PHILIP L. BROWNING
Director

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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February 10, 2016

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

From: Philip L. Browning
Director

THE HOUSE OF BETHESDA GROUP HOME FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) Contract Fiscal Compliance conducted a review of The House of Bethesda (The Group Home) in June 2015. The six-bed Group Home is located in the Second Supervisorial District, and is a non-profit organization contracted with DCFS and the Probation Department to provide Rate Classification Level 10 placement services to Probation Foster Youth.

SUMMARY

CAD conducted a Fiscal Compliance Assessment, which included an agency-wide 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: Loans, Advances and Investments, Board of Directors and Business Influence, Cash/Expenditures, and Payroll and Personnel.

CAD noted one deficiency in the area of: Financial Overview, related to loss from operations.

Attached are the details of our review.

REVIEW OF REPORT

On June 30, 2015, Ali A. Gomaa-Mersal, DCFS CAD Fiscal, held an Exit Conference with Group Home staff, Robert E. Smith, Chief Executive Officer (CEO). The Group Home representative agreed

with the review finding and recommendation; was receptive to implementing changes to improve compliance with its DCFS and Probation contract and to resolve the noted non-compliance 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 Auditor-Controller.

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

PLB:EM:LTI:agm

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Calvin Remington, Interim Chief Probation Officer
John Naimo, Auditor-Controller
Robert E. Smith, CEO, The House of Bethesda
Public Information Office
Audit Committee
Sybil Brand Commission
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

THE HOUSE OF BETHESDA
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 - 2015

SCOPE OF REVIEW

The Fiscal Compliance Assessment included review of The House of Bethesda'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 reviews 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: Loans, Advances and Investments, Board of Directors and Business Influence, Cash/Expenditures and Payroll and Personnel.

During the review, CAD identified a less-than-arms-length (related party) transaction. The Group Home leases its facility from the CEO/Executive Director, who is not on the Board of Directors. The facility costs are within the allowable limits and in compliance with California Welfare and Institutions Code (WIC) Section 11462.06(a) for related party lease transactions.

FISCAL COMPLIANCE

CAD found the following area out of compliance:

Financial Overview

- The Audited Financial Statement indicated that the Group Home experienced an operational loss of $23,176 for the fiscal year ending December 31, 2014.

The Group Home indicated that the loss was due to a reduction in placements of Probation youth throughout 2014 and the accumulated cash balance from operations were used to offset the loss. The Group Home indicated that they will ensure that operating expenses will not exceed revenues by adjusting and reviewing their budget.

Recommendation:

The Group Home's management shall ensure that:

1. A plan is implemented to eliminate the loss from operations and prevent losses from operation in the future.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

The most recent fiscal review of the Group Home was posted by the Auditor-Controller (the A-C) on November 30, 2010, for the period of January 1, 2008 to December 31, 2008. The A-C identified unallowable costs, unsupported/inadequately supported costs and unexpended clothing funds in the amount of $6,447.

The A-C also noted that the Group Home needed to strengthen its controls. The Group Home has repaid DCFS the $6,447.

NEXT FISCAL COMPLIANCE ASSESSMENT

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

September 21, 2015

To: Ali Gomaa-Mersal, Department of Children and Family Services

From: The House of Bethesda

Subject: **FISCAL CORRECTIVE ACTION PLAN (FCAP)**

1. **The audited financial statement indicated that the Contractor had loss from operation in the amount of $23,176 for the year ending December 31, 2014.**

   Agency Proposed FCAP: The House of Bethesda will ensure that operatingExpenses will not exceed Revenues by adjusting and reviewing their budget.

   The loss was due to lack of lower placement throughout the year of 2014. The loss was funded from the accumulated cash balance from operations.

   The House of Bethesda is solvent and can pay its debts as they become due.

Robert Smith, Executive Director
The House of Bethesda