, due to the lack of invoice detail we cannot determine if these hours were billed to the County under other positions. “Value of Timecard Hours in Excess of Invoice Hours” signifies the dollar value associated with such hours.

Third-Party Contractor Charges

As stated in Attachment B, third-party invoices for security are billed to the County at cost and third-party invoices for contractors fulfilling the roles of Medical Director and Director of Operations are billed at the assigned billing rates stated in the contract. For third-party contractors filling the Medical Director and Director of Operations positions, P&B traced hours worked by day and by location from third-party invoices to DEMA invoice charges billed to the County. For one of the third-party contractors, P&B observed that the contractor invoices did not include minimum essential information such as hours worked by day, by location, or what client as it was charged to the County. Without this information we were unable to substantiate the hours worked by this contractor or if it was related to the County. The total amount billed to the County for this contractor over the five months we tested was \$457,149. P&B successfully agreed all amounts charged to the County for security invoices passed through to the County at cost. To validate that third-party payments were made, P&B traced cash disbursements to DEMA’s redacted bank statements with no exceptions.

Payments to Employees

To substantiate the hours worked by hourly employees as captured in DEMA’s time keeping system, P&B traced hours recorded by employee to DEMA’s bi-weekly payroll register and to employee pay stubs. To validate that the selected payroll payments were made, P&B traced cash disbursements to DEMA’s redacted bank statements with no exceptions.

Attachment C

County of Sonoma Details of Procedures

Contract Budget Rates

P&B noted discrepancies in budgeted contract rates compared to billed rates by position for 11 positions across 10 of the invoices tested. P&B noted billed rates less than the budgeted rates ranging from \$1.00 - \$4.68, totaling \$1,699. P&B also noted billed rates greater than the budgeted rates ranging from \$3.00 - \$10.64, totaling \$2,058. The majority of the observed rate charges on DEMA invoices were in accordance with ASC and NCS contracts for each month selected for testing.