

CITY OF SACRAMENTO



DEPARTMENT OF FINANCE

915 I STREET
ROOM 112

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5736

JACK R. CRIST
DIRECTOR OF FINANCE
FRANK MUGARTEGUI
ASSISTANT DIRECTOR

October 15, 1980

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: External Financial and Compliance Audit Report of CETA Program
for Period October 1, 1978 to September 30, 1979

SUMMARY

Transmitted herewith for City Council information is the City staff response to the CETA prime sponsor, Sacramento Employment and Training Agency (SETA), on the financial and compliance audit report of the City CETA Program. The audit report, prepared by Catten Yu & Company, Certified Public Accountants, is on file in the City Clerk's Office and in the Finance Department in its entirety. The report should be referred to the Council Budget and Finance Committee for review.

RECOMMENDATION

It is recommended that the enclosed external audit report be referred to the Council Budget and Finance Committee for review.

Respectfully submitted,

Jack R. Crist
Director of Finance

RECOMMENDATION APPROVED:

Walter J. Slipe
City Manager

JRC/bb
FA:80461
Attachment

APPROVED
BY THE CITY COUNCIL

OCT 28 1980

OFFICE OF THE
CITY CLERK

*referred to
Bud/Fin
Comm.*

October 28, 1980
All Districts



CITY OF SACRAMENTO

DEPARTMENT OF FINANCE

915 I STREET
ROOM 112

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5738

JACK R. CRIST
DIRECTOR OF FINANCE
FRANK MUGARTEGUI
ASSISTANT DIRECTOR

September 12, 1980
FA:80400:JRC/bb

Mr. David Martinez
Executive Director
Sacramento Employment and
Training Agency
2020 J Street
Sacramento, California 95814

Dear Mr. Martinez:

Subject: Report of Internal Accounting and Administrative Control for
the City of Sacramento - Title II and VI - October 1, 1978
through September 30, 1979

This office has received the final copy of the Financial and Compliance Audit
Report, dated July 24, 1980, for the period October 1, 1978 to September 30,
1979, prepared by Catten Yu & Co., Certified Public Accountants.

Careful review of the Report indicates, in our opinion, that their conclusions
regarding procedures utilized by the City are not entirely justified. Follow-
ing are specific responses to their comments and findings:

1) Training Costs Were Reported By Two Different Subgrantees

Auditor's Comments

"During our review of training costs, we noted the costs of a job
search program provided by the Sacramento Concilio, Inc. were reported
by two different subgrantees. Since the training costs were originally
incurred by Sacramento Concilio, Inc., we determined that it was more
appropriate to include these costs in Sacramento Concilio, Inc.'s
financial report."

Training costs reported by SETA for: (Ex. Ia)

County of Sacramento	\$11,767
City of Sacramento	<u>15,598</u>
Costs reported by Sacramento Concilio, Inc.	<u>\$27,365</u>
Title IID	\$ 7,799
Title VI	<u>7,799</u>
Amount recommended for disallowance	<u>\$15,598</u>

City of Sacramento Response

During the 1978-79 fiscal year, numerous City CETA employees participated in the above job search program. Since the funds were disbursed at the prime sponsor level, the prime sponsor insured the City as to the authenticity of the above expenditure amounts, and further requested us to include these expenditures in our final closeout. The City complied with the prime sponsor's request.

We concur with the auditor's findings that the prime sponsor should make the proper adjustments to the financial reports in question.

2) Annual and Sick Leaves Taken Were Charged to the Program Twice

Auditor's Comments

"During our review of administrative costs, we noted that annual and sick leaves were included as staff salary expense when taken while accrued as staff fringe benefit costs when earned. The accrual was based on 17.4% of staff salaries'.....

'We conclude that costs relating to annual and sick leave taken were charged to the program twice."

Total Annual Leave Costs (Ex. Ib)	\$1,364
Total Sick Leave Costs	<u>2,031</u>
Total Costs Recommended for Disallowance	<u>\$3,395</u>
IID 23%	\$ 780
VI 77%	<u>2,615</u>
Total Costs Recommended for Disallowance	<u>\$3,395</u>

City of Sacramento Response

The City of Sacramento has established procedures for cost recovery of direct/indirect costs associated with the administration of Federal grant programs that are equitable and supportable in accordance with Federal Management Circular 74-4. The City of Sacramento Finance Policy No. I-78-7 (FPI I-78-7) as adopted by the City Council, has been used on all Federal and State grants without any disallowance until now.

