

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: Victoria Jump, Director, Ventura County Area Agency on Aging

Date: January 4, 2021

From: Jeffery S. Burgh

Subject: AUDIT OF VENTURA COUNTY AREA AGENCY ON AGING FISCAL YEAR 2017-18 AREA
PLAN CONTRACT COSTS

We have completed our audit of Ventura County Area Agency on Aging ("VCAAA") Fiscal Year ("FY") 2017-18 Area Plan Contract costs. Our overall audit objective was to determine whether VCAAA internal controls and procedures were adequate to ensure that the FY 2017-18 California Department of Aging ("CDA") Area Plan Closeout Report ("Closeout Report") was accurate and supported with appropriate documentation.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

EXECUTIVE SUMMARY

While VCAAA had established some internal controls, we found that, **overall, improvements were needed to ensure that the Closeout Report was accurate and supported with appropriate documentation. This put VCAAA at significant risk of monetary disallowances by CDA.** Specifically, we found that:

- VCAAA did not reconcile the Area Plan Financial Closeout Report to financial records and audits, in noncompliance with the Area Plan Contract requirements. Our reconciliation indicated that \$41,644 net additional expenditures should have been reported.
- Program cost allocation methodologies were not always documented, personnel costs were not always adequately supported with payroll data, and VCAAA's General Ledger did not always match the Ventura County Financial Management System.
- VCAAA's processing of subrecipient "Request for Funds" did not always adhere to requirements.
- VCAAA policies and procedures were not always current or adequate, and controls were not in place to protect Area Plan spreadsheets.
- A robust review process was needed to verify amounts on the Closeout Report.

VCAAA management initiated corrective action to address our findings. Corrective action was planned to be completed by October 16, 2020.

Victoria Jump, Director, Ventura County Area Agency on Aging
January 4, 2021
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We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Kelly Long, Chair, Board of Supervisors
Honorable Linda Parks, Vice Chair, Board of Supervisors
Honorable Matt LaVere, Board of Supervisors
Honorable Robert O. Huber, Board of Supervisors
Honorable Carmen Ramirez, Board of Supervisors
Michael Powers, County Executive Officer

County of Ventura
Office of the Auditor-Controller



AUDIT OF VENTURA COUNTY AREA AGENCY ON AGING
FISCAL YEAR 2017-18 AREA PLAN CONTRACT COSTS

January 4, 2021

Jeffery S. Burgh
Auditor-Controller

**AUDIT OF VENTURA COUNTY AREA AGENCY ON AGING
FISCAL YEAR 2017-18 AREA PLAN CONTRACT COSTS**

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AUDIT OF VENTURA COUNTY AREA AGENCY ON AGING FISCAL YEAR 2017-18 AREA PLAN CONTRACT COSTS

BACKGROUND

The Ventura County Area Agency on Aging (“VCAAA”) is the principal agency in Ventura County responsible for promoting development and implementation of comprehensive programs and services for older individuals, children and adults with disabilities, and their caregivers.

A variety of services provided by VCAAA are funded through contracts awarded by the California Department of Aging (“CDA”), including the Area Plan Contract. Expenditures under the Area Plan Contract must follow Generally Accepted Accounting Principles and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“2 CFR 200”).

For Fiscal Year (“FY”) 2017-18, VCAAA was awarded \$2,956,497 for the following Area Plan Contract programs and administration under Agreement Number AP-1718-18, of which \$2,699,496 was Federal funds and \$257,001 was State funds:

- Title III B: Supportive Services
- Title III C-1: Congregate Nutrition Services
- Title III C-2: Home-Delivered Nutrition Services
- Title III D: Disease Prevention and Health Promotion Services
- Title III E: Family Caregiver Support Program
- Title VII: Elder Abuse Prevention Programs
- Public Health Licensing and Certification Program Fund (“PHL&C”): Ombudsman Services
- State Health Facilities Citation Penalties Account (“SHFCP”): Ombudsman Services
- Skilled Nursing Facility Quality and Accountability (“SNFQA”): Ombudsman Services

VCAAA was reimbursed monthly by CDA for costs claimed, and after the end of the fiscal year, VCAAA submitted the FY 2017-18 Area Plan Financial Closeout Report (“Closeout Report”) to CDA as required. The Closeout Report summarized the final annual Area Plan expenditures for CDA’s determination of whether additional funds were due to or from VCAAA. Expenditures on VCAAA’s FY 2017-18 Closeout Report totaled \$2,851,540 (96% of the award amount).

