



# Internal Audit Division

## Contract Compliance Audit Report

# Department of Health Services

**Contract No. 2023-3751 (\$1,771,604)**

**Contract No. 2024-4092 (\$4,649,820)**

Report Date: May 29, 2025

Engagement No: 4030

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## Executive Summary

As part of the 2024/2025 Annual Audit Plan, the Internal Audit Division of the Auditor-Controller-Treasurer-Tax Collector (ACTTC), performed a contract compliance audit of the County of Sonoma Department of Health Services (DHS) Homelessness Program Agreements (Contract) with the Society of St. Vincent de Paul District Council of Sonoma County, Inc. (SVdP). The audit covered two Contracts No. 2023-3751 and No. 2024-4092.

The objectives of the audit were to determine whether:

1. DHS complied with the County's competitive purchasing procedures when selecting SVdP.
2. SVdP's invoices and related supporting documents submitted to DHS are in compliance with the key terms of the Contracts.
3. DHS internal controls over the contract invoice payment process for SVdP is adequately designed.
4. SVdP's internal controls over the invoice/reimbursement process are adequately designed.

The following is a summary of our findings and recommendations. A more detailed discussion is provided in the body of the Report. All recommendations are considered high priority 1 (as defined on page 14) and should be implemented within one to three months after this report has been issued.

1. From August to November 2024, SVdP charged the County unallowable administrative costs totaling \$30,188. DHS has agreed to immediately stop paying and request a refund of all administrative costs billed to the County for Contract No. 2024-4092.
2. Fringe benefits costs consisting of holiday, vacation and sick hours were incorrectly billed to the County as salary and wages. DHS should request that SVdP recalculate the fringe benefits reimbursed for all prior invoices to ensure the County was not overbilled.
3. SVdP used actual fringe benefit costs instead of applying the fringe benefit rates in the Contracts. DHS should clarify with SVdP what is allowable for fringe benefits and 'salaries' and how to calculate 'fringe benefits' when invoicing the County.
4. SVdP's salaried personnel costs billed to the County were not supported by timesheets. DHS should notify SVdP that all employees are required to document hours worked on timesheets. Personnel costs billed by SVdP to the County, which are not supported by timesheets or other acceptable documentation, should be refunded.
5. Contracts only lists annualized salaries and lack employee hourly rates, while SVdP invoices include employee wages based on hourly rates, making it difficult for County staff to determine compliance with financial provisions of the contract. DHS should ensure contracts contain the necessary financial provisions to determine compliance.
6. SVdP lacks segregation of duties over the purchasing, receiving and inventory processes for shelter supplies. DHS should require SVdP to strengthen its internal controls over the purchasing and receiving of goods and invoice preparation procedures.
7. The Subrecipient Request form completed by SVdP as part of the reimbursement request lacks sufficient detail. DHS in collaboration with the ACTTC should obtain or create a Reimbursement workbook (in Excel) to improve efficiency in its invoice and payment review process.

## Introduction

The Internal Audit Division (IA) completed a contract compliance audit of the County of Sonoma DHS Homelessness Program Contracts with SVdP. Our audit is designed to identify, analyze, evaluate, and document sufficient information and evidence to achieve our audit objectives. We believe that the evidence obtained provides a reasonable basis for the results contained in our report. The audit report is a tool to help management identify and implement improvements.

The purpose of this report is to furnish management with independent and objective analysis, recommendations and other information concerning the activities reviewed. The audit report is a tool to help management identify and implement improvements.

## Background

DHS has contracted with various vendors to provide homeless shelter and site management services as part of the Sonoma County Public Health Emergency, which was in place from March 2, 2020, to February 28, 2023. The Public Health Emergency included multiple events including the COVID-19 pandemic, and the Joe Rodota Trail encampment emergency response.

During emergency events, four (4) interim shelter sites were established: (i) Sonoma County Fairgrounds, (ii) Emergency Shelter Site, (iii) Los Guilicos campus (LG Village), and (iv) Mickey Zane Place (MZ Place). These temporary shelter sites were demobilized between late 2023 and mid 2024 where DHS transitioned to keeping two (2) homeless shelter sites: MZ Place and LG Village. LG Village was managed by SVdP.

