



County of San Diego

JOHN M. PELLEGRINO
DIRECTOR

DEPARTMENT OF PURCHASING AND CONTRACTING
5560 OVERLAND AVENUE, SUITE 270, SAN DIEGO, CALIFORNIA 92123-1204
Phone (858) 505-6367 Fax (858) 715-6452

ALLEN R. HUNSBERGER
ASSISTANT DIRECTOR

January 23, 2020

VIA E-MAIL AND
CERTIFIED MAIL

Gerald McFadden
President & Chief Executive Officer
Volunteers of America Southwest
3530 Camino Del Rio North, Suite 300
San Diego, CA 92108

NOTICE OF TERMINATION OF CONTRACT NUMBER 553470; NOTICE OF CONTRACT COST AUDIT DISALLOWANCES AND REQUEST FOR REFUNDS OF QUESTIONED AND UNSUPPORTED COSTS - CONTRACT NUMBER 553470 FY 2018/19; AND CONTRACT NUMBERS 504644, 522603, 522611, 553469, 553470 FY 2016/17 AND FY 2017/18

Dear Mr. McFadden:

The County of San Diego (County) is exercising its right to immediately terminate Contract Number 553470 (Contract) pursuant to Article 7.5 of the agreement with Volunteers of America Southwest (VOA). As stewards of public funds, and to maintain the public's trust, the County must ensure that its contracted providers are held to the highest standard of performance and integrity in the administration of public programs and services.

The unresolved issues in the Corrective Action Notice and the attached fiscal audit findings outlining excessive questionable costs and disallowances all represent compelling evidence that VOA has not been operating in compliance with the legal requirements of the Contract. Also, as the designated representative for VOA you were obligated to report critical incidents including, but not limited to, fraud and unethical conduct to the Contracting Officer Representative (COR) within one business day pursuant to Section 16.19 of the Contract. We have reason to believe that you may not have reported such suspected critical incidents as required. If you were in possession of such information, or had reason to believe that any fraud or unethical conduct had occurred, you should have provided such information to the County immediately.

Pursuant to Article 3 (Disentanglement) of the Agreement, VOA must ensure that there is no adverse impact for clients and cooperate in the delivery of all required documentation to the County. County staff will contact you within twenty-four hours regarding the next steps for transitioning all remaining County clients to other service providers and providing all required documentation to the County. Due to the termination of this Contract, there will be no future intakes.

Your immediate attention to this matter is required and we anticipate your cooperation in effectuating disentanglement. The County will also continue to pursue recovery of funds identified in the enclosed documents.

JOHN M. PELLEGRINO, Director
Department of Purchasing and Contracting

Enclosures:

- 1) January 21, 2020 Letter from Patty Kay Danon, Director Agency Contract Support - CORRECTIVE ACTION RESPONSES TO CONTRACT AUDIT OF CONTRACT NOS. 504644, 522603, 522611, 553469, 553470 for FY 2016/17 AND FY 2017/18
- 2) January 21, 2020 Letter from Patty Kay Danon, Director Agency Contract Support and Appendix A Fiscal Audit of Contract No. 553470 for Fiscal Year 2018/19

Cc: Charles Hartford, Chair, VOASW Board of Directors
Philip Curtis, Secretary, VOASW Board of Directors
Madhukar Rao, VOASW Board of Directors
Abel Svitavsky, VOASW Board of Directors
Denise Knight, VOASW Board of Directors
Thomas Morrissey, VOASW Board of Directors
Steve Potter, VOASW Board of Directors
Neal Clements, VOASW Board of Directors
Rocio Placencia, VOASW Board of Directors
Rubye Noble, Chairperson, VOA Board of Directors
Jerry G. Langley, Vice Chair, VOA Board of Directors
Nick Macchione, Director, County of San Diego Health and Human Services Agency (HHSA)
Thomas Montgomery, County Counsel, County of San Diego
Patty Danon, Director, Agency Contract Support, County of San Diego HHSA
Luke Bergmann, Ph.D., Director, Behavioral Health Services (BHS), County of San Diego HHSA

Enclosure #1
(Corrective Action Response)