CDA conducts fiscal audits on all contracts with the County often several years in arrears. In 2018, VCAAA requested that the Auditor-Controller’s Office independently review the FY 2017-18 Area Plan Contract costs to identify and allow VCAAA to correct any deficiencies prior to future CDA audits.

SCOPE

Our overall audit objective was to determine whether VCAAA internal controls and procedures were adequate to ensure that the FY 2017-18 CDA Area Plan Closeout Report was accurate and supported with appropriate documentation. Specifically, we determined whether:

- the Closeout Report was accurate and supported with appropriate documentation; and
- internal controls were adequate in the Closeout Report preparation process.

Our procedures included determining whether the Closeout Report reconciled and tied to the Ventura County Financial Management System (“VCFMS”) General Ledger (“GL”). In performing our audit, we referenced requirements outlined in the Area Plan Contract Number AP-1718-18, as well as 2 CFR 200, the VCAA Contractors Manual, and VCAA’s internal policies and procedures.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

FINDINGS

While VCAA had established some internal controls, we found that, **overall, improvements were needed to ensure that the Closeout Report was accurate and supported with appropriate documentation.**

We noted that VCAA’s established internal controls and procedures included:

- Downloading information from VCFMS to be used as “VCAA’s GL”, which served as the basis for entries on the Closeout Report.
- Reimbursing subrecipients for costs incurred based on submittal of “Request for Funds” (“RFF”) documents to summarize and support the expenditures being claimed.
- Attaching vendor invoices to VCFMS food expenditure entries.

However, VCAA did not perform the required reconciliations to financial records and audits that were required by the Area Plan Contract. The reconciliation we performed during our audit indicated that \$41,644 net additional expenditures should have been reported.

We could not verify several individual amounts on the Closeout Report to either the GL or supporting spreadsheets. Program cost allocation methodologies were not always documented, personnel costs were not always adequately supported with payroll data, and VCAA’s GL did not always match VCFMS.

We also noted that VCAA’s processing of subrecipient “Request for Funds” did not always meet standards, and that VCAA policies and procedures were not always current or adequate. Better controls were needed over Area Plan-related spreadsheets to protect the data, and additional processes were needed to help identify errors and unsupported amounts on the Closeout Report.

Although no staffing study was conducted as part of this audit, VCAA management noted that time constraints and other priorities likely contributed to several of the findings below. Following are details of the areas where improvements were needed. VCAA management initiated corrective action during the audit as noted.

1. **Lack of Closeout Report Reconciliations.** VCAA did not reconcile the Closeout Report to financial records and audits, in noncompliance with the Area Plan Contract requirements. The Area Plan Contract, Number AP-1718-18, Exhibit D, Article X, Section B stated: “The Contractor shall perform a reconciliation of the ‘Financial Closeout Report’ to the audited financial statements, single audit, and general ledgers.” VCAA did not have any policies and procedures in place for the performance of reconciliations to the Closeout Report. Not performing reconciliations could result in CDA

findings and monetary disallowances because amounts on the Closeout Report may not be supported or errors could be undetected. We noted that the lack of reconciliations likely contributed to several of the subsequent findings in this report.

Recommendation. VCAAA management should establish policies and procedures for performing the required reconciliations, and provide training, as necessary, for the performance of the reconciliations.

Management Action. VCAAA management stated: “VCAAA has an established CDA reviewed and approved policy and procedure, Fiscal VI-M – titled ‘Closeout Procedures for CDA Area Plan Grants’, which was last updated 04/28/2017, and which details the Year-End Close-Out Process, including the use of the GL218 Report (Detail Expense and Revenue Transactions) in reconciling the VCFMS 3.10 data to the program Closeout Reports. By October 16, 2020, VCAAA will update this policy and procedure and update it to more adequately detail how the reconciliations should be completed. The lack of a closeout report reconciliation is more of a function of time constraints.”

2. **Auditor’s Reconciliation Results.** As part of our audit, we attempted to reconcile the FY 2017-18 Closeout Report to the VCFMS GL and to the Single Audit Report, which disclosed variances in each reconciliation.

A. **General Ledger Reconciliation.** Our reconciliation of VCAAA’s FY 2017-18 Closeout Report to the VCFMS GL infoAdvantage report, RPT-GL218, *GL Detail Expense and Revenue Accounts*, indicated that program expenditures were not fully claimed for most programs. Of the \$2,956,497 total award amount, expenditures totaling \$2,851,540 were reported on the Closeout Report. However, when we compared the Closeout Report amounts to the RPT-GL218, while considering that each program award amount may not be exceeded, **we found that \$41,644 (1.5%) net additional expenditures should have been reported.** The table below identifies the Federal share of costs over and under reported on the Closeout Report. The \$4,487 over reported could result in CDA disallowing these amounts, while the \$46,131 under reported could have been claimed by VCAAA, but was not.