The County of Sonoma Service Agreement Policy states that “Service agreements over \$50,000 require a formal, competitive process”. In March 2024, Contract No. 2023-3751 was executed with SVdP for the management of LG Village. The initial term was November 1, 2023, to February 29, 2024, not to exceed \$745,493. The Contract was amended twice; the final amended Contract extended the term to August 31, 2024, or until all LG Village guests and operations were transitioned to Eliza’s Village (the newly renovated LG Village) and increased the not to exceed amount to \$1,771,604.

In July 2024, Contract No. 2024-4092 was executed, with SVdP to provide homeless services at MZ Place and Eliza’s Village. The term is August 1, 2024, to July 31, 2027, not to exceed \$4,649,820.

The County intends to submit costs from these contracts as part of an American Rescue Plan Act reimbursement request.

We would like to thank DHS and SVdP management and staff for their time, information, and cooperation throughout the engagement.

## Scope

The audit was performed in fiscal year 2025. We selected the months of April and October 2024 for testing.

1. Contract No. 2023-3751 and Amended Contract No. 2023-3751-A01 & 2023-3751-A02
  - Term of contract: November 1, 2023, to August 31, 2024
  - Tested invoice billed for April 2024.
2. Contract No. 2024-4092
  - Term of contract: August 1, 2024, to July 31, 2027
  - Tested invoice billed for October 2024.

## Methodology

- Interviewed DHS staff to obtain an understanding of the procurement method used to award the Contracts to SVdP.
- Reviewed the Contracts and tested sampled invoices and backup documentation to determine SVdP's compliance with key terms of the Contracts.
- Interviewed DHS staff to obtain an understanding of their invoice review and payment process, and design of internal controls over the contract monitoring process.
- Interviewed SVdP staff to obtain an understanding of the design of internal controls over their invoice/reimbursement process, separation of duties, accounting system used, audits performed etc.

### **Disclaimer:**

SVdP submitted a reimbursement request invoice for Contract 2023-3751, after the completion of audit fieldwork but before the report was issued, we did not audit this invoice which covered September 2024 LG Village expenses.

## Results

In line with the audit objectives, the results of our audit tests are provided below:

### Objective 1:

DHS generally complied with the County's competitive purchasing procedures when selecting SVdP, however some setbacks were encountered in the RFP and contracting processes, which caused delays in compliance.

On August 8, 2023, DHS issued RFP No. 23-013, the RFP closed on September 14, 2023, with four proposals received, however all proposals were rejected by the Board of Supervisors. SVdP was not one of the four proposers, although SVdP had been the service provider for LG Village since 2020 and continued to provide services for LG Village without an executed contract. On November 28, 2023, the Board of Supervisors authorized DHS to contract with SVdP, the start date of the contract term was November 1, 2023. SVdP continued providing services and being paid by DHS for several months without an executed contract. Contract No. 2023-3751 was executed on March 15, 2024, without completing a competitive bidding process, nor was an approved sole source waiver obtained.

On April 26, 2024, DHS issued RFP No. 24-1826, four proposals were received, including SVdP. The Board of Supervisors approved and awarded contract No. 2024-4092 to SVdP on July 23, 2024, it was executed on July 31, 2024, and the term began on August 1, 2024.

DHS management is aware of the requirements to follow the County's competitive purchasing procedures and to execute a contract prior to the start of contract work. DHS completed a successful RFP process, resulting in the selection of SVdP, and the execution of contract No. 2024-4092, prior to the start date of the contract term. No recommendations are considered necessary.

### Objective 2:

Most invoice costs reviewed complied with the key terms of the Contracts, however we identified some costs included in SVdP's April 2024 and October 2024 invoices which are not in compliance.

#### Unauthorized Administration Costs:

Administrative Costs of \$9,478, that are not authorized in Contract No. 2024-4092, were included in the October 2024 invoice. We expanded our testing and reviewed other invoices for the same contract. We identified unauthorized Administrative Costs totaling \$30,188 (August to November 2024 invoices), which were charged to the County.