County of San Diego

NICK MACCHIONE, FACHE
AGENCY DIRECTOR

HEALTH AND HUMAN SERVICES AGENCY
AGENCY CONTRACT SUPPORT
5469 KEARNY VILLA ROAD, STE. 2300, MAIL STOP W-472
SAN DIEGO, CA 92123
(858) 636-3530 • FAX (858) 636-3533

PATTY KAY DANON
DIRECTOR, AGENCY CONTRACT SUPPORT

January 21, 2020

Gerald McFadden, President/CEO
Volunteers of America
3530 Camino Del Rio North, Suite 300
San Diego, CA 92108

CORRECTIVE ACTION RESPONSES TO CONTRACT AUDIT OF COUNTY CONTRACT NOS. 504644, 522603, 522611, 553469 AND 553470 FOR FISCAL YEARS 2016-2017 AND 2017-2018

Dear Mr. McFadden:

We have received your response confirming overclaimed costs and duplicate billing for Federal Probation and State Residential Multi-Service Center (RMSC) clients and the corresponding refund check #071674 for \$82,108.99 on April 18, 2019. In addition, subsequent documentation has been received and reviewed, and we have determined the status of the findings below.

Finding 1a, c, and d: Disallowed costs of \$12,456.54

Response accepted. Refund of \$12,456.54 from overclaimed costs received.

Finding 1b: Disallowed costs of \$280,749.25

Partially accepted. Refund totaling \$69,652.45 from Federal Probation units and Residential Multi-Service Center (RMSC) clients claimed to the County received.

For the remaining \$211,096.80, the Contractor stated that all individuals admitted into the program were County clients, including those listed under Scripps and UCSD and that expenses for the program were shared and allowable per the Revenue Match and third party payer language in the County contract. To gain assurance of the accuracy and validity of costs reported to the County, detailed general ledgers for all expenses and all revenue for the program for FY 2016-2017 and FY 2017-2018 were requested. After reviewing documentation for selected direct and indirect expenditures for Contract No. 553470, the following issues and/or inconsistencies below were noted. As a result, we are unable to gain assurance of the accuracy and validity of costs as provided to the contract auditors.

1. Trial balance provided in October 2018 for the County program did not match the General Ledger provided in May 2019.
2. Inadequate internal controls and concern with accuracy of entries and reporting.
 - a. Direct: Invoice not marked paid and/or not dated.
 - b. Direct and Indirect: Questionable authorization for payment.
 - c. Direct and Indirect: Missing employee e-signature/signature on timesheet.
 - d. Indirect: Missing direct deposit authorization for selected employees.
 - e. Direct: Timesheet/personnel file indicated other department program code charges for allocation of time.
 - f. Direct and Indirect: Missing I-9s for selected employees who were no longer employed. Contractor provided I-9s dated August 2019, which were prepared and signed by the supervisor only.
3. Costs pertaining to labor law penalties regarding lunch breaks, which were included in the General Ledger, are unallowable. Per 2 CFR 200, § 200.441, "Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable..." This issue is also noted in the fiscal year 2018-2019 contract audit report dated January 21, 2020.
4. Unallowable costs included in indirect cost rate calculation. Parsonage, donations, and food and beverages for employees that do not benefit the County contract should be excluded from the indirect cost pool.
5. Inadequate bank reconciliation procedures and internal controls.
 - a. An outstanding check listed on the June 2018 bank reconciliation report cleared with a different vendor name in the July 2018 report – Check #68493, which was dated 6/29/18, cleared for \$19,999.59 on 7/02/18. According to the June 2018 Bank Reconciliation Report (outstanding transactions), the payee was JER International, Inc. However, according to the July 2018 Bank Reconciliation Report (cleared transactions), the payee was SHI International, Inc. Meanwhile, a copy of the cancelled check shows the check was made out to SHI International Corp. This issue is also noted in the fiscal year 2018-2019 contract audit report dated January 21, 2020.
 - b. Written bank reconciliation procedures have not been updated to ensure that the reviewer/approver, in addition to the preparer, both sign and date the bank reconciliation reports. The June 2018 bank reconciliation report was not dated by the reviewer. This was a prior verbal recommendation to the Contractor.