Program	Federal Share Over Reported in Closeout Report	Federal Share (Under) Reported in Closeout Report	Total Federal Share Over/(Under) Reported
Administration	\$ -	\$ -	\$ -
Title III B	-	(172) (S/D)	(172)
Title III C-1	-	(15,983) (S/D)	(15,983)
Title III C-2	477 (S)	(25,994) (D)	(25,517)
Title III D	-	-	-
Title III E	-	(3,982) (D)	(3,982)
Title VII	4,010 (D)	-	4,010
PHL&C, SHFCP, SNFQA	-	-	-
Total	\$ 4,487	\$ (46,131)	\$ (41,644)

(S) = Subrecipient expenditures, (D) = Direct expenditures, (S/D) = Subrecipient and/or Direct expenditures

Recommendation. VCAAA management should implement guidelines to ensure that VCFMS GL amounts are reported accurately on the Closeout Report.

Management Action. VCAAA management stated: “VCAAA agrees with the recommendation. VCAAA’s book of business is relatively complicated, is subject to strict regulations as to what expenditures are reimbursable for each program. The Cost Accounting process required to effectively manage and separate the various programs needs to be closely managed and the general ledger entries must reflect the correct program costs. VCAAA will clearly document the detailed GL transactions that are used in support of the Closeout Report and label those transactions to match each Closeout Report item, so that each item may be easily mapped back to the GL218.

“To provide additional perspective, the Area Plan Contract (AP 1718-18) represented approximately 50% of VCAAA’s total program expenditures in FY1718. Fourteen other programs were also managed by VCAAA, seven of which were funded through the CDA. The remaining seven programs were funded from various other sources.”

B. **Reported Amounts.** We identified numerous instances where individual amounts listed on the Closeout Report did not reconcile to the RPT-GL218 or to other supporting documentation. **In our attempt to trace 212 amounts entered on the Closeout Report, we found that 57 (27%) amounts could not be verified** as follows:

- Of 83 amounts we attempted to verify to the RPT-GL218, we could not verify 44 (53%) amounts. For example, total direct costs for Title III C-2 Home-Delivered Meals were reported as \$514,344 on the Closeout Report while the RPT-GL218 reported \$540,338, for a variance of \$25,994.
- Of 129 amounts we attempted to verify to the summary spreadsheet of subrecipient closeout reports, we could not verify 13 (10%) amounts. For example, total subrecipient costs for Title III B Ombudsman were reported as \$441,072 on the Closeout Report while the summary spreadsheet reported \$473,118, for a variance of \$32,046.

While many of the variances were minor for FY 2017-18, such variances could result in significant CDA disallowances in future audits.

Recommendation. VCAAA management should establish a reconciliation and verification process to ensure amounts reported on the Closeout Report are supported.

Management Action. VCAAA management stated: “VCAAA agrees with the recommendation. VCAAA will clearly document the detailed GL transactions that are used in support of the Closeout Report and label those transactions to match each Closeout Report item, so that each item may be easily mapped back to the GL218.”

C. **Single Audit Report Reconciliation.** Our reconciliation of VCAAA’s FY 2017-18 Closeout Report to the County’s FY 2017-18 Single Audit Report indicated that VCAAA understated program expenditures in the Single Audit Report. Specifically, **expenditures for Title III C Nutrition Services were understated by \$41,453, while all other programs matched the Single Audit Report.** VCAAA stated that the Closeout Report was adjusted by \$41,453 when a staff member discovered that the amount had not been entered on the Closeout Report. However, a corresponding adjustment was not made to the Single Audit Report.

Recommendation. VCAAA should perform the required reconciliations between the Single Audit Report and the Closeout Report, while taking into account any adjustments made to the Closeout Report.

Management Action. VCAAA management stated: “VCAAA agrees with this recommendation and will add a section in the revised policy and procedure Fiscal VI-M to ensure that the Closeout Reports match the Single Audit Report.”