The original executed Contract No. 2023-3751-A00 and its two (2) amendments allowed SVdP to bill an administrative cost, however Contract No. 2024-4092, does not have an administrative or indirect cost rate in the budget or anywhere else in the Contract.

During the audit, DHS agreed to immediately stop all payments for indirect expenses (administrative costs) and to request that SVdP return unauthorized Administrative Costs.

#### Incorrect Fringe Benefit Costs:

Costs for holiday, vacation and sick hours, which are considered fringe benefits, were incorrectly included in the invoices as salary and wages. Instead of applying the fringe benefit rate stated in the Contracts, SVdP included actual fringe benefit costs in the invoices.

**Lack of Timesheets for Salaried Employees:**

SVdP does not have support for salaried personnel costs billed to the County because SVdP does not require salaried employees to complete timesheets to document hours worked.

**Overcharged Wages:**

SVdP's invoices include personnel costs based on hourly rates for employees, while the Contracts only lists annualized salaries for employees. This makes it difficult for County staff and auditors to determine whether SVdP is billing according to the terms of the Contracts. Hourly rates billed on the invoice for some positions were higher than Contract rates (annualized salaries / 2080 hours).

**Objective 3:**

Some weaknesses exist in DHS's design of internal controls over the invoice payment process for SVdP contract payments. DHS lacks documented invoice review and payment procedures. While several staff are involved in the invoice review and payment process; their, roles and responsibilities are not documented, and staff invoice reviews are not documented. During the initial review of invoices under Contract No. 2023-3751, DHS staff in charge of monitoring the contract identified missing backup receipts and mathematical errors which were communicated to SVdP and resolved. The invoice review process for Contract No. 2024-4092 has changed.

The review process in DHS's Fiscal unit, which was in place during the audit was not detailed and some staff do not appear to have adequate training on invoice review and the financial provisions of the Contract.

*Additional details are in the Findings, Recommendations and Management Response section of this Report starting on page 12.*

**Objective 4:**

SVdP's internal controls over the invoice/reimbursement process are not adequately designed. Invoice preparation procedures are not documented. Staff responsible for preparing invoices were unfamiliar with some financial provisions of the Contract.

Some items purchased from grocery and discount retailers, such as shoes, energy drinks, curtains, and pet care supplies, may be ineligible for reimbursement. Although receipts were provided, without additional procurement explanation/documentation we could not determine whether some items purchased were delivered to the appropriate shelter site or whether these items were reasonable and necessary.

SVdP's purchase process lacks separation of duties, with a single employee handling all purchases. There is no independent verification of the quantities / types of goods received at the homeless site against receipts. There are no inventory control or record-keeping procedures.

*Additional details are in the Findings, Recommendations and Management Response section of this Report starting on page 11.*

## Findings, Recommendations & Management Responses

The following are our findings, recommendations, and management responses.

| No. | Criteria  | Findings & Recommendations   | Management Responses  |
|-----|---|--|---|
| 1   | <b>Contract No. 2024-4092 Section 2.1 (dated 07.31.2024):</b> Expenses not expressly authorized by the Agreement shall not be reimbursed. | <p><b>Finding:</b><br/>SVdP charged unallowable Administrative Costs (10% of total costs) to the County. From August to November 2024, SVdP has charged the County Administrative Costs of \$30,188.</p> <p><b>Recommendation: High / Priority One (1)</b><br/>1 – During the audit we recommended, and DHS agreed, to immediately stop all payments for administrative costs billed by SVdP and to seek a refund of the administrative costs from Contract No. 2024-4092.</p> | <p>DHS concurs with results of findings and recommendations. DHS has procedures in place to prevent future occurrences.</p> <p>As recommended during ACTTC's audit of SVdP, DHS immediately stopped all payments for administrative costs. DHS reviewed previously submitted invoices to identify the total admin costs charged by SVdP. DHS requested reimbursement of all admin costs. SVdP requested an amendment on a different contract and is withholding administrative costs payment until the amendment is executed. DHS staff continue to monitor the status of the amendment and will follow-up with SVdP re: recoupment once the amendment is finalized.</p> <p>Additionally, program staff are not approving invoices with unallowable Administrative Costs and DHS Fiscal staff will continue monitoring.</p> |



