

SAN FRANCISCO DEPARTMENT OF PUBLIC HEALTH

Audit Report

PROPOSITION 47 SAFE NEIGHBORHOODS AND SCHOOLS FUND GRANT EXPENDITURES

July 1, 2016, through June 30, 2019



BETTY T. YEE
California State Controller

August 2020



BETTY T. YEE
California State Controller

August 4, 2020

Angelica M. Almeida, Ph.D., Director
Forensic/Justice Involved Behavioral Health Services
San Francisco Department of Public Health
1380 Howard Street, 4th floor
San Francisco, CA 94103

Dear Dr. Almeida:

This is the final report for our audit of the San Francisco Department of Public Health Proposition 47 Safe Neighborhoods and Schools Fund grant expenditures for the period of July 1, 2016, through June 30, 2019.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310.

Sincerely,

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

JLS/as

cc: Elizabeth Woo, Accountant IV
Fiscal Office
San Francisco Department of Public Health
Peter Yu, Accountant III
Fiscal Office
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Ricardo Goodridge, Deputy Director
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Board of State and Community Corrections

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	2
Conclusion	4
Follow-up on Prior Audit Finding	5
Views of Responsible Officials.....	5
Restricted Use	5
Schedule 1—Summary of Grant Awards, Amounts Disbursed and Expended, and Audit Adjustments	6
Findings and Recommendations.....	7
Attachment—San Francisco Department of Public Health’s Response to Draft Audit Report	

Audit Report

Summary

The State Controller's Office (SCO) conducted a performance audit of the San Francisco Department of Public Health's (SFDPH) Proposition 47 Safe Neighborhoods and Schools Fund (SNSF) grant expenditures for the period of July 1, 2016, through June 30, 2019. The purpose of the audit was to ensure that program funds were disbursed and expended in accordance with program guidelines and grant requirements, as required by Government Code (GC) section 7599.2(c), and applicable laws and regulations.

Our audit found that during the period of July 1, 2016, through June 30, 2019, the SFDPH:

- Had inadequate internal control over implementation and administration of the Proposition 47 SNSF Grants Program;
- Did not adequately account for grant funds expenditures; and
- Did not ensure that program funds were disbursed and expended in accordance with program guidelines and grant requirements and as required by GC section 7599.2(c).

Our audit found that during the period of July 1, 2016, through June 30, 2019, the Board of State Community Corrections (BSCC) awarded the SFDPH with \$5,999,993 in Proposition 47 SNSF grant funds, of which \$1,761,984 was disbursed \$180,700 in fiscal year (FY) 2017-18 and \$1,581,284 in FY 2108-19. We found that the SFDPH expended \$1,761,984 in Proposition 47 SNSF grant funds in FY 2017-18 and FY 2018-19 (\$180,700 in FY 2017-18, and \$1,581,284 in FY 2018-19), and expended no Proposition 47 SNSF grant funds in FY 2016-17.

Our audit found that SFDPH did not adequately account for the community-based organization's (CBO) subcontract costs of \$107,353 charged to the Proposition 47 SNSF Grants Program in FY 2017-18 and FY 2018-19, which resulted in the overbilling of \$17,765 in program costs without sufficient financial and/or accounting records, and \$89,588 in costs that were unallowable, as they were not permitted by the terms of the grant agreement and program guidelines. In addition, as a result of the overbilled direct CBO subcontract costs base of \$107,353, SFDPH overbilled indirect costs of \$10,735 for the period.

Except as noted above, SFDPH grant expenditures claimed were in compliance with applicable laws, regulations, program guidelines and grant agreement.

Background

Proposition 47 – Safe Neighborhoods and Schools Fund

On November 4, 2014, California voters approved Proposition 47, which reduces penalties for certain offenders convicted of non-serious and nonviolent property and drug crimes. It also allows some offenders to apply for reduced sentences. Proposition 47 established the Safe Neighborhoods and Schools Fund, which is funded by savings that accrue

to the State from implementation of the measure. This mandate is expected to save significant state corrections dollars annually.

Savings resulting from Proposition 47 are transferred to the Safe Neighborhoods and Schools Fund to be used in support of truancy reduction and drop-out prevention programs, increase victim services grants, and support substance abuse and mental health treatment services.

San Francisco Department of Public Health

SFDPH used the Proposition 47 grant funding to support the city's Promoting Recovery and Services for the Prevention of Recidivism Program. The program's goal is to provide eligible individuals with life-changing treatment as an alternative to incarceration. The program seeks to increase access to residential substance-use-disorder treatment services for criminal justice-involved adults, and to include provide resources for adult transitional aged youth (ages 18-25). In addition to residential treatment, eligible individuals also receive case management and/or peer navigation to support their transition from residential treatment into the city's network of wraparound services, including housing support, job skills, education, and legal services.