Because of the issues listed above and the concerns and deficiencies noted in the fiscal year 2018-2019 contract audit report dated January 21, 2020, we are unable to validate program expenses for FY 2016-2017 and FY 2017-2018. Please refund \$211,096.80.

Mr. McFadden, President/CEO
January 21, 2020
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Finding 2: Questioned costs of \$4,499.49

Response accepted.

Thank you for your attention given to this matter. Please refund the remaining amount of \$211,096.80 no later than February 6, 2020. If you have any questions, please contact Amalia Arevalo, Contract Audits Manager at (858) 636-3530.

Sincerely,



PATTY KAY DANON, Director
Agency Contract Support

PKD:gc

cc: Marie McKenzie, Chief Operations Officer, Volunteers of America
Naghm Hakeem, Chief Financial Officer/Controller, Volunteers of America
Luke Bergmann, Ph.D., Director, BHS
Aurora Kiviat, Assistant Director, BHS
Cecily Thornton-Stearns, Assistant Director, BHS
Yael Koenig, Deputy Director, BHS
Piedad Garcia, Deputy Director, BHS
Melinda Nickelberry, Deputy Director, BHS
Raul Loyo-Rodriguez, Departmental Budget Manager, BHS
Nadia Privara Brahms, Program Coordinator, BHS
Marie Lopez, Admin Analyst III, BHS
Elizabeth Knight, COR, BHS
Cara Evans Murray, COR, BHS
Conrad Tanjuaquio, COR, BHS
Connie German-Marquez, COR, BHS
Christy Carlson, Group Program Manager, Compliance, HHSA
Paulina Martinez, ACS
Amalia Arevalo, ACS
Financial and Support Services Division Staff
Agency Contract Support Staff

Enclosure #2
(Contract Audit Report)



County of San Diego

NICK MACCHIONE, FACHE
AGENCY DIRECTOR

HEALTH AND HUMAN SERVICES AGENCY
AGENCY CONTRACT SUPPORT
5469 KEARNY VILLA ROAD, STE. 2300, MAIL STOP W-472
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PATTY KAY DANON
DIRECTOR, AGENCY CONTRACT SUPPORT

January 21, 2020

Gerald McFadden, President/CEO
Volunteers of America
3530 Camino Del Rio North, Suite 300
San Diego, CA 92108

REPORT ON CONTRACT AUDIT OF COUNTY CONTRACT NO. 553470 FOR FISCAL YEAR 2018-2019 THROUGH PRESENT

Dear Mr. McFadden:

The Health and Human Services Agency (HHSA) Contract Support division has completed its contract audit of your County HHSA contract. The audit was conducted pursuant to the Audit and Inspection of Records clause in the contract and covered selected claims and invoices for fiscal year 2018-2019. The audit included a sample analysis of your prior and current financial records, an examination of your fiscal reporting system and claim reconciliation procedures.

Based upon our testing, five findings were noted as requiring corrective actions. Appendix A to this letter is the contract audit report that details the findings, the corrective actions to be taken, and the date when they must be accomplished. Please review the appendix, implement the necessary corrective actions, and notify us in writing by the specified timeline.

Please note that this report does not constitute any settlement or final review of cost records relating to this contract. The County and its funding sources reserve the right to perform additional reviews and may subsequently issue other reports regarding this contract.

If you have any questions, please contact Amalia Arevalo, Contract Audits Manager at (858) 636-3530.

Sincerely,

PATTY KAY DANON, Director
Agency Contract Support

PKD:at
Enclosure

Mr. McFadden, President/CEO
January 21, 2020
Page 2

cc: Marie McKenzie, Chief Operations Officer, Volunteers of America
Naghm Hakeem, Chief Financial Officer/Controller, Volunteers of America
Luke Bergmann, Ph.D., Director, BHS
Aurora Kiviat, Assistant Director, BHS
Cecily Thornton-Stearns, Assistant Director, BHS
Yael Koenig, Deputy Director, BHS
Piedad Garcia, Deputy Director, BHS
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Raul Loyo-Rodriguez, Departmental Budget Manager, BHS
Nadia Privara Brahms, Program Coordinator, BHS
Marie Lopez, Admin Analyst III, BHS
Cara Evans Murray, COR, BHS
Christy Carlson, Group Program Manager, Compliance, HHSA
Paulina Martinez, ACS
Amalia Arevalo, ACS
Financial and Support Services Division
Agency Contract Support Staff

