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Director

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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March 25, 2016

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

From: Philip L. Browning
Director

INNER CIRCLE FOSTER FAMILY AGENCY FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Inner Circle Foster Family Agency (the FFA) in March 2015. The FFA has one licensed site in the Third Supervisorial District and provides services to the County of Los Angeles DCFS placed children. According to the FFA's program statement, its stated purpose is "to promote the growth of children and youth while strengthening the family unit."

At the time of review, the FFA supervised 96 DCFS placed children in 48 Certified Foster Homes. The placed children's average length of placement was 13 months and their average age was seven.

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 the FFA's compliance with the terms, conditions and requirements of the FFA 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 Loans, Advances and Investments.

CAD noted deficiencies in the areas of: Board of Directors and Business Influence, related to Board Meeting minutes not being certified by the Board Secretary; Cash/Expenditures, related to not reconciling items timely and the fixed asset inventory list was incomplete; and Payroll and Personnel, related to incomplete personnel files.

Attached are the details of CAD's review.

REVIEW OF REPORT

On May 4, 2015, Yvonne Kang, DCFS CAD Fiscal, held an Exit Conference with the FFA representative Sandro Villa, Chief Executive Officer. The FFA representative was in agreement with the review findings and recommendations, was receptive to implementing systemic changes to improve compliance with regulatory standards and agreed to address 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 FFA provided the attached approved FCAP addressing the recommendations 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:yk

Attachments

c: Sachi A. Hamai, Chief Executive Officer
John Naimo, Auditor-Controller
Sandro Villa, Chief Executive Officer, Inner Circle Foster Family Agency
Public Information Office
Audit Committee
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

INNER CIRCLE FOSTER FAMILY AGENCY
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014-2015

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of Inner Circle Foster Family Agency's (the FFA's) financial records for the period of January 1, 2013 through January 31, 2015. The Contracts Administration Division (CAD) reviewed the 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 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's December 31, 2013, audited financial statements indicated negative net assets in the amount of $128,507 and delinquent payroll taxes for tax years 2007 and 2008 in the amount of $243,423 as a result of theft by a former employee. The FFA pressed criminal charges in 2013 and the employee was found guilty. The Internal Revenue Service (IRS) suspended collection efforts for the 2007 and 2008 delinquent payroll taxes.

The IRS tax transcripts for 2014 indicated that the FFA does not have outstanding payroll tax liabilities.

The FFA was in full compliance with 2 of 5 areas of the Fiscal Compliance Assessment: Financial Overview; and Loans, Advances and Investments.

FISCAL COMPLIANCE

CAD found the following areas out of compliance:

Board of Directors and Business Influence

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

The Board Meeting minutes were approved during the subsequent meeting but not certified by the Board Secretary. The Board Secretary will certify one original copy of the minutes for each Board Meeting. All certified original copies will be filed accordingly.

Recommendation:

The FFA's management shall ensure that:

1. The Board Meeting minutes are certified by the Board Secretary.

Cash/Expenditures

- Three checks from 2013 and 2014 that totaled $996 were outstanding as of January 31, 2015. The reconciliation of these items was not resolved timely.

These outstanding items were resolved subsequent to the fiscal review. The FFA's Director of Accounting will ensure that all future reconciliation of items is cleared in less than six months.

- The fixed assets inventory list was incomplete.

The purchase date and acquisition cost were missing. The FFA's Director of Accounting will update the fixed asset inventory list to include all required information.

Recommendations:

The FFA's management shall ensure that:

2. Outstanding items on the bank reconciliation report are resolved timely.

3. A complete fixed asset inventory list is maintained.

Payroll and Personnel

- 1 of 3 personnel files reviewed did not include current position, job description and rate of pay information. Additionally, all three files did not have Fair Labor Standards Act (FLSA) status of the employee.

The FFA's Human Resources Director will ensure that personnel files include all required information.

Recommendation:

The FFA's management shall ensure that:

4. Personnel files include current position, job description, rate of pay and the FLSA status of employees.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

The most recent fiscal review of the FFA was posted by the A-C on July 11, 2011. The A-C review identified $6,516 in questioned costs. The A-C recommended the FFA strengthen its internal controls.

The FFA repaid DCFS the questioned costs.

NEXT FISCAL COMPLIANCE ASSESSMENT

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

Inner Circle
FOSTER CARE & ADOPTION SERVICES

June 8th, 2015

Yvonne Kang, Fiscal Administrator
County of Los Angeles, Department of children and Family Services
Contracts Services Bureau, Contracts Administration Division
Contract Compliance, Fiscal Compliance
3530 Wilshire Blvd., 4th Floor
Los Angeles, CA 90010

Dear Ms. Kang,

The following is the Fiscal Corrective Action Plan following your review for 2015.

1. Board meeting minutes were not certified by the Board Secretary

Inner Circle's Board Secretary will certify one original copy of each board meeting minutes. All certified original copies will be file accordingly.

2. Outstanding items on the bank reconciliation report were not resolved for longer than six months.

The payee's new address was found, old checks have been canceled and new checks have been processed and subsequently cashed. The Director of Accounting will ensure that all items are cleared in less than six months.

3. Inventory list of fixed assets was missing purchase dates and acquisition costs for the items listed.

As of April 2015 all inventory lists of fixed assets contain acquisition cost and dates of purchase. The agency's Director of Accounting will ensure that updated inventory lists of fixed assets contain dates of purchase and acquisition costs.

4. Incomplete personnel files

Inner Circle's HR Director will make sure HR files are complete at all times. HR Director will also ensure that personnel files include the Fair Labor Standards Act status of the employees, current position, job descriptions, rate of pay, contact information, emergency

Inner Circle
FOSTER CARE & ADOPTION SERVICES

contact information, resume, application, proof of qualifications performance evaluation, criminal record clearances, health clearances, citizenship status, and benefit balances.

All of the mentioned areas have been addressed following the Fiscal Review. Inner Circle will continue to work towards improving service delivery and compliance with all entities involved in the care of children.

Respectfully,

Victoria Fickett
Executive Director