| No. | Criteria  | Findings & Recommendations  | Management Responses   |
|-----|---|---|--|
| 2   | <p><b>2 CFR 200.431:</b> (a) Fringe benefits are allowances and services provided by employers to their employees as compensation in addition to regular salaries and wages. Fringe benefits include, but are not limited to, the costs of leave, employee insurance, pensions, and unemployment benefit plans.</p> <p>(d) Cost objectives – The recipient or subrecipient may assign fringe benefits to cost objectives by identifying specific benefits to specific individual employees or by allocating them based on entity-wide salaries and wages of the employees receiving the benefits. When the allocation method is used, separate allocations must be made to selective groupings of employees unless the recipient or subrecipient demonstrates that costs in relationship to salaries and wages do not differ significantly for different groups of employees.</p> | <p><b>Findings:</b></p> <p>Actual fringe benefit costs for holiday, vacation and sick hours were incorrectly billed to the County as salary and wages.</p> <p>SVdP did not provide DHS information necessary to determine the reasonability of the fringe benefit rate in the contract, such as a worksheet listing the components of fringe benefits used to arrive at the fringe benefit rates.</p> <p><b>Recommendations: High / Priority One (1)</b></p> <p>2.1 – DHS should clarify with SVdP the compensation and fringe benefit requirements in 2 CFR 200.431 regarding what is allowable for 'salaries' and how to calculate 'fringe benefits'.</p> <p>2.2 – Prior to executing contracts and amendments, DHS should require SVdP to provide a fringe benefit rate calculation, which includes fringe benefit components.</p> | <p>DHS concurs with results of findings and recommendations. DHS will communicate with SVdP as directed.</p> <p>DHS shall submit notification to SVdP clarifying allowable salaries and how to calculate 'fringe benefits' based on 2CFR200.431.</p> <p>Finding #2.2: DHS shall require SVdP provide a fringe benefit rate calculation, including their components of fringe benefits.</p> <p>DHS Fiscal will work with DHS program staff to submit clarification to SVdP &amp; require they submit fringe benefit rate calculation.</p> |
| 3   | <p><b>Contract No. 2023-3751-A02 Modification No. 2 Exhibit B-1. Budget (dated 03.15.2024):</b> Fringe Benefit is calculated using a rate of 15.50% of total salaries and wages.</p> <p><b>Contract No. 2024-4092 Exhibit B. Budget (dated 07.31.2024):</b> Fringe Benefit is calculated using a rate of 35% of total salaries and wages.</p>   | <p><b>Findings:</b></p> <p>The contracts and related amendments included a fringe benefit rate in the budget, however SVdP used actual fringe benefit costs instead of applying the fringe benefit rate in the Contract.</p> <p>For the April 2024 invoice (Contract No. 2023-3751-A02), personnel costs were overclaimed by \$1,148, because actual fringe benefit costs were used instead of the 15.50% fringe benefit rate stated in the Contract.</p>   | <p>DHS concurs with results of findings and recommendations. DHS will communicate with SVdP as directed.</p> <p>DHS shall request detailed payroll reports, including the breakout of salary costs and each benefit cost for each month SVdP provided services. DHS now requires payroll detail reports for each invoice submitted.</p>  |