**Volunteers of America
Fiscal Year 2018-2019 to Present
Appendix A**

CORRECTIVE ACTION	DISCUSSION	DUE DATE
<p>Finding 1: Questioned FY 2018-2019 operating costs of \$3,752,346.48 (which consists of total operating costs claimed minus reductions and refunds received), plus corresponding indirect costs, due to concerns over accuracy of reports and supporting documentation stemming from inadequate internal controls.</p> <p>Required Actions:</p> <ol style="list-style-type: none"> 1. Refund \$3,752,346.48, OR provide County of San Diego (COSD) contract auditors immediate, direct access to any and all documents that would reliably and accurately support the questioned costs. See Finding 2 for indirect costs. 2. Determine operating costs and corresponding indirect costs charged from July 2019 to present and refund to the County OR provide COSD contract auditors immediate, direct access to any and all documents that would reliably and 	<p>After reviewing supporting documentation to gain assurance of the accuracy and validity of operating costs charged to Contract No. 553470 for FY 2018-2019, a lack of internal controls and deficiencies and inconsistencies on supporting documentation provided were discovered, as noted below. As a result, we are unable to accept operating costs provided as accurate or valid.</p> <ol style="list-style-type: none"> a. An outstanding check listed on the June 2018 bank reconciliation report cleared with a different vendor name in the July 2018 report – Check #68493, which was dated 6/29/18, cleared for \$19,999.59 on 7/02/18. According to the June 2018 Bank Reconciliation Report (outstanding transactions), the payee was JER International, Inc. However, according to the July 2018 Bank Reconciliation Report (cleared transactions), the payee was SHI International, Inc. Meanwhile, a copy of the cancelled check shows the check was made out to SHI International Corp. According to the Chief Financial Officer (CFO), all transactions on the Bank Reconciliation Report originated from the “Payable Management Module”, and when a transaction is edited to correct typos in names, the items are updated in the originating module first and then automatically posted in the next open Bank Reconciliation Report. No explanation was provided as to the necessity for the payee name change nor any supporting documentation of management approval of change. Financial system controls should accurately identify and log any and all edits to financial records. The lack of supporting documentation on edits to financial records results in inability to gain assurance on the validity of the finances provided. This issue is also noted in our Corrective Action Response letter dated January 21, 2020. b. Payee/Vendor discrepancy - An April 2019 indirect fundraising expense for \$4,150, selected from the General Ledger (G/L) that was provided on 8/12/2019, listed Padre Dam as the vendor. However, supporting documentation provided showed a payment was made to “Wpy” on the company’s credit card. Meanwhile, although the CFO stated that payment was made to NationBuilder, a revised G/L, received on 10/4/2019, still listed Padre Dam as the vendor. 	<p>February 20, 2020</p>

accurately support the questioned costs. See Finding 2 for indirect costs.

3. Update written policies and procedures to ensure that adequate internal controls are in place for reviewing and approving all expenditure transactions and to ensure accurate records, entries and reporting.

4. Submit to the County a copy of the updated written policies and procedures from Step 3 above.

c. Testing on 20 direct expenses totaling \$196,030.23 and 12 indirect expenses totaling \$131,043.80 revealed the following:

