



County of Santa Clara

Controller-Treasurer Department  
Internal Audit Division

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David G. Elledge  
Controller-Treasurer

Bill Perrone, CIA  
Supervising Internal Auditor

March 24, 2006

Assignment 10129

To: Distribution List

Subject: Management Review of the Filipino American SODC

Internal Audit has completed a management review of the Filipino American Senior Opportunities Development Council, Inc. (Fil-Am) for fiscal year 2004. We conducted the management review during January through March 17, 2006.

We thank the staff of the Social Services Agency Senior Nutrition Program and Fil-Am for their cooperation. Their assistance contributed significantly to the successful completion of the management review.

Respectfully submitted,

Signatures on file

David G. Elledge  
Controller-Treasurer

Bill Perrone, CIA  
Supervising Internal Auditor

Distribution List:

Ben Lucas, Agency Representative, Filipino American SODC  
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Board of Supervisors  
Civil Grand Jury

# COUNTY OF SANTA CLARA

CONTROLLER-TREASURER DEPARTMENT – INTERNAL AUDIT DIVISION

## **Management Review**

### **Filipino American Senior Opportunities Development Council, Inc.**



Assignment 10129  
March 24, 2006

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## Executive Summary

**Conclusion** We found that the County Senior Nutrition Program adequately monitored the Filipino American Senior Opportunities Development Council, Inc. (Fil-Am) to ensure that meals were provided to senior citizens in accordance with the contract terms in FY 2004. Monitoring activities included frequent site visits by program and fiscal staff, establishing a detail line item budget of costs to be reimbursed, reviewing monthly reports of meals served and participant sign in sheets, reviewing monthly claims, approving all meal menus, conducting annual participant food surveys, etc.

Based on the results of our review, Fil-Am over billed the County Senior Nutrition Program by \$2,603 (out of \$73,688 paid) for FY 2004. We were unable to conclude whether the costs claimed under the Senior Nutrition Program were also billed to other funding agencies, as Fil-Am was not able to locate all requested documents. However, with the exception of the over billed amount noted above, we verified that costs submitted to the County Senior Nutrition Program were incurred for the intended purpose. Since the over billings identified for FY 2004 were small, we did not deem it cost effective to expand testing to other fiscal years. The County's contract with Fil-Am for the Senior Nutrition Program expires on June 30, 2006.

**Background of Management Review** The management review was conducted at the request of the County Executive. In June 2005, the City of San Jose Auditor's Office issued a report stating that the City of San Jose was overcharged by Fil-Am for fiscal years 2003 and 2004 and that this may have also occurred with the County's programs.

**Objective and Scope of Management Review** The objectives of the management review were to determine whether Fil-Am billed the County only for actual costs incurred in providing services under the Senior Nutrition Program contract and whether these costs were also claimed to another funding agency for FY 2004. We tested FY 2004, as this was the first fiscal year data resided in the County's current financial system and the latest year mentioned in the City of San Jose audit report. Although the County funds Fil-Am through several programs, the Senior Nutrition Program represents the majority of the payments from the County. See Attachment A.

Details about opportunities and recommendations are provided below.

Signatures on file

David G. Elledge  
Controller-Treasurer

Bill Perrone, CIA  
Supervising Internal Auditor

## **Opportunities and Recommendations**

**Opportunity 1      The County Senior Nutrition Program should collect \$2,603 in overpayments to Fil-Am.**

In FY 2004, Fil-Am over billed the County Senior Nutrition Program by \$2,603 (3.5% of \$73,688 paid). See Attachment A. The County's contract with Fil-Am for the Senior Nutrition Program states that only actual allowable costs incurred to provide services stated in the contract can be claimed. The over billings occurred primarily because the person preparing the claims was not always provided with sufficient supporting documents and the agency's lack of understanding regarding certain allowable costs. In addition, there were a lot of changes to the meal program in FY 2004. The changes included serving meals at a temporary location (Alma site) while the Northside Community Center (current location) was under reconstruction, serving meals at both the Alma and Northside sites, moving back to the Northside Community Center upon completion of the reconstruction, changing from a cook on site to cater, changing of meal days as well as the number of meals served due to the reconstruction. See Attachment B.

**Recommendation 1      The County Senior Nutrition Program should collect the \$2,603 in overpayments to Fil-Am before the contract expires on June 30, 2006.**

**Opportunity 2      The monthly expense reimbursement report certification language for the County Senior Nutrition Program should be revised.**

The current County Senior Nutrition Program monthly expense reimbursement report does not require the agencies to specifically certify that only allowable actual costs are submitted and that these costs are not submitted to another funding agency. Currently, the monthly expense reimbursement report requires the contractors to certify that the claim submitted is "accurate and in accordance with the terms of the contract between the agency named and the County of Santa Clara". The reimbursement report should specifically mention significant terms of the contract to reduce the risk of over billing. The Senior Nutrition Program has not previously considered changing the certification language.