3. **Cost Allocation Procedures.** VCAAA did not always document cost allocation methodologies to support amounts reported on the Closeout Report. As stated in 2 CFR 200.405(d): “If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then...the costs may be allocated or transferred to benefitted projects on any reasonable documented basis.” **We identified that some or all of FY 2017-18 payroll and food costs totaling \$967,393 could be at risk of disallowance due to lack of documented cost allocation methodologies.**

- A. **Personnel Cost Allocation.** VCAAA did not clearly define or document the personnel cost allocation methodology for Title III B and Title III E programs. Overall payroll costs of \$305,003 for Title III B and Title III E were combined because the same staff provided assistance to both programs. However, **no written documentation existed to explain why Title III B was charged 73.75 percent and Title III E was charged 26.25 percent of the combined costs.** The Area Plan Contract, Number AP-1718-18, Exhibit A, Article II, Section A(4) stated: “The Contractor shall: Maintain staff time records and documentation to identify the allocation of Program Development or Coordination activities to determine the amount of Program Development or Coordination expenditures.” Not clearly defining allocation methods could result in disallowed costs if CDA determines that payroll costs for Title III B and Title III E are not properly allocated.

Recommendation. VCAAA management should identify the rationale and methodology used for allocating personnel costs, and document this in written procedures. VCAAA management should provide training, as needed, to staff on how to record and allocate time for multiple programs.

Management Action. VCAAA management stated: “VCAAA agrees with this recommendation. The allocation methodology will be documented for the I&A [Information and Assistance (Access)] and Outreach functions. These functions are performed by the same team, for both the Title IIIB and Title IIIE programs. This methodology will be shared with the I&A program manager and will be implemented in tracking the program payroll costs in VCHRP [Ventura County Human Resources/Payroll system] by October 16. Management will ensure that staff is appropriately allocating their time in VCHRP.”

- B. **Food Cost Allocation.** **VCAAA did not document how food costs were to be allocated between Title III C-1 and Title III C-2 programs.** Out of 627 food invoices from one vendor for FY 2017-18 totaling approximately \$662,390, we found that:

- For 468 (75%) invoices, Title III C-1 was allocated 28 percent and Title III C-2 was allocated 72 percent of the cost.

- For 141 (22%) invoices, Title III C-1 was allocated 35 percent and Title III C-2 was allocated 65 percent of the cost.
- For 4 (1%) invoices, Title III C-1 was allocated 100 percent of the cost.
- For 14 (2%) invoices, Title III C-2 was allocated 100 percent of the cost.

Also, subrecipients reported the number of congregate and home-delivered meals on a monthly basis in the “Q system”. However, the allocation percentages above did not reflect the data in the report generated from the “Q system” of 29 percent for Title C-1 and 71 percent for Title III C-2. In addition, we noted that allocation percentages were not always noted on invoices used for supporting documentation or in VCFMS entries. Lack of sufficient documentation of the food cost allocation methodology could result in CDA findings and disallowed costs.

Recommendation. VCAAA management should document and follow a reasonable methodology for allocating food costs between Title III C-1 and Title III C-2. VCAAA should maintain supporting documentation for the allocation of food costs. The criteria, assumptions, and/or reasoning used for changes to allocation amounts and/or methodologies should be documented.

Management Action. VCAAA management stated: “VCAAA agrees with this recommendation. The method used for the allocation of food costs is the number of Title III C1 and Title III C2 meals reported through the Q Continuum database. This is an established allocation method which has been approved by the CDA. VCAAA will update the policy and procedure Fiscal VI-L to document how this allocation method will be arrived at and implemented.”

4. **Payroll Procedures.** Improvements were needed to ensure that personnel costs included on the Closeout Report were properly supported with payroll data. VCAAA employees enter time after-the-fact into the Ventura County Human Resources/Payroll system (“VCHRP”) on a biweekly basis. While VCHRP provided detailed reporting and time coding functionality, better VCAAA oversight of payroll costs included on the Closeout Report and consistency in time coding were needed.

- A. **Payroll Data Verification.** **Personnel costs charged on the Closeout Report were not always reflective of VCHRP data.** Specifically, we noted that the Closeout Report included a duplicate payroll charge of \$2,059.31. After removing the duplicate payroll charge, the Closeout Report was overstated by \$978.55 compared to VCHRP. This overstatement affected both Title III B and Title III E since personnel costs for these programs were combined as noted in Finding 3(A) above. Information provided on the Closeout Report needs to be accurate and supported, as unexplained payroll variances may lead to disallowed amounts.

Recommendation. VCAAA should implement a verification process to ensure that Closeout Report personnel amounts tie to VCHRP or other source documentation. VCAAA should track and document reasoning for any changes made to original VCHRP payroll report.

Management Action. VCAAA management stated: “VCAAA agrees with this recommendation. Ideally, this data would be reconciled every month but due to other priorities, this is not always done. We will implement a monthly reconciliation process by October 16.”