- o Inadequate controls over review and payment of company credit card expenses – Two direct and three indirect expenses totaling \$10,752.60 were paid on company credit cards with no proper controls regarding written authorizations prior to purchase of goods, receipt for acceptance of goods and separation of duties regarding authorization and payment.
- o Inadequate supporting documentation received – a \$43,747 direct charge in December 2018 for Food and Beverage was not supported by documentation for actual food costs. In addition, adequate supporting documentation (i.e. original receipt of payment) for indirect charges, \$220.04 in April 2019 for Specific Assistance – Christmas and \$3,000 in May 2019 for Training/Education-Tuition Reimbursement, was not provided.
- o Inadequate authorization for payments - 11 direct expenses totaling \$51,036.39 and 7 indirect expenses totaling \$102,067.78, did not have proper authorizations for payment.
- o Invoices not marked paid and/or dated - 15 direct expenses totaling \$110,902.42 and five indirect expenses totaling \$12,720.82 were not marked paid and/or dated.
- o Direct and indirect expenses totaling \$16,382.00 (five direct and one indirect) were not properly categorized in the G/L and/or on the claim to the County.
- o A direct December 2018 expense for \$60.99, selected from the G/L, no longer appeared on the revised G/L. A proper explanation for the removal was not given.
- o A May 2019 direct program cost of \$8,255.98 was incorrectly posted as an indirect expense per the CFO. However, the item was still posted under indirect expenses on the revised G/L.

d. \$16,345.00 of client costs associated with a separate program was claimed as Specific Assistance-Clients costs in June 2019.

<p>Finding 2: Questioned indirect costs of \$1,133,120.00 due to inadequate internal controls, unallowable and questionable costs in the indirect cost pool and calculation of the indirect cost rate.</p> <p>Required Actions:</p> <ol style="list-style-type: none"> 1. Refund \$1,133,120.00 OR provide COSD contract auditors immediate, direct access to any and all documents that would reliably and accurately support the questioned costs. 2. Determine indirect costs charged from July 2019 to present and refund to the 	<p>e. Signature stamps – during an onsite review on August 2019, the CFO acknowledged the existence of a signature stamp for the President/CEO but indicated the second required signature on the checks was a “wet signature” from the Chief Operations Officer. However, after reviewing cancelled checks, it appears that both signatures on a majority of the checks were stamped.</p> <p>Per County Contract Section 4.1.1 General Principles, “Contractor shall, comply with generally accepted accounting principles and good business practices, including all applicable cost principles published by the Federal Office of Management and Budget (OMB).”</p> <p>Per County Contract, Section 4.2.12 Disallowance, “In the event Contractor receives payment from County for a service, for which reimbursement is later disallowed by County, the State, the Federal government, or any other funding source, Contractor shall promptly refund the disallowed amount to County on request, or County may offset the amount disallowed from any payment due to or to become due to Contractor....”</p> <p>During a review of the Contractor’s FY 2018-2019 indirect cost rate and methodology used, it was noted the following unallowable/questionable items were included in the indirect cost pool and calculation of the indirect cost rate:</p> <ol style="list-style-type: none"> a. Affiliate fee – The indirect GL included affiliate fees of \$85,197.00 for June 2019. According to the CFO, June 2019 affiliate fees paid totaled \$35,000.00. The difference of \$50,197.00 should be excluded from the final indirect cost pool for FY 2018-2019. b. Labor law penalties related to lunch breaks - Lunch penalty hours were noted for the months of July 2018, December 2018 and June 2019. Total costs associated with all lunch penalties, including fringe benefit costs, should be removed from the indirect cost pool when calculating the indirect cost rate for FY 2018-2019. Per 2 CFR 200, § 200.441, “Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable...” This issue is also noted in our Corrective Action Response letter dated January 21, 2020. c. Direct program cost - As previously mentioned in Finding 1, direct program costs of \$8,255.98 were included in the indirect G/L for the month of May 2019. After an inquiry in August 2019, the CFO indicated that the \$8,255.98 was not an indirect cost and had been reversed. In November 2019, after a request for 	<p>February 20, 2020</p>
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<p>County OR provide COSD contract auditors immediate, direct access to any and all documents that would reliably and accurately support the questioned costs.</p> <p>3. Calculate the indirect cost rates for FY 2018-2019 and FY 2019-2020, ensuring that all unallowable costs are excluded from the indirect cost pool and direct costs.</p> <p>4. Submit to the County, with appropriate documentation and methodology, your revised FY 2018-2019 and FY 2019-2020 indirect cost rates.</p> <p>5. Refund to the County any overclaimed indirect costs based on your revised FY 2018-2019 and FY 2019-2020 indirect cost rates.</p>	<p>clarification regarding indirect costs, the CFO excluded the \$8,255.98 from the indirect cost pool total and revised the total indirect costs for FY 2018-2019. However, the revised indirect G/L did not reflect the removal of the \$8,255.98.</p> <p>d. Disallowance payment - An \$82,108.99 refund paid to the County in April 2019 for overclaimed costs and duplicate billings was included in the indirect cost pool. In November 2019, the CFO agreed to remove the amount from the indirect cost rate calculation.</p> <p>e. Parsonage - The FY 2018-2019 indirect G/L shows total parsonage costs of \$130,412.66. Parsonage is not a requirement or benefit to the County contract and should be excluded from the final indirect cost pool for FY 2018-2019.</p> <p>f. Food & beverage - The FY 2018-2019 indirect G/L shows total food & beverage costs of \$11,130.61. Unless a benefit to the County contract can be explained and supported, food & beverage costs should be excluded from the indirect cost pool and calculation of the indirect cost rate.</p> <p>g. Inadequate controls over review and payment of company credit card expenses – As previously mentioned in Finding 1, there are no proper controls regarding written authorizations prior to purchase of goods, receipt for acceptance of goods and separation of duties regarding authorization and payment.</p> <p>Per County Contract Section 4.1.1 General Principles, “Contractor shall, comply with generally accepted accounting principles and good business practices, including all applicable cost principles published by the Federal Office of Management and Budget (OMB).”</p> <p>Per County Contract, Section 4.2.12 Disallowance, “In the event Contractor receives payment from County for a service, for which reimbursement is later disallowed by County, the State, the Federal government, or any other funding source, Contractor shall promptly refund the disallowed amount to County on request, or County may offset the amount disallowed from any payment due to or to become due to Contractor....”</p>	
<p>Finding 3: Disallowed costs of \$4,625.39, plus corresponding fringe benefits and indirect costs.</p>	<p>After reviewing supporting documentation for direct and indirect payroll expenditures for Contract 553470, the following were noted:</p>	<p>February 20, 2020</p>