On June 16, 2017, SFDPH was awarded a Proposition 47 SNSF grant of \$5,999,993 through BSCC (Grant Agreement No. BSCC 553-17) to provide services supporting mental health treatment, substance abuse treatment, and diversion programs for people in the criminal justice system, as stipulated in GC section 7599.2(3).

Audit Authority

The legal authority to conduct this audit is provided by GC section 7599.2(c), which requires the Controller, every two years, to conduct an audit of the Proposition 47 SNSF Grants Program operated by BSCC "to ensure the funds are disbursed and expended solely according to this chapter" and to "report his or her findings to the Legislature and the Public."

In addition, GC section 12410 states, in part:

The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state, and may audit the disbursement of any state money, for correctness, legality, and for sufficient provisions of law for payment.

Objective, Scope, and Methodology

The objective of our audit was to ensure that SFDPH adequately accounted for Proposition 47 SNSF grant funds expenditures, and that program funds were disbursed and expended in accordance with program guidelines and grant requirements and as required by GC section 7599.2(c) for the period of July 1, 2016, through June 30, 2019.

To achieve our objective, we:

- Identified the Proposition 47 SNSF Grants Program background,

criteria, purpose, and requirements by reviewing the FY 2016-17 Governor's Budget, GC sections 7599 through 7599.2, and the California Department of Finance fund classification and basis for the Safe Neighborhoods and Schools Fund;

- Reviewed SFDPH's Proposition 47 SNSF grant files, grant agreements, program guidelines, program requirements, and claimed invoices;
- Reviewed SFDPH's claimed grant expenditures and performed analytical procedures and budgetary analyses to identify material cost components of each claim, any errors, and any unusual or unexpected variances;
- Interviewed SFDPH key personnel, completed internal control questionnaires, reviewed written internal policies and procedures, and identified controls related to our audit objective. Performed a limited walk-through of critical controls in order to gain a general understanding of SFDPH's internal controls related to the Proposition 47 SNSF Grants Program, such as accounting, timekeeping, procurement and procedures performed by staff when preparing, reviewing and approving grant expenditures; monitoring the Proposition 47 SNSF Grants Program; and recording disbursements and expenditures in the SFDPH financial management system;
- Assessed SFDPH's internal controls related to the Proposition 47 SNSF Grants Program by reviewing policies and procedures, guidelines, grant agreements, contracts, expenditure reports, and supporting documents; and conducted limited tests of those controls related to the audit objective in order to determine whether the controls were functioning as intended; and whether SFDPH was in compliance with written internal policies and procedures, applicable provisions of laws, regulations, and established criteria;
- Verified that, during the audit period, BSCC awarded SFDPH with \$5,999,993 in Proposition 47 SNSF grant funds, of which \$1,761,984 was disbursed (\$180,700 in FY 2017-18, and \$1,581,284 in FY 2018-19). In addition, verified that SFDPH expended \$1,761,984 in Proposition 47 SNSF grant funds (\$180,700 in FY 2017-18, and \$1,581,284 in FY 2018-19) and expended no Proposition 47 SNSF grant funds in FY 2016-17;
- Conducted a risk assessment and reviewed internal controls for Proposition 47 SNSF grants expenditures to determine the nature, timing, and extent of substantive testing;
- To reduce audit risk, we tested sample transactions, traced those transactions to supporting documentation, and performed analytical procedures and budgetary analysis:
 - We used a judgmental (non-statistical) sampling approach to select samples that supported our audit conclusions, and to ensure that the samples selected were representative of the population and provided sufficient, appropriate evidence.
 - We also tested compliance with applicable laws, regulations, internal policies and procedures, and program requirements. Our

audit procedures included interviewing appropriate personnel and inspecting documents, records, and grant agreements.

- Tested \$1,552,494 of \$1,761,984 in total claimed program costs as follows:
 - Professional Services/Public Agency Subcontract Costs – We tested \$12,839 (or 43%) of \$29,918.
 - Community-Based Organization Subcontract Costs – We tested \$1,328,249 (or 94%) of \$1,409,015.
 - Indirect Costs – We tested all \$160,181.
 - Data Collection and Evaluation Costs – We tested \$49,812 (or 31%) of \$160,053.
 - Other Costs (Travel, Training, etc.) – We tested \$1,413 (or 50%) of \$2,817.

Errors found, if any, were not projected to the intended (total) population

We did not examine the information-system controls or the economy, efficiency, or effectiveness of the program. Our audit of the program was related solely to program expenditures as required by GC section 7599.2(c).