- B. **Payroll Time Entries.** VCAAA payroll entries in VCHRP did not always contain sufficient information to verify personnel program costs. The Area Plan Contract Number AP-1718-18, Exhibit A, Article II, Section A(4) stated: “The Contractor shall: Maintain staff time records and documentation to identify the allocation of Program Development or Coordination activities to determine the amount of Program Development or Coordination expenditures.” Some VCHRP entries included specific “Project ID” and “Phase” codes to identify personnel program costs. However, other VCHRP entries were missing at least one of the codes and additional information was needed from VCAAA management to identify those program costs in the VCHRP payroll report. Lack of consistency in VCHRP time entries or lack of proper identification of the program could result in noncompliance with the Area Plan Contract and disallowed costs.

Recommendation. VCAAA management should establish guidelines for staff time entries into VCHRP to improve time entry consistency. Procedures should be implemented to ensure that personnel program cost codes are entered prior to approval of VCHRP entries. VCAAA should provide VCHRP time entry training to staff, if needed, to improve consistency.

Management Action. VCAAA management stated: “VCAAA agrees with these recommendations. We will establish specific guidelines as well as training for supervisors to ensure the correct coding of staff time by program staff, based on the actual program work and the approved program staffing budgets. Program managers will be provided with coding instructions for their specific programs.”

5. **General Ledger Accuracy.** Improvements were needed to strengthen the accuracy of accounting records used for the Closeout Report. We identified instances where VCAAA’s GL did not match VCFMS, and where VCFMS entries did not support amounts on the Closeout Report.

- A. **Missing and Changed Amounts.** VCAAA’s GL expenditures did not always reconcile in dollar amount or entry description to the RPT-GL218. VCAAA’s GL was a download of the RPT-GL218 and used to compile the Closeout Report. However, we found the following differences between VCAAA’s GL and the RPT-GL218:

- Although both reports contained the same total number of entries, VCAAA’s GL was \$4,948.24 less than the RPT-GL218. Four amounts were found to be changed or missing in VCAAA’s GL, the reason for which was undetermined.
- VCAAA identified a total of 28 VCFMS expenditure entries from FY 2018-19 that needed to be included in VCAAA’s FY 2017-18 GL for us to reconcile to the Closeout Report. VCAAA management stated that the late VCFMS entries made in FY 2018-19 rather than FY 2017-18 occurred because of workload, other priorities, and late submittals of information from subrecipients.
- We also found 128 VCAAA GL entries where the “Vendor Legal Name” was entered after the report was downloaded from infoAdvantage because this field was not populated in VCFMS.

As stated in 2 CFR 200.302(b)(2), the financial management system of each non-Federal entity must provide for: “Accurate, current, and complete disclosure of the financial results of each Federal award or program....” Missing or changed information in VCAAA’s GL, without tracking or a documented reason, could lead to potential CDA findings due to lack of reconciliation to VCFMS.

Recommendation. VCAAA management should establish and implement a process to ensure VCAAA's GL reconciles to the RPT-GL218. VCAAA should document any changes made to the RPT-GL218 after the report is downloaded to be used as VCAAA's GL. VCAAA should create a record of entries made in VCFMS after the RPT-GL218 is generated that should be included in VCAAA's GL.

Management Action. VCAAA management stated: "VCAAA agrees with these recommendations and will establish a process for documenting any instances where the VCAAA GL varies from the GL218. Additionally, VCAAA will work with the ACO [Auditor-Controller's Office] to determine if GL transactions (such as JVs [Journal Vouchers]) can allow the name of the vendor to be entered instead of having a 'Not Entered' description under that data point (or column header)."

B. **Misclassified and Miscoded Accounting Entries.** VCFMS entries were not always accurate to support amounts on the Closeout Report. For example:

- For 959 (75%) out of 1,272 VCFMS entries for food costs in FY 2017-18, the accounting line description was not updated and indicated "3C1 2016" and "3C2 2016" (i.e., a prior year) as the expenditure description.
- While the total subrecipient Title III E Caregiver amounts on the Closeout Report matched VCFMS, 9 (90%) out of 10 service categories listed for Title III E subrecipients on the Closeout Report were entered under a different service category than what was reported in VCFMS.
- We also found instances where subrecipient Title III C-1 amounts were entered into VCFMS as Title III C-2, and vice versa; however, the amounts were entered correctly on the Closeout Report.