**Recommendation 2      The Senior Nutrition Program should revise the certification requirement in the monthly expense reimbursement report to state the following suggestion: "I hereby certify that the above claim is**

accurate and includes only allowable actual costs incurred to provide services in accordance with the terms of the contract between the agency named and the County of Santa Clara. In addition, none of the items in the above claim was submitted to another funding agency”.

**Opportunity 3      The County Senior Nutrition Program should continue to review whether costs are claimed under the correct line item budget.**

We noted that certain operation and variance costs were claimed under the incorrect line item budget. Overhead costs included laundry expense, which should be claimed under non-food items in accordance with the contract. In addition, equipment and repair costs for one month were claimed under non-food line item and another month’s non-food costs were claimed under equipment and repair. Costs should be submitted in the proper line item as defined by the contract budget. The classification errors occurred due to administrative oversight. Although the costs were included in the incorrect category in the monthly expense reimbursement report, we confirmed that these costs were properly supported and incurred in providing services under the Senior Nutrition Program. No overpayments were identified as a result of the costs being claimed under the incorrect line item budget.

**Recommendation 3      The County Senior Nutrition Program should continue to review whether costs are claimed under the correct line item budget as part of its fiscal monitoring procedures.**

**Opportunity 4      Documentation of indirect cost allocation basis should be obtained.**

The County Senior Nutrition Program reimburses agencies for actual costs incurred in providing services in accordance with the contract. The actual cost is readily determined for the direct costs (i.e. personnel, food, non-food), which are supported by either time cards or receipts. However, indirect costs such as transportation, insurance, fiscal, overhead, etc. are not readily identified to the County Senior Nutrition Program. Thus the County should require the agencies to document the allocation basis for these indirect costs to ensure that it is not overcharged for costs shared with the agencies’ other programs. The documentation should at a minimum include the total indirect cost and how that amount is allocated to the County Senior Nutrition Program.

**Recommendation 4** The County Senior Nutrition Program should request each agency to provide documentation of the allocation basis for indirect costs claimed such as transportation, insurance, fiscal, overhead, etc.

## Attachment A (County Payments to Fil-Am)

<u>Fiscal Year</u>	<u>Senior Nutrition Program</u>	<u>Other Programs</u>	<u>Total Payments</u>
2003	\$81,371	\$0	\$81,371
2004	\$73,688	\$4,507	\$78,195
2005	\$51,117	\$13,950	\$65,067
	<hr/>	<hr/>	<hr/>
	\$206,176	\$18,457	\$224,633
	<hr/>	<hr/>	<hr/>
	92%	8%	



## Attachment B (FY 2004 Fil-Am Senior Nutrition Meal Activities)

### Regular Senior Nutrition Program

<u>Time period</u>	<u>Meal Location</u>	<u>Site Status</u>	<u>Meal Days</u>	<u>Senior Meals Served</u>
Jul-03	Alma	Cook on site	Sat & Sun	761
Aug-03	Alma	Cook on site	Sat & Sun	1,023
Sep-03	Alma	Cook on site	Sat & Sun	758
Oct-03	Alma	Cook on site	Sat & Sun	709
Nov-03	Alma & Northside	Cook on site	Alma-Sat; Sun-Thu Northside	1,223
Dec-03	Alma & Northside	Cook on site	Alma-Sat; Sun-Thu Northside	1,074
Jan-04	Northside	Cook on site	Sun-Thurs	1,152
Feb-04	Northside	Cater	Sat & Sun	852
Mar-04	Northside	Cater	Sat & Sun	697
Apr-04	Northside	Cater	Sat & Sun	639
May-04	Northside	Cater	Sat & Sun	809
Jun-04	Northside	Cater	Sat & Sun	563
				10,260

### Indo Senior Nutrition Program

<u>Time period</u>	<u>Meal Location</u>	<u>Site Status</u>	<u>Meal Days</u>	<u>Senior Meals Served</u>
Jul03-Oct 03	Berryessa	Cater	Wed	827
Nov03-Jun04	Northside	Cater	Wed	1,125
				1,952

Total FY 2004 Senior Meals Served

12,212

# County of Santa Clara

Social Services Agency  
Department of Aging and Adult Services

## Senior Nutrition Program

1670-A Las Plumas Avenue

San Jose, California 95133

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March 24, 2006

To: Dave Elledge, Controller-Treasurer  
Bill Perrone, Supervising Internal Auditor

Fr: Julie Aragon, Senior Nutrition Program Manager

Re: Response to Internal Audit Management Review of the Filipino American SODC

I have reviewed the Management Review report of the Filipino American SODC. The Senior Nutrition Program concurs with the opportunities identified and will implement the recommendations as appropriate.

Thank you

cc: Will Lightbourne  
Onita Spake  
Betty Malks

Board of Supervisors: Donald F. Gage, Blanca Alvarado, Pete McHugh, James T. Beall Jr., Liz Kniss  
County Executive: Peter Kutas, Jr