As per FPI I-78-7, all City employees receive an annual salary determined by their respective job classifications. Vacation and sick leave can be included in this annual salary if earned in a prior calendar year and taken in the current year. In addition to the annual salary taken, a City employee earns sick leave and vacation benefits at a rate of 17.4% of one's salary. Thus, an employee may take vacation or sick leave as part of his/her salary and concurrently earn vacation and sick leave for future use.

As a result, the City of Sacramento charges administration for grants based on the annual salary and the related sick leave and vacation earned at a rate of 17.4%.

The City of Sacramento did not charge the program twice for annual and sick leave taken. Thus, we recommend that the prime sponsor allow the \$3,395 of costs recommended for disallowance.

3) Administration Costs Allocated Were in Excess of Amount Determinable by AuditAuditor's Comments

"During our review of administration costs, we noted that from the period of October 1978 through March 1979 the subgrantee has charged administration costs by applying fixed percentages to various participant costs. The fixed percentages were provided by a cost allocation plan filed with the Grantee. Administration costs for the remaining subgrant period were derived by direct charging of applicable staff salaries, related fringe benefits, insurance and indirect costs. By applying the direct charge method of establishing administration costs for the first six months, we noted a significant difference."

"Since we were unable to determine the propriety of additional administration costs charged to the program by using the cost allocation plan, we are questioning \$265,263 of administration costs allocated to the program in excess of the amount determined by applying the direct charge method."

Administration costs allocated (IID)	\$ 45,964	
Direct Charge Method	<u>(16,398)</u>	
Subtotal		\$ 29,566
Administration costs allocated (VI)	\$327,204	
Direct charge method	<u>(91,507)</u>	
Subtotal		<u>235,697</u>
Total Questionable Costs		<u>\$265,263</u>

City of Sacramento Response

The auditors state, "We were unable to determine the propriety of additional administration costs charged to the program by using the cost allocation plan".....when in fact, the auditors did not audit the City's Cost Allocation Plan. The City has offered for inspection, the supporting working papers of the consultant who developed the plan in question. The auditors declined the offer. How can they question this item when they haven't inspected the plan?

The City has previously forwarded the cost allocation plan to the prime sponsor who subsequently approved it. The City has forwarded a copy to the cognizant agency, Department of Labor. Also, the City is currently negotiating with the Department of Labor on the cost allocation plan in question.

Thus, we recommend the prime sponsor waive the questioned costs pending final negotiations with the Department of Labor and the City of Sacramento.

4) Propriety of PSE Payments to the Downtown Neighborhood Association Could Not Be DeterminedAuditor's Comments

"During our review of PSE wages, we were unable to locate the Downtown Neighborhood Association, a PSE work site, to examine payroll registers

and cancelled checks. Therefore, we were unable to ascertain the propriety of reimbursements made to Downtown Neighborhood Association for wages and related fringe benefits paid to participants."

Wages VI	\$6,224
Benefits	<u>730</u>
Total Questionable Costs	<u>\$6,954</u>

City of Sacramento Response

It is unfortunate when a unit of local government, while operating a Federally-designed program and carrying out Federal policy to fund independent community-based organizations, is held liable for those same organizations.

If there is a simple program error, such as Downtown Neighborhood Association disbanding, the City of Sacramento is held responsible for any reimbursement to this organization. Shall the City keep a watchful eye on all community-based organizations so we may confiscate accounting records from groups who may disband before the finish of the statute of limitations? I suggest this is highly impractical.

Local governments are essentially agents for the Department of Labor, yet D.O.L. refuses to recognize this and continues to hold us 100 percent accountable for organizations with no pay-back ability.

The City of Sacramento strongly believes that grass roots organization have a place in CETA, yet the impact of this dictum of complete liability seriously threatens the very existence of a continuing CETA program.

Nevertheless, the City must concur with the auditor's finding and will tender payment for \$6,954.

5) Prior Year Expenditures Were Paid During the Current Period

Auditor's Comments

"During our review of non-personnel services expenditures, we noted payments for prior year expenses were charged to the current period. Since the expenditures did not benefit the current period we are recommending \$1,829 be disallowed."