As stated in 2 CFR 200.302(b)(3), the financial management system of each non-Federal entity must provide for: "Records that identify adequately the source and application of funds for federally-funded activities." Potential CDA findings and disallowances could result if VCAAA does not maintain accurate accounting over CDA-funded programs.

Recommendation. VCAAA management should improve procedures to ensure that the person approving VCFMS entries also verifies that entries are accurate. Auto-generated fields should be updated in VCFMS to reflect the current FY. Training should be provided, if needed, to properly identify service categories.

Management Action. VCAAA management stated: "VCAAA agrees with these recommendations. Many of the cost accounting entries are established in the contract development process, and additional staff training will be required to ensure that this is accomplished correctly, and that service categories for each program are clearly understood by the fiscal staff who (i) prepare the contracts, (ii) review the RFFs and, (iii) approve the VCFMS entries. We will work with program staff to ensure that bills sent to fiscal for payment are properly coded and reflect the correct service categories."

6. **Subrecipient RFF Processing.** VCAAA's processing of subrecipient Request for Funds ("RFF") packets was in need of improvement to meet VCAAA standards. VCAAA contracts with several local

governments and non-profit organizations to carry out services under the Area Plan Contract as subrecipients. The VCAA Contractors Manual and various VCAA policy memoranda discuss criteria that need to be met for the reimbursement of subrecipient costs, including subrecipient submittal of the monthly RFF accompanied by supporting documentation for the expenditures. During our review of RFF packets, we found instances where adherence to the stated criteria was lacking.

A. **Supporting Documentation.** VCAA sometimes processed and paid subrecipient RFFs without sufficient or clear supporting documentation for expenditures listed on the RFFs. VCAA Policy Memorandum, Fiscal VI-K, *Paying, Reconciling and Reporting Expenditures from VCFMS*, Procedure C(6) stated: “No expense is to be paid without the adequate supporting documentation.” Our review of six sampled RFF packets disclosed the following:

- In one (17%) of the six sampled RFF packets, supporting documentation was missing in the Food Cost category totaling \$465.12 for Title III C-1 and -\$396.65 for Title III C-2.
- In one (17%) of the six sampled RFF packets, \$2,424.18 in Payroll Expense plus \$1,491.50 in Program Income should have been charged in FY 2016-17 rather than FY 2017-18 for Title III C-1 and Title III C-2.
- In one (17%) of the six sampled RFF packets, documentation was missing to support grant share cost for two employees in the amount of \$4,304.65 for Title III C-1 and Title III C-2 Payroll Expense. During our audit, additional supporting documentation was requested and received from the subrecipient validating the grant share cost amount.
- In three (50%) of the six sampled RFF packets, documentation was missing to support amounts charged to the Other Costs category, totaling \$2,487.86 for Title III C-1 and -\$234.78 for Title III C-2.
- Throughout the various sampled RFF packets, supporting documentation submitted by subrecipients was not consistent across the various cost categories and among subrecipients. For example: one subrecipient submitted copies of mileage reimbursement checks while another did not; and while a subrecipient submitted certain reports/worksheets in one month, the reports/worksheets were not submitted in other months.

Recommendation. VCAA management should establish and adhere to internal control measures to ensure RFF packets have the required supporting documentation prior to issuing payment. Written criteria should be established for required supporting documentation to improve consistency among all subrecipients. VCAA management should continue to improve the verification process to ensure proper documentation is attached and reviewed prior to issuing payments. Staff training should be provided, as necessary, for the verification process to help ensure consistency in supporting documentation.

Management Action. VCAA management stated: “VCAA agrees with the recommendation to improve our review. We have established internal control measures but haven’t always necessarily adhered to them due to other priorities. A thorough review of each RFF, which includes a review of 100% of the supporting documentation each month, will require additional time and increased prioritization. We are also looking at options to automate the process to make it more efficient.”

- B. **Documentation Validation.** RFF packets did not always contain evidence of VCAAA validation prior to processing payments to subrecipients. VCAAA Policy Memorandum, Grants Management IV-D, Fiscal VI-C, *Request for Funds/Monthly Expenditure Process*, Procedure 2(d) stated that processing of RFF packets shall comprise of: “Verifying that the documentation attached to the request validates the expenditures.” In practice, this validation was evidenced with a circled number next to the expenditure on the RFF that was tied to supporting documentation with the same number. However, in two (33%) of the six sampled RFF packets, the packets did not contain evidence of VCAAA validation with circled numbers. In two (33%) other RFF packets, the packets contained evidence of only partial validation. Not validating the RFF packet could result in disallowed amounts by CDA if the amounts are not adequately supported.

