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

March 2, 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

D & R TURNING POINT TRANSITIONAL HOUSING PLACEMENT PROGRAM FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of D & R Turning Point Transitional Housing Placement Program (the THPP), on September 24, 2014. The THPP provided housing services to the County of Los Angeles DCFS placed children until December 31, 2014. According to the THPP's Program Statement, its stated purpose is "to provide transitional housing in scattered site apartments with supervision and supportive services."

SUMMARY

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

The THPP was in full compliance with 3 of 5 Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influences; and Payroll and Personnel.

CAD noted deficiencies in the areas of Financial Overview, related to loss from operations; and Cash/Expenditures related to inadequate segregation of duties, bank reconciliations not signed by preparer, no written independent contractor agreements, and no listing of fixed assets.

Attached are the details of CAD's review.

REVIEW OF REPORT

On January 22, 2015 Joe Jimenez Jr., CAD Fiscal, held an Exit Conference with the THPP's representative: Fredda Davis, Executive Director. The THPP representative was in agreement with the review findings and recommendations, was receptive to implementing systemic changes to improve compliance with regulatory standards and to addressing the noted deficiencies in a Fiscal Corrective Action Plan (FCAP).

A copy of this compliance report has been sent to the A-C and Community Care Licensing.

The THPP provided the attached approved FCAP addressing the recommendation noted in this report.

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

PLB:EM:LTI:jj

Attachments

c: Sachi A. Hamai, Chief Executive Officer
John Naimo, Auditor-Controller
Fredda Irene Davis, Executive Director, D & R Turning Point
Audit Committee
Sybil Brand Commission
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

D & R TURNING POINT
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 – 2015

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of D & R Turning Point, Transitional Housing Placement Program's (the THPP's) financial records: such as financial statements; bank statements: check register and personnel files to determine the Contractor's compliance with the terms, conditions, and requirements of the THPP's contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State and County regulations and guidelines.

The on-site 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 THPP was in full compliance with 3 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influences; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following areas out of compliance:

Financial Overview

- The most recent unaudited financial statements dated June 30, 2014, showed a loss from operations of $5,992.36.

The Contractor has decreased staffing and expenses to eliminate future deficits.

Recommendation:

The THPP's management shall ensure that:

1. An effective cash management system of revenues and expenditures is in place to resolve the existing loss from operations and avoid future operating loss.

Cash/Expenditures

- Inadequate separation of duties. The same person that prepares the bank reconciliations also prepares the deposit slips, deposits cash, checks receipts and writes the THPP's checks.

The THPP's management will ensure that in the future, bank statements are reconciled by someone that has no cash handling or check writing roles.

- Bank reconciliations are not signed by preparer.

The THPP's management needs to ensure that all bank reconciliations are signed by both the preparer and the reviewer.

- No written agreement is maintained with the independent contractors.

The THPP's management will maintain written agreements with all Independent Contractors.

- THPP does not maintain a listing of fixed assets.

The THPP's management needs to develop and maintain a Fixed Asset Inventory list with all the required elements.

Recommendations:

The THPP's management shall ensure that:

2. An appropriate separation of duties is developed and implemented between the check writing and bookkeeping functions.

3. Completed bank reconciliations are signed and dated by both the preparer and reviewer.

4. Written agreements are developed and maintained for all independent contractors.

5. A Fixed Asset Inventory list that includes all required elements is developed and maintained.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

A review of the contractor has not been posted by the A-C.

NEXT FISCAL COMPLIANCE ASSESSMENT

As of December 31, 2014, D & R Turning Point no longer contracts with the Department of Children and Family Services.

D & R TURNING POINT, Inc.
THP-Plus
P.O. Box 2232 - Phone: (909) 594-2462 Fax: (909) 594-2922

February 21, 2015

Mr. Joe Jimenez
Los Angeles County DCFS
3530 Wilshire Blvd., 4th Floor
Los Angeles, CA 90010

RE: D&R FINANCIAL CORRECTIVE ACTION PLAN

Dear Mr. Jimenez:

Thank you for your professionalism in conducting the financial audit of our agency. As you are aware, our agency no longer has a contract with Los Angeles County DCFS. In spite of "meager funding" and lack of enough participants we were able to fulfill our obligations of the contract by providing the young adults with excellent supportive services.

Our agency had the understanding that we would provide services to a minimum of ten (10) participants; instead, we were on a *roller coaster ride* anticipating ten young adults and as a result of the County's budget cuts, the participant numbers dropped to four (4) then up to seven (7) and then dropped again to five (5). This left our agency holding apartments that we had executed leases on for the year, even though our participant numbers declined.

QUESTION No. 3:

Finding: The Financial Statements showed the agency running at a net loss of $5,992.36. Per THP-PLUS contract agreements, Part II (Standard Terms and Conditions) Paragraph 27.2 (Events of Default) **Response:** As stated in the above paragraph our agency provided the youth with excellent supported services with minimal funding and with an inadequate number of youth. **Our agency did not default nor cease to pay any of its debts. Moving forward we have decreased staffing and expenses to eliminate future deficits.**

QUESTION No. 24 AND No. 25:

Finding: The same person that prepares the bank reconciliations also prepares deposit slips, makes deposits and writes agency checks.
Response: The only way the agency was able to sustain and provide services to the young adults was to eliminate administrative staff. In the future, bank statements will be reconciled by someone that has no cash handling or check writing roles and processed within thirty days of the bank statement date and will be signed by the signer and preparer.

QUESTION No. 27:
Finding: Agency does not maintain a written agreement with Independent Contractor.
Response: Agency will maintain a written agreement with all Independent Contractors.

QUESTION No. 28:

Finding: Agency does not maintain a listing of fixed assets.
Response: Agency will maintain a listing of fixed Assets with description, serial number, acquisition cost and date. The majority of the agency's assets were donated to the agency by BD Systems.

In Summary, this contract ended December 31, 2014. We do not anticipate any further participation in this program for this contract. Therefore, your request to detail our agency's operational plans, timeframes, with the protocols and or process our agency will incorporate to implement its change in approach to prevent future findings are unnecessary at this time.

Sincerely,

FREDDA I. DAVIS, Director
D & R Turning Point, Inc.