Title IID	\$ 158
Title VI	<u>1,671</u>
Total Costs Recommended for Disallowance	<u>\$1,829</u>

City of Sacramento Response

The above amount that is recommended for disallowance is for medical examinations on new City CETA participants. These are bonafide expenditures and necessary for the operation of the CETA program within the City of Sacramento.

The vendors send their invoices to the City Personnel Department on a monthly basis. The Personnel Department must separate the CETA from regular employees and forward the invoices to the Accounting Division for payment. Depending on the above variables, the time elapsed from examination to actual payment is usually one or two months. As a result, the City attempted to meet the prime sponsor's closeout deadlines and did not include these minor year end items. This is a repeating occurrence that washes out over a two-year period.

Due to the immaterial amount involved, and for the above variables beyond the City's control, we recommend the \$1,829 be allowed.

If any further clarification is needed, feel free to contact Terry Wolford, Accounting Officer, at 449-5769. We look forward to discussing and resolving the questioned cost.

Very truly yours,



Jack R. Crist
Director of Finance

cc: Frank Mugartegui, Assist. Director of Finance
Terry Wolford, Accounting Officer
Bob Deis, Accountant
John Whitehead, Associate Management Analyst
Donna Giles, Director of Personnel
Tony Vasquez, Senior Personnel Analyst
James P. Jackson, City Attorney
Price Waterhouse & Co.



Sacramento
Employment and
Training
Agency

2020 'J' Street - Sacramento, CA 95814 - (916) 447-6961

Governing
Board

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Chairperson
Public Representative

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Anne Rudin
Councilwoman
City of Sacramento

Dan Thompson
Councilman
City of Sacramento

David R. Martinez
Director

September 23, 1980

Mr. Jack R. Crist
Director of Finance
City of Sacramento
915 I Street, Room 112
Sacramento, California 95814

Dear Mr. Crist:

I am in receipt of your response to the audit of the City of Sacramento, Title II-D and VI programs for the period October 1, 1978 through September 30, 1979.

Your response is currently being reviewed by fiscal staff of the Sacramento Employment and Training Agency (SETA) and I have also forwarded a copy to the Assistant Auditor/Controller of Sacramento County.

Pursuant to the audit resolution process, the response will be carefully analyzed and then we will schedule a meeting with you and your representatives to discuss what items we will recommend to the U.S. Department of Labor be allowed based upon the response and what additional information, if any, may be needed.

As soon as SETA fiscal staff has completed its review of your response, I will be in contact with you to schedule a meeting. In the meantime, I appreciate your timely attention to this matter.

Should you have any questions, please let me know.

Sincerely,

David R. Martinez

DRM:kht

cc: Mr. Walter Slipe, City Manager, City of Sacramento
Mr. John Whitehead, Associate Management Analyst, City of Sacramento
Mr. John Twomey, Assistant Auditor/Controller, County of Sacramento

Mr. Jack Crist
September 23, 1980
Page 2

cc's continued:

Mr. Tony Vasquez, Senior Personal Analyst
Mr. Ted Ray, Chief of Fiscal Services, SETA
Mr. James P. Jackson, City Attorney
Mr. Delbert Spurlock, Jr., SETA Legal Counsel

DRM:kht

CITY OF SACRAMENTO
SACRAMENTO, CALIFORNIA
FINANCIAL AND COMPLIANCE AUDIT REPORT
OCTOBER 1, 1978 TO SEPTEMBER 30, 1979

CETA SUBGRANTS

FY 78/79 IID
FY 78/79 VI

CITY OF SACRAMENTO
FINANCIAL AND COMPLIANCE AUDIT REPORT
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

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CATTEN YU & CO
CERTIFIED PUBLIC ACCOUNTANTS

2617 "K" STREET, SACRAMENTO, CA 95816 (916) 441-0904

Office of Auditor-Controller
County of Sacramento
700 "H" Street, Room 4650
Sacramento, California 95814

We have examined Schedules A, B and C which summarize reported financial results and cash position of the subgrants awarded by the Sacramento Employment and Training Agency (SETA) to City of Sacramento, 915 "I" Street, Sacramento, California 95814 as follows:

<u>CETA Title</u>	<u>Grant Number</u>	<u>Title</u>	<u>Subgrant Period</u>	<u>Audit Period</u>
IID	06-9060-21	FY 78/79 IID	10/1/78-9/30/79	10/1/78-9/30/79
VI	06-9060-60	FY 78/79 VI	10/1/78-9/30/79	10/1/78-9/30/79

Our audit objectives were to determine:

- The fiscal integrity and fairness of subgrantee's reports on operating results and financial positions submitted to Sacramento Employment and Training Agency.
- Compliance with Federal laws, regulations and other directives governing CETA programs.