Recommendation. VCAAA management should ensure that all RFF packets contain evidence of validation prior to processing payments to subrecipients. Procedures should be updated, specifying how validation should be evidenced on RFF packets (e.g., with a circled number next to the expenditure validated that ties to supporting documentation with the same number).

Management Action. VCAAA management stated: “VCAAA agrees with these recommendations. A thorough review of each RFF, which includes a review of 100% of the supporting documentation each month, will require additional staff time. This is the same response as for ‘A’ above. We are also looking at options to automate the process to make it more efficient.”

- C. **RFF Signatures.** RFF packets were not always signed by VCAAA staff prior to processing payments to subrecipients. VCAAA Policy Memorandum, Fiscal VI-K, *Paying, Reconciling and Reporting Expenditures from VCFMS*, Procedure C(3) stated: “Program related expenses must be signed off and approved by program staff/supervisors or the Director/Deputy Director, and Fiscal, prior to being entered into VCFMS.” **One (17%) of the six sampled RFF packets was missing the Grants Manager Approval prior to paying the subrecipient.** Lack of required signatures increases the risk that VCAAA could pay for inappropriate expenditures.

Recommendation. VCAAA management should establish and adhere to internal control measures to ensure packets have the required signatures prior to issuing payments.

Management Action. VCAAA management stated: “VCAAA agrees with the recommendations and will review and update the Policy Memorandum, Fiscal VI-K and ensure that the policy and procedures for the RFF processing are adhered to. We are also looking at options to automate the process to make it more efficient.”

- D. **RFF Processing Time.** Subrecipient RFF packets were not always processed in a timely manner. We found that:

- The VCAAA Contractors Manual for FY 2017-18, Section 5, required subrecipients to submit RFF packets for receipt by VCAAA “by the 10th day following the month of service.” However, **five (83%) of the six sampled RFF packets were submitted after the 10th of the month.**
- VCAAA Policy Memorandum, Grants Management IV-D, Fiscal VI-C, *Request for Funds/Monthly Expenditure Process*, Procedure 2 stated: “Upon receipt of a Request for Funds in Fiscal, they

shall have two (2) business days to process it.” However, **all (100%) of the six sampled RFF packets took over 2 days to process the packet.**

We also found that, for two (33%) of the six sampled RFF packets, VCAAA took over 60 days to enter supplemental and/or revised information into VCFMS. According to VCAAA management, a small fiscal staff, large quantities of work, and late submittals from subrecipients all contributed to the delays. This resulted in VCAAA not meeting policy guidelines, and information not being entered into VCFMS in a timely manner.

Recommendation. VCAAA management should re-evaluate established policies to ensure processing time frames are reasonable and attainable. Staffing needs should be evaluated, and cross-training should be provided if possible.

Management Action. VCAAA management stated: “VCAAA agrees with these recommendations. We will review the RFF review and processing timelines and adjust as appropriate. We are also looking at options to automate the process to make it more efficient.”

7. **Written Policies and Procedures.** **VCAAA written policies and procedures were not always current or adequate.** Policies and procedures provide standardized guidance on critical aspects of VCAAA processes and activities, which are reviewed by CDA auditors when an audit is conducted. Out-of-date policies and lack of standardized processes could potentially result in disallowed amounts if staff is not following current requirements. We noted that the following VCAAA policy memorandums required revision:

- Grants Management IV-D, Fiscal VI-C, *Request for Funds/Monthly Expenditure Process*, Procedure 3 stated: “If the supporting documentation is not attached, the Accounting Officer will request the supporting documentation prior to processing.” The procedure could be strengthened by providing clarity or guidance on what would be considered appropriate supporting documentation to promote consistency in the verification of supporting documentation across subrecipients. The policy was last revised in 2015.
- Fiscal VI-K, *Paying, Reconciling and Reporting Expenditures from VCFMS*, Procedure E(1) mentioned that time studies are to be conducted every few months; however, time studies are no longer conducted because actual time allocation is entered biweekly into VCHRP. Also, the indirect cost rate of 8 percent cited in Procedure C(2) had changed to 10 percent for FY 2017-18. The policy was last revised in 2015.
- Fiscal VI-L, *Allocation of Expenditures*, Procedure 2 stated: “For charges that cannot be attributed to a person or program, the Fiscal and Contracts Manager and/or Accounting Officer shall allocate these costs across all programs.” Expanding the policy to include the method of allocation would promote clarity and consistency for the allocation process. The policy was last revised in 2015.
- Fiscal VI-M, *Closeout Procedures for CDA Area Plan Grants*, did not provide guidance for the verification of the amounts reported on the Closeout Report or for the review of the Closeout Report. The policy also did not provide guidance on performing the required reconciliations as noted in Finding 1, and guidance on the preparation of the Closeout Report was limited. The policy was last revised in 2017.