| No. | Criteria   | Findings & Recommendations   | Management Responses  |
|-----|--|--|---|
|     |  | <p>For the October 2024 invoice (Contract No. 2024-4092), fringe benefit costs appear to be underclaimed because actual fringe benefit costs were used instead of the 35% fringe benefit rate stated in the contract. We were unable to determine the underclaimed amount because we tested only a sample of employee wages.</p> <p><b>Recommendation: High / Priority One (1)</b><br/> 3 – DHS should require SVdP to recalculate the personnel costs for all invoices and settle the net over or underpaid amount.</p> | <p>Contract No. 2023-3751-A02<br/> Once detailed payroll reports are received, DHS shall review each payroll report to determine the total fringe benefit costs paid to SVdP to determine if fringe benefit costs exceeded allowable 15.50%. DHS shall require SVdP to recalculate the personnel costs for all invoices.</p> <p>Contract No. 2024-4092<br/> DHS shall review payroll details to determine total fringe benefit costs are equal to or less than 35%. DHS shall request SVdP recalculate 'fringe' costs to meet Contract %s.</p> <p>DHS Fiscal will:</p> <ol style="list-style-type: none"> <li>1. Request detailed payroll reports</li> <li>2. Calculate total fringe benefit costs and %s</li> <li>3. Request SVdP recalculate all payroll and fringe benefit costs to comply with %s allowable for each contract.</li> <li>4. DHS shall settle net over or underpayment with SVdP</li> </ol> |
| 4   | <p><b>Contract No. 2023-3751-A02 Modification No. 2 (dated 03.15.2024) &amp; Contract No. 2024-4092 (dated 07.31.2024):</b><br/> Contractor shall keep and maintain full and complete documentation and accounting records concerning all services provided under this Agreement. All accounting</p> | <p><b>Findings:</b><br/> SVdP does not have support for salaried personnel costs billed to the County because SVdP does not require salaried employees to complete timesheets to document hours worked.</p>  | <p>DHS concurs with results of findings and recommendations. DHS will communicate with SVdP as directed.</p> <p>DHS shall provide guidance to SVdP regarding time-tracking</p>  |

| No. | Criteria   | Findings & Recommendations  | Management Responses   |
|-----|--|---|--|
|     | <p>records shall be maintained so that they clearly reflect the source of funding for each type of service for which reimbursement is claimed by Contractor. Accounting records include, but are not limited to, all ledgers, books, vouchers, time sheets, payrolls, appointment schedules, guest data cards, and schedules for allocating costs.</p> | <p>For pay periods 03/26/24 – 04/25/24, \$12,159 billed to the County is not supported by timesheets for the Shelter Director and Executive Director.</p> <p>For pay periods 09/26/24 – 10/25/24, \$18,046 billed to the County is not supported by timesheets for the Executive Director, Shelter Director and one of the Shelter Supervisors.</p> <p><b>Recommendations: High / Priority One (1)</b></p> <p>4.1 – DHS should notify SVdP that employees (including salaried employees) are required to document hours worked on timesheets, by program, activity and or shelter site.</p> <p>4.2 – Personnel costs billed by SVdP to the County which cannot be supported by timesheets or other acceptable documentation should be refunded.</p> | <p>requirements for salaried employees and shall request salaried costs reported in Contract be broken out into hourly rates for all staff, including salaried employees. DHS shall require SVdP provide documentation to support all administrative costs charged as direct costs.</p> <p>DHS shall calculate allowable salaried costs based on supporting documentation provided and shall compare to the total salaried costs invoiced by SVdP. Also, DHS shall request SVdP recalculate allowable direct service salaries to match supporting documentation. DHS shall request reimbursement of all personnel costs that cannot be supported by timesheets or other acceptable documentation.</p> <p>DHS Fiscal will:</p> <ol style="list-style-type: none"> <li>1. Provide guidance to SVdP regarding time-tracking requirements for salaried employees.</li> <li>2. Calculate allowable administrative costs based on supporting documentation</li> <li>3. If applicable, request reimbursement for unsubstantiated salaried costs.</li> </ol> |