In summary, our review disclosed that:

- Training costs were reported by two different subgrantees.
- Annual and sick leaves taken were charged to the program twice.
- Administration costs allocated were in excess of amounts determinable by audit.
- Propriety of PSE payments to the Downtown Neighborhood⁷ Association could not be determined~~X~~.
- Prior year expenditures were paid during the current period.
- Subgrantee did not have a contractual agreement with the prime sponsor.

BACKGROUND INFORMATION

Public Law 93-203 was enacted by Congress in 1973 "to provide job training and employment opportunities for the economically disadvantaged, unemployed and underemployed persons, and to assure that training and other services lead to maximum employment opportunities and enhance self-sufficiency by establishing a flexible and decentralized system of Federal, state and local programs". Known as the Comprehensive Employment and Training Act of 1973, it consolidated and replaced previous categorical manpower programs. CETA is administered by the U.S. Department of Labor Employment and Training Administration (ETA).

The Sacramento Employment and Training Agency was one of the local government units that received CETA grants and executed subgrants with the City of Sacramento. As of September 30, 1979, the City of Sacramento received CETA subgrants totaling \$11,337,515 in the following amounts:

<u>CETA Title</u>	<u>Subgrant Period</u>	<u>Total</u>
IID	10/1/78-9/30/79	\$ 4,190,567
VI	10/1/78-9/30/79	<u>7,146,948</u>
		<u>\$11,337,515</u>

SCOPE OF AUDIT

This final report covers our examination of the financial results of program operations for the period October 1, 1978 through September 30, 1979. Accrued expenditures covered by the current audit are \$7,013,078.

Our examination was made in accordance with the CETA Financial and Compliance Audit Guide and the provisions of the "Standards for Audit of Governmental Organizations, Programs, Activities and Functions," promulgated by the Comptroller General.

We did not examine the expenditures of the City of Sacramento subcontracts with the State of California Employment Development Department. These expenditures were excluded from the scope of our audit since they will be audited by the U.S. Department of Labor. The aggregate expenditures were \$883,309 for CETA Title VI.

Our examination included such tests of the accounting and program records and such other auditing procedures as we considered necessary in the circumstances.

The aforementioned Schedules are required to be prepared in accordance with the Standards for Grantee Financial Management Systems (Office of Management and Budget Circular No. A-102, Attachment G) in conformity with the CETA Regulations; therefore, they are not intended to present either the financial results of operations or financial position in conformity with generally accepted accounting principles.

Sampling

In performing the audit test of participant wages and eligibility, statistical sampling techniques were used for the purpose of determining audit sample sizes, selection of the sample items and evaluating the results. Our tests were designed on an attribute sampling basis, based on an expected rate of occurrence of not over three percent with a confidence level of 90 percent and a maximum tolerable error rate of three percent.

In addition, we have used systematic and judgmental sampling techniques for the purpose of determining the audit sample size in the tests for staff salaries and non-personal service costs. The samples tested were representative and adequate for the purpose of forming an opinion.

OPINION

Auditor's Exhibit I lists \$20,822 of costs recommended for disallowance and \$272,217 of questionable costs disclosed by our audit and Schedule B lists various recommended audit adjustments for the period October 1, 1978 through September 30, 1979. The determination as to whether such costs will be allowable under the subgrant agreement and whether to implement the recommended audit adjustments will be made by SETA. Auditor's Exhibit I was not prepared for the purpose of statistical projection.

In our opinion, subject to any effects of the ultimate resolution of costs recommended for disallowance, questionable costs and recommended audit adjustments between the prime sponsor and the subgrantee, Schedules A, B and C present fairly the financial results of operations and CETA cash position in accordance with the Standards for Grantee Financial Management Systems (Office of Management and Budget Circular No. A-102, Attachment G) and are in conformity with CETA regulations.

Catten Yu & Co.

Sacramento, California

July 24, 1980

FINDINGS AND RECOMMENDATIONS

A. Training Costs Were Reported By Two Different Subgrantees

During our review of training costs, we noted the cost of a job search program provided by the Sacramento Concilio, Inc. were reported by two different subgrantees. Since the training costs were originally incurred by Sacramento Concilio, Inc., we determined that it was more appropriate to include these costs in Sacramento Concilio, Inc.'s financial report.