- Fiscal VI-N, *Reporting Expenditures & Request for Funds to CDA*, Procedure B(10) mentioned time studies, which are no longer conducted by VCAAA. The policy was last revised in 2017.

Recommendation. VCAAA management should update policies and establish needed policies for critical steps in VCAAA activities.

Management Action. VCAAA management stated: "VCAAA agrees to these recommendations and will update these policies and procedures by October 16, 2020."

8. **Data Integrity Controls.** VCAAA stored Area Plan-related spreadsheets in a shared drive without adequate controls in place to help prevent or detect improper changes, whether due to error or on purpose. For example, VCAAA used the RPT-GL218 to identify all VCFMS expense and revenue transactions related to the Area Plan Contract for purposes of creating VCAAA's GL. The data was downloaded into a spreadsheet, which was critical to the completion of the Closeout Report. Although mainly one person was charged with making changes to the spreadsheet, the file was not password protected and multiple staff had access to the file. Reliability of spreadsheet data could be at risk if internal controls are not in place to guard against human error or improper manipulation.

Recommendation. VCAAA management should develop and implement procedures indicating how files are to be secured and protected from improper changes.

Management Action. VCAAA management stated: "VCAAA agrees with this recommendation however the fiscal folders are only accessible by fiscal staff and senior management. Password protection will be added to secure the VCAAA GL218 spreadsheets supporting the Closeout Report."

9. **Closeout Report Preparation Process.** VCAAA's process for preparing the Closeout Report was in need of improvement to help identify errors and unsupported amounts that could potentially lead to CDA findings and disallowed amounts. **Many of the findings in this report could have been avoided if the Closeout Report was subject to a robust review process with a documented record of how amounts on the Closeout Report were determined.**

- A. **Review Process.** VCAAA did not have a process in place for independent review of the Closeout Report for accuracy. At the time of our audit, the Closeout Report was prepared and reviewed by one person. **VCAAA management indicated that time constraints, a small fiscal staff, and workload did not allow enough time for someone else to review the Closeout Report.** Lack of an independent review and approval process for the Closeout Report increases the risk that errors may not be detected and corrected.

Recommendation. VCAAA management should assign a responsible person, who is independent from preparation of the Closeout Report, to review the Closeout Report for accuracy. When time constraints prohibit segregation of duties, VCAAA management should critically review and verify amounts on the Closeout Report.

Management Action. VCAAA management stated: "VCAAA agrees with these recommendations. The Fiscal and Contracts Manager is the staff member who prepares and reviews this report. Limited administrative funding under AP1718-18 precluded the addition of qualified staff to allow an independent review of the Closeout Report before submission to the CDA. The report is due to the

CDA 30 days or so after the fiscal year-end close, and the CDA has acknowledged that this is a very tight time-line, and consequently is considering an extension of this due date.”

- B. **Amount Determination.** VCAAA had no record showing how direct costs on the Closeout Report were determined. VCAAA management knowledge was required to reconcile several Closeout Report amounts to the RPT-GL218. **Although we applied filters to the data, which were verified by VCAAA during the audit, the filters often failed to produce the same amounts presented on the Closeout Report.** As discussed in Finding 2(B) above, this resulted in our inability to verify 57 amounts on the Closeout Report. Without a record of how amounts on the Closeout Report are determined, reconciliation efforts would be difficult and could result in CDA findings and monetary disallowances.

Recommendation. VCAAA should document the filters and parameters to be used on the RPT-GL218 to identify amounts reported on the Closeout Report.

Management Action. VCAAA management stated: “VCAAA agrees with this recommendation and will implement a process for the documentation of the VCAAA GL (GL218) filters used to validate each Closeout Report entry and cross-referenced to the Closeout report page numbers.”

AUDITOR’S EVALUATION OF MANAGEMENT ACTION

We believe that management actions taken or planned were responsive to the audit findings. VCAAA management planned to complete corrective actions by October 16, 2020.

County Executive Office Comment. County Executive Office (“CEO”) management requested to include the following comment: “As a result of these findings, the CEO’s office will initiate action to more comprehensively address these issues. With respect to those management actions that cite time constraints and other priorities as some of the causes of these findings, the CEO’s office believes further analysis will be required by Human Resources and CEO Budget and Finance.”