| No. | Criteria   | Findings & Recommendations  | Management Responses   |
|-----|--|---|--|
| 5   | <p><b>Contract No. 2023-3751-A02 Modification No. 2 Exhibit B-1. Budget (dated 03.15.2024):</b> The Executive Director's annual salary is budgeted at \$42,000 (0.3 of \$140,000 annualized salary), and the Los Guilicos Village Shelter Coordinators are budgeted at \$240,000 (6 FTE x \$40,000 annualized salary).</p> <p><b>Contract No. 2024-4092 Exhibit B. Budget (dated 07.31.2024):</b> The Mickey Zane Place Shelter Supervisor's annual salary is budgeted at \$65,000</p> | <p><b>Findings:</b></p> <p>SVdP's invoices include employee wages based on hourly rates, while the Contracts only lists annualized salaries for employees, which makes it difficult for County staff and auditors to determine whether SVdP is billing according to the terms of the Contract. The standard number of hours worked in a year for full time employee is 2,080, which was used in our audit to determine budgeted hourly rates based on the annualized salary amounts in the Contracts.</p> <p>For the April 2024 invoice (Contract No. 2023-3751-A02), Shelter Coordinators hourly rates in SVdP invoices range from \$20 to \$23 per hour, which exceeds the budget hourly rates in the contract by \$1 to \$3 per hour. The Executive Director's \$85 per hour rate in SVdP invoices, exceeds the budget hourly rate in the contract by \$18 per hour.</p> <p>For the October 2024 invoice (Contract No. 2024-4092), one of the Shelter Supervisor's \$36 per hour rate in SVdP invoices, exceeds the budget hourly rate in the Contract by \$5 per hour.</p> <p><b>Recommendation: High / Priority One (1)</b></p> <p>5 – DHS should ensure Contracts contain the necessary financial specificity to determine whether the contractor is billing the County in accordance with financial terms of the Contract.</p> | <p>DHS concurs with results of findings and recommendations. DHS will communicate with SVdP as directed.</p> <p>DHS shall request a breakdown of hourly rates for all staff, including salaried EEs. Contract review procedures shall include direction to staff to ensure all staff costs are broken out to hourly rate prior to Contract approval. (This response is also included with Finding #7.)</p> <p>DHS Fiscal will:</p> <ol style="list-style-type: none"> <li>1. Request SVdP breakdown all wages to hourly rates</li> <li>2. Confirm all wages are shown as hourly rates prior to final contract approval.</li> </ol> |

| No. | Criteria  | Findings & Recommendations  | Management Responses   |
|-----|---|---|--|
| 6   | <p><b>2 CFR 200.303:</b> (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.</p> | <p><b>Findings:</b></p> <p>Weakness exists in SVdP internal controls over the invoice/reimbursement and purchasing processes.</p> <p>Some items purchased from grocery and discount retailers, such as shoes, energy drinks, curtains, and pet care supplies, appear to be for personal use, or specifically excluded from the contract. Although receipts were provided, we could not determine whether some items purchased were delivered to the appropriate shelter site or whether these items were reasonable and necessary, because no other procurement/explanation documentation was provided.</p> <p>There is no second person verifying the quantities / types of goods received against the receipts. The homeless site lacks inventory control or record-keeping procedures.</p> <p>Two (2) amazon purchases were shipped to the Shelter Director's residence instead of the business address. SVdP should ship purchased goods to their head office in Rohnert Park if the shelter site is not safe.</p> <p>Invoice preparation procedures are not documented. Staff responsible for preparing the invoices were unfamiliar with some financial provisions of the contract.</p> <p><b>Recommendations: High / Priority One (1)</b><br/>DHS should require SVdP to strengthen its internal controls by documenting and implementing an</p> | <p>DHS concurs with results of findings and recommendations. DHS will communicate with SVdP as directed.</p> <p>DHS shall require SVdP write a policy and procedures for documenting internal controls for each of the following:</p> <ol style="list-style-type: none"> <li>1. Purchasing, including defining acceptable shipping/receiving address(es)</li> <li>2. Receiving protocols for shelter site and SVdP main location</li> <li>3. Inventory tracking</li> </ol> <p>DHS Fiscal staff will work with DHS program staff and submit a request to SVdP for written policies and procedures</p> |