FMC 74-4, Attachment A, C. 1. states:

"Factors affecting allowability of costs. To be allowable under a grant program, costs must meet the following general criteria:

- f. Not be allocable to or included as a cost of any other federally financed program in either the current or a prior period."

We are recommending for disallowance \$15,598 of training costs included in the City of Sacramento reported costs that were also reported by Sacramento Concilio, Inc. Since these costs were disbursed by the Grantee and funds were not advanced to the subgrantee, recovery of funds from the subgrantee for disallowed costs is not necessary. (see Auditor's Exhibit I-a)

Recommendation

We recommend that the Grantee make proper adjustments to the financial reports.

B. Annual and Sick Leaves Taken Were Charged to the Program Twice

During our review of administrative costs, we noted that annual and sick leaves were included as staff salary expense when taken while accrued as staff fringe benefit costs when earned. The accrual was based on 17.4% of staff salaries.

OMB Circular No. A-102, Attachment G, 2. states:

"Grantee financial management systems shall provide for:

- a. Accurate, current, and complete disclosure of the financial results of each grant program in accordance with Federal reporting requirements.
- c. Effective control over and accountability for all funds, property and other assets."

We concluded that costs relating to annual and sick leave taken were charged to the program twice. We are recommending for disallowance \$3,395 of annual and sick leave taken during the audit period. (see Auditor's Exhibit I-b)

Recommendation

We recommend that the subgrantee charge annual and sick leave taken to funds received for accrued annual and sick leave earned.

C. Administration Costs Allocated Were in Excess of Amount Determinable by Audit

During our review of administration costs, we noted that from the period of October 1978 through March 1979 the subgrantee has charged administration costs by applying fixed percentages to various participant costs. The fixed percentages were provided by a cost allocation plan filed with the Grantee. Administration costs for the remaining subgrant period were derived by direct charging of applicable staff salaries, related fringe benefits, insurance and indirect costs. By applying the direct charge method of establishing administration costs for the first six months, we noted a significant difference. (see Auditor's Exhibit I-c)

Since we were unable to determine the propriety of additional administration costs charged to the program by using the cost allocation plan, we are questioning \$265,263 of administration costs allocated to the program in excess of amount determined by applying the direct charge method.

Recommendation

We do not have any recommendations because the subgrantee currently is using the direct charge method of reporting administration costs.

D. Propriety of PSE Payments to the Downtown Neighborhood Association Could Not Be Determined

During our review of PSE wages, we were unable to locate the Downtown Neighborhood Association, a PSE work site, to examine payroll registers and cancelled checks. Therefore, we were unable to ascertain the propriety of reimbursements made to Downtown Neighborhood Association for wages and related fringe benefits paid to participants.

OMB Circular No. A-102, Attachment G, 2. states:

"Grantee financial management systems shall provide for:
(g) Accounting records which are supported by source documentation."

We are questioning \$6,954 of reimbursements made to Downtown Neighborhood Association. (see Auditor's Exhibit I-d)

Recommendation

We recommend that the subgrantee establish and maintain controls to ensure that wages paid to PSE participants are traceable to source documentation.

E. Prior Year Expenditures Were Paid During the Current Period

During our review of non-personal services expenditures, we noted payments for prior year expenses were charged to the current period.

FMC 74-4, Attachment A, C. 2. a. states:

"A cost is allocable to a particular cost objective to the extent of benefits received by such objective."

Since the expenditures did not benefit the current period, we are recommending \$1,829 be disallowed. (see Auditor's Exhibit I-e)

Recommendation

We recommend that the subgrantee reports costs to appropriate periods.

REVIEW OF INTERNAL ACCOUNTING AND ADMINISTRATIVE CONTROLS

As part of our examination, we made a study of the system of internal accounting and administrative control to the extent we considered necessary to evaluate the system as required by the CETA Audit Guide.

The objective of internal accounting and administrative control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal and administrative accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the estimates and judgments required in the preparation of financial statements.