We did not audit SFDPH's financial statements. We limited our audit scope to planning and performing audit procedures necessary to achieve our audit objective. In addition, our review of internal control was limited to gaining an understanding of the transaction flows and financial-management accounting system, and performing limited tests of controls regarding SFDPH's ability to accumulate and segregate reasonable and allowable program costs.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Conclusion

Our audit found that during the period of July 1, 2016, through June 30, 2019, SFDPH:

- Had inadequate internal control over implementation and administration of the Proposition 47 SNSF Grants Program;
- Did not adequately account for grant funds expenditures; and
- Did not ensure that program funds were disbursed and expended in accordance with program guidelines and grant requirements and as required by GC section 7599.2(c).

These findings are quantified in the Schedule and described in the Findings and Recommendations section of this report.

Except as noted above, SFDPH grant expenditures claimed were in compliance with applicable laws, regulations, program guidelines, and the grant agreement.

**Follow-up on
Prior Audit
Finding
Views of
Responsible
Officials**

There have been no prior audits of SFDPH's Proposition 47 SNSF Grants Program; therefore, we did not perform any follow-up activity.

We issued a draft report on April 24, 2020. Angelica Almeida, Ph.D., Director, Forensic/Justice Involved Behavioral Health Services responded by letter dated May 21, 2020 (Attachment), agreeing with the audit results except for Finding 2. This final audit report includes the San Francisco Department of Public Health's response.

Restricted Use

This audit report is intended for the information and use of SFDPH and SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this audit report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

JIM L. SPANO, CPA
Chief, Division of Audits

August 4, 2020

**Schedule 1—
Summary of Grant Awards, Amounts Disbursed and
Expended, and Audit Adjustments
July 1, 2016, through June 30, 2019**

Program Cost Element	SNSF Grant Awarded	SNSF Grant Disbursed ³	SNSF Grant Expended	Allowable per Audit	Audit Adjustments	Reference ⁴
FY 2016-2017						
San Francisco Department of Public Health ²	\$ 5,999,993	N/A	N/A	N/A	N/A	
Total for FY 2016-17	<u>\$5,999,993</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	
FY 2017-18						
Salaries and benefits	N/A	N/A	N/A	N/A	N/A	
Services and supplies	N/A	N/A	N/A	N/A	N/A	
Professional services / public agency subcontracts	N/A	\$ 5,747	\$ 5,747	\$ 5,747	N/A	
Community-based organization subcontracts	N/A	82,482	82,482	78,079	\$ 4,403	Finding 1
Indirect costs	N/A	16,427	16,427	15,987	440	Finding 1
Data collection and evaluation	N/A	76,044	76,044	76,044	N/A	
Fixed assets/equipment	N/A	N/A	N/A	N/A	N/A	
Other (travel, training etc.)	N/A	N/A	N/A	N/A	N/A	
Total for 2017-18	<u>N/A</u>	<u>\$ 180,700</u>	<u>\$ 180,700</u>	<u>\$ 175,857</u>	<u>\$ 4,843</u>	
FY 2018-19						
Salaries and benefits	N/A	N/A	N/A	N/A	N/A	
Services and supplies	N/A	N/A	N/A	N/A	N/A	
Professional services / public agency subcontracts	N/A	24,171	24,171	24,171	N/A	
Community-based organization subcontracts	N/A	1,326,533	1,326,533	1,223,583	102,950	Finding 1, 2
Indirect costs	N/A	143,754	143,754	133,459	10,295	Finding 1, 2
Data collection and evaluation	N/A	84,009	84,009	84,009	N/A	
Fixed assets/equipment	N/A	N/A	N/A	N/A	N/A	
Other (travel, training etc.)	N/A	2,817	2,817	2,817	N/A	
Total for FY 2018-19	<u>N/A</u>	<u>\$ 1,581,284</u>	<u>\$ 1,581,284</u>	<u>\$ 1,468,039</u>	<u>\$ 113,245</u>	
Grand Total	<u>\$5,999,993</u>	<u>\$ 1,761,984</u>	<u>\$ 1,761,984</u>	<u>\$ 1,643,896</u>	<u>\$ 118,088</u>	

¹ Numbers rounded to the nearest whole dollar.

² For the period of July 1, 2016, through June 30, 2019, BSCC awarded SFDPH \$5,999,993 in Proposition 47 SNSF grant funds, of which \$180,700 was disbursed in FY 2017-2018 and \$1,581,284 was disbursed in FY 2018-19. No Proposition 47 SNSF grant funds were expended in FY 2016-17.