<p>Required Actions:</p> <ol style="list-style-type: none"> 1. Refund \$4,625.39, plus corresponding fringe benefits, to the County. See Finding 2 for indirect costs. 2. Determine total direct costs claimed to the County for labor law penalties, plus associated fringe benefit costs, from July 2018 to the present and refund the amount, plus indirect costs to the County. 3. Going forward, ensure that penalties are not charged to the County contract and that timesheets are signed and dated and accurately reflect the employee's position and time spent on the program. 	<p>a. Disallowed costs for labor law penalties related to lunch breaks – As mentioned in Finding 2, per 2 CFR 200, § 200.441, “Costs resulting from non-Federal entity violations of, alleged violations of, or failure to comply with, Federal, state, tribal, local or foreign laws and regulations are unallowable...”</p> <ul style="list-style-type: none"> o Direct charges of \$132.00, plus \$21.76 in fringe benefit costs, for labor law penalties related to lunch breaks were claimed for direct program staff during the month of December 2018. Total direct costs claimed to the County for the penalties and associated fringe benefits from July 2018 to present should be determined and refunded to the County. o A total of 37 hours for labor law penalties related to lunch breaks were claimed for indirect staff during the months of July 2018, December 2018 and June 2019. Total costs associated with all indirect staff penalties, including fringe costs, should be removed from the indirect cost pool when calculating the indirect cost rate. <p>b. Disallowed costs of \$4,471.63, plus corresponding fringe benefits, for allocation of time - Of the seven direct employees tested, two employees' timesheets/personnel files indicated other department/program code charges for allocation of time.</p> <p>c. Timesheets</p> <ul style="list-style-type: none"> o Missing employee signatures - Of the seven direct employees tested, five employee timesheets were missing e-signatures/signatures, and the timesheets of all six of the indirect employees tested were missing e-signature/signatures. o One indirect employee's timesheet and personnel file showed a discrepancy with the staff's position (AP Specialist vs Data Coordinator). Documentation to support the title change was dated after the time period tested. <p>Per County Contract Section 4.1.1 General Principles, “Contractor shall, comply with generally accepted accounting principles and good business practices, including all applicable cost principles published by the Federal Office of Management and Budget (OMB)...”</p>
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	<p>Per County Contract, Section 4.2.12 Disallowance, "In the event Contractor receives payment from County for a service, for which reimbursement is later disallowed by County, the State, the Federal government, or any other funding source, Contractor shall promptly refund the disallowed amount to County on request, or County may offset the amount disallowed from any payment due to or to become due to Contractor...."</p>	February 20, 2020
<p>Finding 4: Inadequate bank reconciliation procedures and internal controls.</p> <p>Required Actions:</p> <ol style="list-style-type: none"> 1. Update internal controls and written policies and procedures for Bank Reconciliations in order to ensure accurate entries and reporting. 2. Submit to the County a copy of the updated written policies and procedures from Step 1 above. 	<p>During a review of the June 2018, July 2018 and May 2019 bank reconciliation reports, the following were noted:</p> <ol style="list-style-type: none"> a. Written bank reconciliation procedures have not been updated to ensure that both the preparer and the reviewer/approver sign and date the bank reconciliation reports. The June 2018, July 2018 and May 2019 bank reconciliation reports did not indicate the date of the reviewer/approver's signature. This was a prior verbal recommendation during a previous contract audit. b. The May 2019 bank reconciliation report did not reconcile to the cash account general ledger. During the course of the audit, the CFO clarified the variance with a separate trial balance report. This was a prior verbal recommendation during a previous contract audit. c. As previously noted in Finding No. 1, the June 2018 bank reconciliation report included a payee discrepancy. Check #68493, dated 6/29/18, cleared for \$19,999.59. According to a June 2018 Bank Reconciliation Report (outstanding transactions), the payee was JER International, Inc. According to the July 2018 Bank Reconciliation Report (cleared transactions), the payee was SHI International, Inc. From the cancelled check copy received, the payee shows SHI International Corp. <p>Good internal controls require all bank accounts to be reconciled monthly to the cash ledger. Properly reviewed bank reconciliations ensure accuracy of cash account balance and are important for cash management purposes. The absence of adequate internal controls increases the risk of inaccurate reporting and accounting records.</p>	February 20, 2020
<p>Finding 5: Inaccurate reporting of the Schedule of Expenditures of Federal Awards (SEFA) for the fiscal year ending June 30,</p>	<p>While reconciling the Contractor's Schedule of Expenditures of Federal Awards (SEFA) for the year ending June 30, 2018 to the County fiscal records, the following variance was noted:</p>	February 20, 2020