Further, projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our study and evaluation of the systems of internal accounting and administrative control for the period October 1, 1978 through September 30, 1979 would not necessarily disclose all weaknesses in the system. In our opinion, except for the deficiencies noted in the findings and recommendations section of this report and management comment contained in this section, the internal accounting and administra-

tive control procedures are in general agreement with procedures prescribed by Federal Regulations and the Department of Labor CETA guidelines which describe the requirements for accountability of assets and compliance with regulations.

MANAGEMENT COMMENT

A. Subgrantee Did Not Have a Contractual Agreement With the Prime Sponsor

The City of Sacramento and SETA, the prime sponsor, did not enter into written contractual agreements authorizing the funds for CETA Titles IID and VI for the period of October 1, 1978 through September 30, 1979.

20 CFR 676.37 states:

"a. Recipient responsibility.

1. The recipient is responsible for development, approval and operation of all contracts and subgrants and shall require that its contractors and subrecipients adhere to the requirements of the Act, regulations promulgated under the Act, and other applicable laws."

Since written contractual agreements did not exist, we could not determine whether the audited costs per Schedules B and C were incurred in compliance with an authorized budget.

Recommendation

We recommend that the subgrantee should develop procedures to assure that contracts with the prime sponsor are properly formulated and executed.

EXIT CONFERENCE

An exit conference was held in the office of the City of Sacramento on July 24, 1980. Findings and recommendations were discussed with the subgrantee's staff.

In attendance were:

City of Sacramento

Jack R. Crist

Frank Mugartegui

Phil Ezell

John L. Whitehead, Jr.

Terry Wolford

Robert E. Deis

Title

Director of Finance

Assistant Director of
Finance

Chief Accountant

Associate Management
Analyst

Accounting Officer

Accountant

Catten Yu & Company

Henry C. Wang

Paul Strand

Ken Macias

Principal

Auditor

Auditor

This report is intended for use in connection with the administration of the CETA grants to which it refers and should not be used for any other purpose.

CITY OF SACRAMENTO
GRANT NUMBER 06-9060-21
TITLE IID

STATUS OF FEDERAL CASH
FOR THE SUBGRANT PERIOD OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Cash on hand - October 1, 1978	\$ -0-
Increase	
Federal cash received (Note 1)	<u>1,599,479</u>
Total cash available	1,599,479
Decrease	
Gross disbursements (Note 1)	<u>1,638,587</u>
Cash on hand - September 30, 1979	<u>\$ (39,108)</u>

CITY OF SACRAMENTO
GRANT NUMBER 06-9060-60
TITLE VI

STATUS OF FEDERAL CASH
FOR THE SUBGRANT PERIOD OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Cash on hand - October 1, 1978	\$ -0-
Increase	
Federal cash received (Note 1)	<u>5,161,504</u>
Total cash received	5,161,504
Decrease	
Gross disbursements (Note 1)	<u>5,313,439</u>
Cash on hand - September 30, 1979	\$ <u>(151,935)</u>

CITY OF SACRAMENTO
FINANCIAL AND COMPLIANCE AUDIT REPORT
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Schedule B - Statement of Accrued Expenditures by Cost Category

	<u>Grant Number</u>	<u>Title</u>	<u>Subgrant Period</u>	<u>Page</u>
B-1	06-9060-21	FY 78/79 IID	10/1/78-9/30/79	16
B-2	06-9060-60	FY 78/79 VI	10/1/78-9/30/79	17

CITY OF SACRAMENTO
GRANT NUMBER 06-9060-21
TITLE IID

STATEMENT OF ACCRUED EXPENDITURES BY COST CATEGORY
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

<u>Cost Category</u>	<u>Costs As Reported By Budget</u>	<u>Audit Adjustments (Note 2)</u>	<u>Adjusted Costs Per Audit Disbursed By Subgrantee</u>	<u>Costs Disbursed By Grantee (Note 1)</u>	<u>Total Accrued Expenditures</u>
Administration	\$ 72,663	\$ 780	\$ 73,443		\$ 73,443
Wages	1,348,600	28,330	1,376,930		1,376,930
Fringe Benefits	181,960	6,254	188,214		188,214
Training	<u>30,526</u>	<u> </u>	<u> </u>	\$30,526	<u>30,526</u>
	<u>\$1,633,749</u>	<u>\$35,364</u>	<u>\$1,638,587</u>	<u>\$30,526</u>	<u>\$1,669,113</u>