³ We verified the accuracy of Proposition 47 SNSF grants disbursed and expended by reconciling Proposition 47 SNSF grant records to SFDPH's financial and accounting reports.

⁴ See the Findings and Recommendations section.

Findings and Recommendations

FINDING 1— Unsupported program expenditures

SFDPH did not provide sufficient documentation to support \$17,765 in Proposition 47 SNSF Grants Program expenditures claimed and paid to CBO subcontractors in FY 2017-18 and FY 2018-19. It appears that program staff did not review reimbursement requests for completeness, accuracy, and compliance with the grant agreement in order to verify that claimed costs were eligible and supported by sufficient documentation. We did not allow the 10% indirect costs of \$1,776 associated with the unsupported contract costs. A total of \$19,541 in unsupported costs were charged to the Proposition 47 SNSF Grants Program.

The total unsupported program costs are as follows:

<u>Program Costs</u>	<u>Unsupported Costs</u>
Direct	
Felton Institute (CBO)	
Materials and supplies	\$ 5,380
Indirect costs	538
Total, Felton Institute	5,918
Salvation Army (CBO)	
Detoxification and residential treatment bed costs	11,847
Total, Unsupported CBO subcontract costs	17,765
Indirect	
10% of direct CBO subcontract costs of \$17,765	1,776
Total unsupported program costs	<u>\$ 19,541</u>

SFDPH did not comply with the terms of its grants agreement with BSCC.

BSCC Grant Agreement No. 553-17, Exhibit D-Special Terms and Conditions, Section 6, Accounting and Audit Requirements states, in part:

- (A) Grantees agrees that accounting procedures for grant funds received pursuant to this Grant Agreement shall be in accordance with generally accepted government accounting principles and practices, and adequate supporting documentation shall be maintained in such detail as to provide an audit trail. Supporting documentation shall permit the tracing of transactions from such documents to relevant accounting records, financial reports and invoices.

Recommendation

We recommend that SFDPH:

- Ensure that all CBO subcontract costs charged to the Proposition 47 SNSF Grants Program are eligible, allowable, supported, reasonable, properly recorded, and in accordance with the grant agreement and program requirements;
- Make necessary accounting corrections for the \$17,765 in unsupported CBO subcontract costs and the associated indirect costs

of \$1,776 charged to the Proposition 47 SNSF Grants Program; and

- Reimburse the BSCC by \$19,541 for the unallowable CBO subcontract costs and the associated indirect costs claimed, or offset \$19,541 on future claims to the BSCC.

SFDPH's Response

SFDPH agreed with this finding.

FINDING 2— Unallowable program expenditures

SFDPH reimbursed \$89,588 of startup costs—including personnel costs—and operating costs to the CBO subcontractor Salvation Army from July 2017, through December 2017. We found that these costs were unallowable, as they were not budgeted for in the Grant Agreement No. 553-17 between BSCC and SFDPH and the approved Grant Proposal/Application for the Proposition 47 SNSF Grants Program. The Salvation Army was contracted only to provide detoxification and residential treatment beds for Proposition 47-eligible participants, based on unit service fees including administration, utilities, food, housing, clinical services, and residential care and safety-related costs. In addition, SFDPH did not obtain pre-approved budget modification from the, BSCC, and was unable to provide any established criteria indicating that startup costs are allowable for reimbursement.

We did not allow the 10% indirect costs of \$8,959 associated with the unallowable contract costs. A total of \$98,547 in unallowable costs was charged to the Proposition 47 SNSF Grants Program.

Total unallowable program costs are as follows:

<u>Program Costs</u>	<u>Unsupported Costs</u>
Direct	
Salvation Army (CBO)	
Salaries	\$ 64,770
Fringe benefits	15,545
Material and supplies	497
General operating	494
Staff travel	138
Indirect expenses	<u>8,144</u>
Total, Salvation Army	89,588
Indirect	
10% of direct CBO subcontract costs of \$89,588	<u>8,959</u>
Total unallowable program costs	<u>\$ 98,547</u>

SFDPH did not comply with the terms of its grant agreement with BSCC.

BSCC Grant Agreement No. 553-17, Exhibit A-Scope of Work, Section 2, Project Summary and Administration, states, in part:

- (B) Grantees agrees to administer the project in accordance with Attachment 1: Proposition 47 Request for Proposal (incorporated by reference) and Attachment 2: Grant Proposal/Application for

Funding, which is attached and hereto and made part of this agreement.