2018. Inaccurate SEFA reporting was a prior audit finding.

Required Actions:

1. Update written policies and procedures to ensure that SEFA amounts reported agree with County fiscal records in order to ensure accurate federal award reporting on the SEFA.
2. Submit to the County a copy of the updated written policies and procedures from Step 1 above.

Contract No.	CFDA	County Record for Funds Received (a)	Reported Per SEFA (b)	Variance (b-a)
553470	93.959	\$569,645.24	\$572,217.00	\$2,571.76

On October 16, 2019, the CFO acknowledged the discrepancy and stated the variance would be corrected. On December 30, 2019, the revised independent and single audit reports for FY 2017-2018 were received.

The amounts reported on the SEFA must accurately reflect federal awards received and expended on each County Contract in accordance with OMB Uniform Guidance (2 CFR Part 200.510(b)).

Per County Contract Section 4.1.1 General Principles, "Contractor shall, comply with generally accepted accounting principles and good business practices, including all applicable cost principles published by the Federal Office of Management and Budget (OMB)..."

Summary:

Disallowed costs:

Finding 3: FY 2018-2019 = \$4,625.39, plus corresponding fringe benefits and indirect costs
 July 2019-present = To be determined (TBD), plus corresponding indirect costs

Total disallowance: \$4,625.39, plus corresponding fringe benefits and indirect costs and TBD amounts

Questioned costs:

Finding 1: FY 2018-2019 = \$3,752,346.48, plus corresponding indirect costs
 July 2019-present = TBD, plus corresponding indirect costs
 Finding 2: FY 2018-2019 = \$1,133,120.00
 July 2019-present = TBD

Total questioned costs: \$4,885,466.48, plus corresponding indirect costs and TBD amounts.