CITY OF SACRAMENTO
GRANT NUMBER 06-9060-60
TITLE VI

STATEMENT OF ACCRUED EXPENDITURES BY COST CATEGORY
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

<u>Cost Category</u>	<u>Costs As Reported By Subgrantee</u>	<u>Audit Adjustments (Note 2)</u>	<u>Adjusted Costs Per Audit Disbursed By Subgrantee</u>	<u>Costs Disbursed By Grantee (Note 1)</u>	<u>Total Accrued Expenditures</u>
Administration	\$ 382,417	\$ 1,735	\$ 384,152		\$ 384,152
Wages	4,242,096	36,153	4,278,249		4,278,249
Fringe Benefits	642,829	8,209	651,038		651,038
Training	<u>30,526</u>	<u> </u>	<u> </u>	\$30,526	<u>30,526</u>
	<u>\$5,297,868</u>	<u>\$46,097</u>	<u>\$5,313,439</u>	<u>\$30,526</u>	<u>\$5,343,965</u>

CITY OF SACRAMENTO
FINANCIAL AND COMPLIANCE AUDIT REPORT
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Schedule C - Statement of Accrued Expenditures by Program Activity

	<u>Grant Number</u>	<u>Title</u>	<u>Subgrant Period</u>	<u>Page</u>
C-1	06-9060-21	FY 78/79 IID	10/1/78-9/30/79	19
C-2	06-9060-60	FY 78/79 VI	10/1/78-9/30/79	20

CITY OF SACRAMENTO
GRANT NUMBER 06-9060-21
TITLE IID

ACCRUED EXPENDITURES BY PROGRAM ACTIVITY
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

<u>Program Activity</u>	<u>Total Accrued Expenditures</u>
Public Service Employment	<u>\$1,669,113</u>

CITY OF SACRAMENTO
GRANT NUMBER 06-9060-60
TITLE VI

ACCRUED EXPENDITURES BY PROGRAM ACTIVITY
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

<u>Program Activity</u>	<u>Total Accrued Expenditures</u>
Public Service Employment	<u>\$5,343,965</u>

CITY OF SACRAMENTO
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1979

Note 1 - Cash received and cash disbursements per Schedule A do not include participant training costs. These expenses were disbursed by SETA and were included in the total accrued expenditures.

Note 2 - Audit adjustments comprised of the following:

Administration - amount represents difference of actual staff salaries incurred and amounts reported.

Wages and Fringe Benefits - amounts represent unrecorded accruals at 9/30/79.

CITY OF SACRAMENTO

SUMMARY SCHEDULE OF COSTS RECOMMENDED FOR DISALLOWANCE AND QUESTIONABLE COSTS
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

<u>Cost Categories</u>	<u>Accrued Expenditures</u>	<u>Costs Recommended For Disallowance</u>	<u>Questionable Costs</u>	<u>Supporting Exhibits</u>
<u>Grant Number 06-9060-21</u>				
<u>Title IID</u>				
<u>Administration</u>	\$ 73,443			
Duplicate charges of annual and sick leaves taken		\$ 780		I-b
Excess administration costs			\$ 29,566	I-c
<u>Fringe Benefits</u>	188,214			
Prior year expenditures		158		I-e
<u>Training</u>	30,526			
Training costs reported by Concilio		<u>7,799</u>		I-a
		<u>8,737</u>	<u>29,566</u>	
<u>Grant Number 06-9060-60</u>				
<u>Title VI</u>				
<u>Administration</u>	384,152			
Duplicate charges of annual and sick leaves taken		2,615		I-b
Excess administration costs			235,697	I-c
<u>Wages</u>			6,224	I-d
<u>Fringe Benefits</u>	651,038			
Propriety not determinable			730	I-d
Prior year expenditures		1,671		I-e

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Auditor's Exhibit I

CITY OF SACRAMENTO
 SUMMARY SCHEDULE OF COSTS RECOMMENDED FOR DISALLOWANCE AND QUESTIONABLE COSTS
 OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

<u>Cost Categories</u>	<u>Accrued Expenditures</u>	<u>Costs Recommended For Disallowance</u>	<u>Questionable Costs</u>	<u>Supporting Exhibits</u>
Grant Number 06-9060-60 Title VI				
<u>Training</u>	\$ 30,526			
Training costs reported by Concilio		\$ 7,799		I-a ✓
		<u>12,085</u>	<u>242,651</u>	
Totals		<u>\$20,822</u>	<u>\$272,217</u>	

CITY OF SACRAMENTO
DETAILED SCHEDULE OF COSTS RECOMMENDED FOR DISALLOWANCE
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Training Costs Were Reported by Different Subgrantees (see page 5).

