PHILIP L. BROWNING
Director

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

Board of Supervisors
HILDA L. SOLIS
First District
MARK RIDLEY-THOMAS
Second District
SHEILA KUEHL
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

January 28, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Philip L. Browning
Director

DIAKONIA INC. FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) Contract Fiscal Compliance conducted a Fiscal Compliance Assessment of Diakonia Inc., (the Group Home) in May 2015.

SUMMARY

CAD conducted a Fiscal Compliance Assessment, which included a review of the Group Home's financial records, such as financial statements, bank statements, check register, and personnel files to determine the Group Home's compliance with the terms, conditions, and requirements of the Group Home contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The Group Home was in full compliance with 4 of 5 areas of the Fiscal Compliance Assessment: Financial Overview; Loans, Advances and Investments; Cash/Expenditures; and Payroll and Personnel.

CAD noted a deficiency in the area of Board of Directors and Business Influence related to less-than-arms-length (related party) transactions.

Attached are the details of our review.

REVIEW OF REPORT

On August 20, 2015, Omnaya Zaklama, DCFS CAD-Fiscal, held an Exit Conference with the Danette Seay, Business Manager who agreed with the review finding and recommendation; was receptive to implementing changes to improve compliance with its DCFS contract and to resolve the noted deficiency in a Fiscal Corrective Action Plan (FCAP).

The Group Home provided the attached FCAP addressing the recommendation noted in this report.

A copy of this compliance report has been sent to the A-C.

If you have any questions, your staff may contact me or Aldo Marin, Board Relations Manager, at (213) 351-5530.

PLB:EM
LTI:oz

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Calvin Remington, Interim Chief Probation Officer
John Naimo, Auditor-Controller
Leo Right, Executive Director, Diakonia
Public Information Office
Audit Committee
Sybil Brand Commission
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

DIAKONIA INC.
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 - 2015

SCOPE OF REVIEW

The Fiscal Compliance Assessment included review of Diakonia Inc.'s (the Group Home's) financial records for the period of January 1, 2013 through March 31, 2015. Contracts Administration Division (CAD) reviewed financial statements, bank statements, check register, and personnel files to determine the Group Home's compliance with the terms, conditions, and requirements of the Group Home contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The agency-wide Fiscal Compliance Assessment review focused on five key areas of internal controls:

- Financial Overview,
- Loans, Advances and Investments,
- Board of Directors and Business Influence,
- Cash/Expenditures, and
- Payroll and Personnel.

The Group Home was in full compliance with 4 of 5 areas of the Fiscal Compliance Assessment: Financial Overview; Loans, Advances and Investments; Cash/Expenditures; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following area out of compliance:

Board of Directors and Business Influence

- Less-than-arms-length (related party) transactions; the Group Home is leasing three homes from its Executive Director. The homes are in San Bernardino County. The monthly lease rates are $1,975, $2,550 and $1,900, which exceeded the 12% annual allowable limit based on the assessed value obtained from the San Bernardino County Assessor's Tax Bill. The values of the properties are $172,107, $231,003 and $174,947, respectively. The rent based on the assessed values of these properties should not exceed $1,721, $2,310 and $1,749, respectively.

As a result of this review, the Group Home obtained property appraisals conducted by an independent licensed contractor. As of August 20, 2015, the properties' appraised values are $365,000, $320,000 and $275,000, which are within allowable limits established by the California Welfare and Institutions Code Section 11462.06.

Recommendation:

The Group Home's management shall ensure that:

1. It complies with the Welfare and Institutions Code and ensures that shelter costs shall not exceed 12% of the fair market value of owned, leased, or rented properties.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

The most recent fiscal review report of the Group Home was posted by the A-C on March 19, 2012, for the period of January 1, 2009 through December 31, 2009. The A-C noted $629 in unallowable expenditures, and $18,692 in unsupported/inadequately supported expenditures. The A-C also recommended that the Group Home strengthen its controls over disbursements, petty cash, payroll/personnel procedures, bank reconciliations, and fixed assets. The Group Home has repaid the unallowable expenditures of $629, and the unsupported expenditures of $18,692.

NEXT FISCAL COMPLIANCE ASSESSMENT

The next Fiscal Compliance Assessment of the Group Home will be conducted in County Fiscal Year 2015-2016.

FISCAL CORRECTIVE ACTION PLAN (FCAP)

Section III: Finding The Contractor is leasing three properties from the Executive Director, and the monthly rental costs exceed the allowable amount, as per California Welfare and institutions code (WIC) section 11462.06

Attached is a copy of Appraisals for all facilities that was completed on August 20, 2015. The amount of each appraisal allows the amount of the lease in range with the WIC code.

Leo Wright, Executive Director

Diakonia Inc.
"Love and compassion towards the needs of others"
www.diakoniainc.org | info@diakoniainc.org
P.O. Box 700 Rialto, California 92377 | 909.874.6544