Exhibit B-Budget Detail and Payment Provisions, Section 4, Project Costs states, in part:

- (A) Grantee is responsible for ensuring that actual expenditures are for eligible project costs.
- (B) Grantee is responsible for ensuring that invoices submitted to the BSCC claim actual expenditures for eligible project costs.
- (C) Grantee shall, upon demand, remit to the BSCC any grant funds not expended for eligible project costs or an amount equal to any grant funds expended by the Grantee in violation of the terms, provisions, conditions or commitments of this Grant Agreement.

BSCC Grant Administration Guide, July 2016 – Section 1C - Grant Award Conditions states, in part:

- (2) Responsible Agency – The Grantee, as named on the face page of the Grant Agreement, is the agency responsible for the implementation and administration of the Grant Project and for providing all matching funds as specified in the grant budget.....the Grantee shall ensure that all subcontractors comply with the requirements of the Grant Agreement.
- (5) Grant Award Changes – Changes made to the Grant Award during the grant cycle must be requested, documented and approved in accordance with the procedures described in Section 14 of this guide. Oral agreements are not binding.

Recommendation

We recommend that SFDPH:

- Ensure that all CBO subcontract costs charged to the Proposition 47 SNSF Grants Program are eligible, allowable, supported, reasonable, properly recorded, and in accordance with the grant agreement and program requirements;
- Make necessary accounting corrections for the \$89,588 in unallowable CBO subcontract costs and the associated indirect costs of \$8,959 charged to the Proposition 47 SNSF Grants Program; and
- Reimburse the BSCC by \$98,547 for the unallowable CBO subcontract costs and the associated indirect costs claimed, or offset \$98,547 on future claims to the BSCC.

SFDPH’s Response

Since the onset of the grant, the SFDPH has worked closely with the Board of State and Community Corrections (BSCC) to ensure appropriate use of grant funding. Start-up costs are an appropriate use of grant funding and [were] discussed with the BSCC prior to invoicing. Further, the invoices in question for this finding were under desk audit with the BSCC and there were no findings at that time.

We are not in agreement with this finding and are working closely with BSCC to request a retroactive formal approval for start-up costs.

SCO Comment

Our finding and recommendation remains unchanged.

**Attachment—
San Francisco Department of Public Health’s
Response to Draft Audit Report**



City and County of San Francisco
London N. Breed
Mayor



San Francisco
Health Network

SAN FRANCISCO DEPARTMENT OF PUBLIC HEALTH

May 21, 2020

Office of State Controller Betty T. Yee
Division of Audits, State Agency Audits Bureau
3301 C Street, Suite 710
Sacramento, CA 95816

It is the privilege of the San Francisco Department of Public Health (SFDPH) to be a recipient of Proposition 47 grants through the Board of State and Community Corrections, which provide invaluable support to individuals who have had contact with the criminal justice system and have behavioral health needs. We appreciate the opportunity to have worked closely with the State Controller's Office during this audit process. We have thoroughly reviewed and internally discussed the findings related to the audit and our responses are included herein.

Finding 1 Response

The SFDPH works with our Community Based Organizations to ensure appropriate documentation. The SFDPH includes this requirement in individual contracts and our contractors are aware that they are responsible for appropriate expenditures and sufficient documentation. SFDPH does random audits to ensure compliance.

For the expenditures by Felton Institute, we are in agreement that there was insufficient documentation despite the expenditures being appropriate for grant related activities. SFDPH will support Felton Institute to develop procedures for the allocation of costs to the grant. We are in agreement with this finding.

For the expenditures by Salvation Army where there were errors in days billed to the grant, Salvation Army has since worked closely with the SFDPH to ensure appropriate entry of data into the electronic health record and cross referencing this data with internal data integrity practices. SFDPH reviews this information monthly prior to authorizing an invoice. We are in agreement with this finding.

Finding 2 Response

Since the onset of the grant, the SFDPH has worked closely with the Board of State and Community Corrections (BSCC) to ensure appropriate use of grant funding. Starts up costs are an appropriate use of grant funding and was discussed with the BSCC prior to invoicing. Further, the invoices in question for this finding were under desk audit with the BSCC and there were no findings at that time.

101 Grove Street, San Francisco, CA 94102

We are not in agreement with this finding and are working closely with BSCC to request a retroactive formal approval for start up costs.

Thank you for the opportunity to both review and respond to the audit findings. Please feel free to contact me with any questions.

Sincerely,



Angelica M. Almeida, Ph.D.
Director of Forensic and Justice Involved Behavioral Health Services
San Francisco Department of Public Health

cc: Elizabeth Woo, San Francisco Department of Public Health
Peter Yu, San Francisco Department of Public Health
Ricardo Goodridge, Board of State and Community Corrections
Juanita Reynaga, Board of State and Community Corrections
Julie Axt, Board of State and Community Corrections

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