| No. | Criteria  | Findings & Recommendations   | Management Responses   |
|-----|---|--|--|
|     |   | <p>internal policy for its homeless sites which includes the following:</p> <p>6.1 – Internal controls over the purchasing and receiving of goods. Items purchased online should be shipped to the business address instead of staff residential address.</p> <p>6.2 – Inventory log for all goods purchased and received at the shelter sites with appropriate sign offs.</p> <p>6.3 – Invoice preparation procedures should be documented. Staff responsible for preparing invoices should understand and be aware of the financial provisions of their respective Contracts and its application when billing the County.</p>  |  |
| 7   | <p><b>Contract No. 2024-4092 Section 2.1 (dated 07.31.2024):</b> Contractor shall submit its bills in arrears on a monthly basis in a form approved by County's Auditor and the Head of County department receiving the services. The bills shall show or include: (i) the task(s) performed, (ii) the time in quarter hours devoted to the task(s), (iii) the employee's name and hourly rate(s) of the person(s) performing the task(s), (iv) dates/days worked; and (v) copies of receipts for reimbursable materials / expenses, if any. Expenses not expressly authorized by the Agreement shall not be reimbursed.</p> <p>DHS requires SVdP to complete a reimbursement request form to ensure that</p> | <p><b>Findings:</b></p> <p>The County provided reimbursement request form lacks fields for SVdP to provide sufficient detail of expenses as required by the Contract. The lack of detail in the reimbursement request form, makes it time consuming for DHS staff to reconcile timecards and to review backup documents for the two homeless shelter sites. Fields in the form are not password protected, SVdP altered the reimbursement request form by adding an Administrative Cost line item.</p> <p>DHS's invoice review process has changed, staff without adequate experience, training and knowledge of the Contract missed billing errors and do not document their review.</p> <p><b>Recommendations: High / Priority One (1)</b></p> | <p>DHS concurs with results of findings and recommendations. DHS is implementing procedures, and training staff to prevent future occurrences.</p> <p>DHS has recently developed a sample invoice that can also serve as a Reimbursement Template. DHS shall collaborate with ACTTC to ensure the template is comprehensive enough to meet invoicing standards that capture budget requirements of the Contract. The template is password protected so it cannot be modified by vendors.</p> |

| No. | Criteria  | Findings & Recommendations   | Management Responses   |
|-----|---|--|--|
|     | all charges are in line with the Budget and backup records are submitted to the County. | <p>7.1 – DHS management in collaboration with ACTTC management should create a Reimbursement Template (in excel) for SVdP to fill out and submit with its backup documents to DHS to make the review process more efficient and streamlined. The template can be tailor made according to the Budget requirements of the Contract and password protected to ensure that the template is not changed by SVdP staff.</p> <p>7.2 – DHS should document its invoice review procedures and ensure staff are adequately trained and familiar with the review process around the financial provisions of the Contracts.</p> | DHS has written invoice procedures and staff have been trained on how to comply with the written procedures. DHS will continue to train staff on written invoice processing procedures with emphasis on Contract review and adherence to contract requirements (this item is also included in Finding #5). |

## Priority Ratings and Definitions

| Priority Ratings  | Definition of Priority Ratings and Suggested Implementation Timeframe  |
|---|--|
| <b>High /<br/>Priority One (1)</b>                        | <p>Priority One recommendations are assigned to the highest assessed level of risk. For these recommendations, internal controls are considered poor or insufficient, which results in the likelihood of financial loss, waste, misappropriation of assets, or errors for the area(s) evaluated. Priority One recommendations also include issues related to non-compliance with laws, regulations or policies and procedures.</p> <p>Management should urgently implement these recommendations within one to three months after issuance of the final audit report to avoid risk exposure.</p> |
| <b>Medium /<br/>Priority Two (2)</b>                      | <p>Priority Two recommendations are assigned to the moderately assessed level of risk. For these recommendations, internal controls provide reasonable assurance that the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors; however, additional action is needed to strengthen current practices.</p> <p>Management should promptly implement these recommendations within three to six months after issuance of the final audit report to improve internal control processes.</p>                               |
| <b>Low /<br/>Priority Three (3)</b>                       | <p>Priority Three recommendations are assigned to the lowest assessed level of risk. For these recommendations, internal controls are operating as designed to ensure the County program(s) or area(s) evaluated are protected from potential financial loss, waste, misappropriation of assets, or errors. These recommendations are desired actions to enhance current practices.</p> <p>Management should consider implementing these recommendations within six to 12 months after issuance of the final audit report to provide additional confidence in the internal control system.</p>   |
| <b>Opportunity for improvement/<br/>Priority Four (4)</b> | <p>Priority Four recommendations are assigned to matters which do not involve internal controls, they typically involve opportunities for improvement or efficiency/effectiveness issues that require management's consideration to implement or enhance processes.</p>  |