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DEPARTMENT OF CHILDREN AND FAMILY SERVICES
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March 14, 2016

To: Supervisor Hilda L. Solis, Chair
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Philip L. Browning
Director

HOLY FAMILY SERVICES ADOPTION AND FOSTER CARE FOSTER FAMILY AGENCY FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Holy Family Services Adoption & Foster Care Foster Family Agency (the FFA) in May 2015. At the time of the review, the FFA did not have any DCFS placed children.

SUMMARY

CAD conducted a Fiscal Compliance Assessment which included an agency-wide review of the FFA'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 Foster Family Agency contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The FFA was in full compliance with 2 of 5 areas of the Fiscal Compliance Assessment: Financial Overview; and Payroll and Personnel.

CAD noted deficiencies in the areas of: Loans, Advances and Investments related to investments; Board of Directors and Business Influence related to Board meeting minutes not certified by the Board Secretary; and Cash/Expenditures related to no written agreement for Independent Contractors.

Attached are the details of CAD's review.

REVIEW OF REPORT

On May 12, 2015, Molly Sun, CAD Fiscal, held an Exit Conference with the FFA representatives: Julie Brown, Executive Director, and Marianne Wright, President and member of the Board of Directors. The representatives agreed with the review findings and recommendations, were receptive to implementing systemic changes to improve compliance with its DCFS contract and to resolve the noted non-compliance in a Fiscal Corrective Action Plan (FCAP).

The FFA provided the attached FCAP addressing the recommendations noted in this report. A copy of this 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:ms

Attachments

c: Sachi A. Hamai, Chief Executive Officer
John Naimo, Auditor-Controller
Public Information Office
Audit Committee
Julie Brown, Executive Director, Holy Family Services Adoption & Foster Care
Lenora Scott, Regional Manager, Community Care Licensing Division
Lajuanna Hills, Regional Manager, Community Care Licensing Division

HOLY FAMILY SERVICES ADOPTION AND FOSTER CARE
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 - 2015

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of Holy Family Services Adoption and Foster Care's (the FFA's) financial records for the period of July 1, 2013 through June 30, 2014 and December 1, 2014 through April 30, 2015. Contracts Administration Division (CAD) reviewed financial records such as financial statements, bank statements, check register and personnel files to determine the FFA's compliance with the terms, conditions, and requirements of the Foster Family Agency 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 FFA was in full compliance with 2 of 5 areas of the Fiscal Compliance Assessment: Financial Overview; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following three areas out of compliance:

Loans, Advances and Investments

- The FFA has investments in non-Federal Deposit Insurance Corporation (FDIC) accounts.

The FFA reported it only invests its donated funds in commercial paper, corporate bonds and equity securities and not any of its payments from the County or any government agencies.

Recommendation:

The FFA's management will ensure that:

1. The FFA will not invest any funds paid by the County in non-FDIC insured accounts.

Board of Directors and Business Influence

- The Board meeting minutes were not certified by the Board Secretary.

At the exit conference, the representatives stated that the Board Secretary would sign the Board meeting minutes once the Board minutes are corrected and approved.

Recommendation:

The FFA's management will ensure that:

2. The Board meeting minutes are certified by the Board Secretary.

Cash/Expenditures

- Written agreements were not developed and maintained for independent contractors.

At the exit conference, the representatives stated that the FFA's Executive Director will develop and execute written contract agreements for the Independent Contractors.

Recommendation:

The FFA's management shall ensure that:

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

MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

The most recent fiscal review of the FFA was posted by the Auditor-Controller (A-C) on December 20, 2013, for the period of July 1, 2010 through June 30, 2011. The A-C review identified $22,548 in questioned costs. This was offset by $65,000 in unrestricted cash donations. The A-C recommended that the FFA: strengthen its internal controls, develop a cost allocation plan, and submit the semi-annual expenditure reports timely. On July 7, 2015, CAD Fiscal conducted a follow-up visit and verified that all of the A-C recommended changes were implemented.

NEXT FISCAL COMPLIANCE ASSESSMENT

The next Fiscal Compliance Assessment of the Foster Family Agency will be conducted in County Fiscal Year 2015-2016.

Holy Family Services
adoption & foster care
when you care enough to consider adoption

Fiscal Correction Action Plan for Holy Family Services (2015)

This is the summary on how Holy Family Services will improve on the internal control weaknesses that were found by Los Angeles County, Department of Children and Family Services by Molly Sun, Auditor.

The issues listed are as follows:

1. The Board meeting minutes were not certified by the Board Secretary
2. The Agency has multiple investments that consist of commercial paper, corporate bonds, and equity securities
3. Written agreements were not maintained for Independent contractors

Holy Family Services agree to do the following:

1. As of the last Board Meeting dated May 21, 2015, once Board minutes were corrected and approved, the Board Secretary signed the Board minutes and will continue to do so in the future.
2. The investments that Holy Family Services currently holds consists of moneys from donations only. It does not include any government money. This money is not needed and is not utilized in the annual fiscal budget. The Board will continue to supervise these investments to limit risk. All of the County funds received are utilized for their respective programs/clients only. To fund the rest of the costs related to running the agency, we utilize donated funds, funds received from our other programs (post adoption services and infant adoption program), grants, and fundraising. Therefore we have no government money within the investment.
3. Written agreements are being created between the Executive Director and the HFS contractors that did not have written contracts. The agreements are to be completed no later that July 15, 2015 and filed with HFS.

Please let me know if there are any questions or concerns regarding our FCAP, please let me know as soon as possible.

Thank you,

Julie Brown
Executive Director