Training costs reported by SETA for:

County of Sacramento	\$11,767
City of Sacramento	<u>15,598</u>
Costs reported by Sacramento Concilio, Inc.	<u>\$27,365</u>

<u>Grant Number</u>	<u>Title</u>	<u>Duplicate Reported Training Costs</u>
06-9060-21	IID	\$ 7,799
06-9060-60	VI	<u>7,799</u>
		<u>\$15,598</u>

CITY OF SACRAMENTO
 DETAILED SCHEDULE OF COSTS RECOMMENDED FOR DISALLOWANCE
 OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Annual and Sick Leaves Taken Were Charged to the Program Twice
(see page 5)

<u>Name</u>	<u>Amounts</u>
<u>Vacation</u>	
J. Hastings	\$ 569
J. Whitehead	340
T. Vasquez	324
L. Denton	131
B. Deis	<u>-</u>
Total Annual Leave Costs	<u>1,364</u>
<u>Sick Leave</u>	
J. Hastings	879
J. Whitehead	-
T. Vasquez	326
L. Denton	777
B. Deis	<u>49</u>
Total Sick Leave Costs	<u>2,031</u>
Total Costs Recommended For Disallowance	<u>\$3,395</u>
Title IID 23%	\$ 780
Title VI 77%	<u>2,615</u>
Allocated based on staff salary ratio	<u>\$3,395</u>

CITY OF SACRAMENTO
 DETAILED SCHEDULE OF QUESTIONABLE COSTS
 OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Administration Costs Allocated Were in Excess of Amount Determinable
 by Audit (see page 6)

Grant Number 06-9060-21
Title IID

Administration costs allocated		\$ 45,964
Actual administration costs incurred:		
J. Hastings	\$ 1,194	
J. Whitehead	1,753	
T. Vasquez	1,930	
L. Denton	<u>838</u>	
Total salaries allocated		\$ 5,715
Accrued sick leave and vacation @ 17.4% of salaries		994
Fringe benefits @ 28% of salaries		1,600
Insurance		6,025
Indirect rate		<u>2,064</u>
		<u>16,398</u>
		<u>29,566</u>

Grant Number 06-9060-60
Title VI

Administration costs allocated		327,204
Actual administration costs incurred:		
J. Hastings	6,769	
J. Whitehead	9,937	
T. Vasquez	10,939	
L. Denton	<u>4,751</u>	
Total salaries allocated		32,396
Accrued sick leave and vacation @ 17.4% of salaries		5,637
Fringe benefits @ 28%		9,071
Insurance		32,720
Indirect rate		<u>11,683</u>
		<u>91,507</u>
		<u>235,697</u>
 Total Questionable Costs		 <u>\$265,263</u>

CITY OF SACRAMENTO
DETAILED SCHEDULE OF QUESTIONABLE COSTS
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Propriety of PSE Payments to the Downtown Neighborhood Association
Could Not be Determined (see page 7)

<u>Grant Number 06-9060-60 Title VI</u>	<u>Questionable Amounts</u>
Wages	\$6,224
Fringe Benefits	<u>730</u>
Total Questionable Costs	<u>\$6,954</u>

CITY OF SACRAMENTO
DETAILED SCHEDULE OF COSTS RECOMMENDED FOR DISALLOWANCE
OCTOBER 1, 1978 THROUGH SEPTEMBER 30, 1979

Prior Year Expenditures Paid in Current Year (see page 7)

<u>Payee</u>	<u>Amount</u>
Grant Number 06-9060-21 <u>Title IID</u>	
Radiological Associates of Sacramento Medical Group, Inc.	\$ 66
Roy S. Stanford M.D., Inc.	70
Sutter Community Hospital	<u>22</u>
	<u>158</u>
Grant Number 06-9060-60 <u>Title VI</u>	
Radiological Associates of Sacramento Medical Group, Inc.	774
Sutter Community Hospital	163
Roy S. Stanford M.D., Inc.	630
Patrick J. Clancy, M.D.	56
Dan O. Kilroy, M.D.	<u>48</u>
	<u>1,671</u>
Total Costs Recommended For Disallowance	<u>\$1,829</u>