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DEPARTMENT OF CHILDREN AND FAMILY SERVICES
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May 3, 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

GUARDIANS OF LOVE FOSTER FAMILY AGENCY FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Guardians of Love Foster Family Agency (the FFA) in May 2015. The FFA has two offices, one located in the Second Supervisorial District and one in San Bernardino County and provides services to the County of Los Angeles DCFS placed children. According to the FFA's Program Statement, its stated purpose is "to provide safe, nurturing, therapeutic certified family homes where children can receive protection from abuse, maltreatment, economic exploitation, malnutrition and/or any form of unsafe environment."

At the time of the review, the FFA supervised 159 DCFS placed children in 83 Certified Foster Homes (CFHs). The placed children's average length of placement was six months and their average age was 10.

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 FFA 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 3 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influence; and Payroll and Personnel.

CAD noted deficiencies in the areas of: Financial Overview, related to a loss from operations, one semi-annual expenditure report was submitted late; Cash/Expenditures, related to inadequately supported check expenditures, bank reconciliations with outstanding items for more than six months, bank reconciliation not prepared within 30 days, bank reconciliations not signed by the preparer and reviewer, payment to an independent contractor not made according to the written agreement and an incomplete fixed asset inventory.

Attached are the details of CAD's review.

REVIEW OF REPORT

On June 17, 2015 Luis Moreno, CAD Fiscal, held the exit conference with FFA representatives: Kinikki Fullerwood, Chief Operating Officer and Joyce Peterson, Accounting Manager. The FFA representatives agreed with the review findings and recommendations, were receptive to implementing 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:lm

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Calvin C. Remington, Interim Chief Probation Officer
John Naimo, Auditor-Controller
Public Information Office
Audit Committee
Sybil Brand Commission
Kinikki Fullerwood, Chief Operating Officer, Guardians of Love Foster Family Agency
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

GUARDIANS OF LOVE
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 – 2015

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of Guardians of Love's (the FFA's) financial records for the period of January 1, 2013 through March 31, 2015. 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 FFA's contract with the Department of Children and Family Services (DCFS), 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 3 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influence; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following two areas out of compliance:

Financial Overview

- The Audited Financial Statement for the period ending December 31, 2013, had an operational loss of $21,085.

The FFA contracted with a consultant to assist in designing budget reducing expenditures and finding ways of increasing its revenue.

- The semi-annual expenditure report due on March 1, 2015, was submitted on March 28, 2015.

The FFA will ensure that all semi-annual expenditure reports are timely submitted.

Recommendations:

The FFA's management shall ensure that:

1. A plan is developed and implemented to eliminate the operational loss and demonstrate the FFA can operate without incurring a loss in the future.

2. All semi-annual expenditure reports are submitted timely.

Cash/Expenditures

- Inadequately supported expenditures for two non-payroll checks.

The original receipts were for $521.74 and the check was issued in the amount of $160.16, to reimburse an employee for employee morale expenditures. The FFA's Management said it will ensure that original supporting documentation is attached before approving payments. The FFA will ensure all expenditures are allowable.

- The bank reconciliations for January, February and March 2015 showed outstanding items for more than six months.

- The bank reconciliations were not signed and dated by both the preparer and the reviewer.

- The bank reconciliations were not completed timely.

The FFA stated it has resolved all outstanding items beyond six months, will ensure that bank reconciliations are prepared within 30 days and are signed and dated by the preparer and the approver.

- Payment for a contract social worker was not made according to the agreement.

The agreement is for a payment of $500 for each home study, but the invoice from the social worker included $30.00 for cell phone expenses in addition to the home study.

The FFA amended its written agreement for one contract social worker and reviewed all of its other agreements to ensure all of its independent contractors are paid according to their signed agreements.

- The fixed asset inventory was incomplete.

The fixed asset inventory did not include the date of purchase, acquisition cost, and funding source. The FFA revised its fixed asset inventory to include all the required elements.

Recommendations:

The FFA's management shall ensure that:

3. Supporting documents are maintained for all expenditures.

4. Reconciling items are resolved timely.

5. Bank reconciliations will be signed and dated by the preparer and reviewer.

6. Bank reconciliations will be completed within 30 days.

7. All payments made to independent contractors will be according to the written agreements.

8. A fixed asset inventory with all required elements is maintained.

NEXT FISCAL COMPLIANCE ASSESSMENT

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

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FISCAL CORRECTIVE ACTION PLAN

REQUESTING AGENCY:	DCFS - CONTRACTS ADMINISTRATION DIVISION
AUDIT YEAR:	2015
CAP DUE DATE:	JULY 16, 2015
CAP SUBMITTED TO:	LUIS MORENO, FISCAL COMPLIANCE ADMINISTRATOR
CAP SUBMITTED BY:	KINIKKI FULLERWOOD, CHIEF OPERATING OFFICER

OVERVIEW

During our 2014 Fiscal Compliance Assessment conducted by Fiscal Compliance Administrator, Luis Moreno, internal control weaknesses were identified in 2 of the 5 fiscal areas reviewed in the Fiscal Compliance Assessment Tool (FCAT). The following Fiscal Corrective Action Plan (FCAP) details the internal control weaknesses identified and GOL's suggested corrective actions. The Chief Financial Officer and Chief Operating Officer will be responsible for creating the CAP and ensuring its implementation. The Chief Financial Officer and Financial Consultant will provide oversight to ensure ongoing compliance of items addressed within this Corrective Action Plan. All corrective actions have been fully implemented.

DEFICIENCES:

I. FCAT SECTION I – FINANCIAL OVERVIEW

Question No. 3:
According to the audited financial statements for the period ending December 3, 2013, the Agency incurred a loss from operation of $21, 085.

Corrective Action:
The Organization has engaged a competent consultant to assist in the design of a budget that is conducive to its revenue which will reduce expenditures and find ways of incrementing its revenues and meet the requirements of the Foster Family Agency contract agreements, Part II (Standard Terms and Conditions) Paragraph 21 (Events of Default) which refers to a possible termination of Contract by the County for default for insolvency in the event that Contractor ceases to pay its debts in the ordinary course of business as they become due.

Question No. 6:

The Semi-Annual Expenditure Report for the period of July – December 2014 (Due March 1) was submitted to DCFS after the due date.

Corrective Action:
Guardians of Love will ensure that all Semi-Annual Expenditure reports are submitted in accordance with our Foster Family Agency Contract Section 17.2. All reports will be submitted on or before 60 days following the close of each semi-annual reporting period.

II. FCAT SECTION II – LOANS, ADVANCES AND INVESTMENTS

No deficiency noted

III. FCAT SECTION III – BOARD OF DIRECTORS AND BUSINESS INFLUENCE

No deficiency noted

IV. FCAT SECTION IV – CASH/EXPENDITURES

Question No. 22:
2 of 6 non-payroll checks sampled (in the amount of $525.53 and $160.16) were paid to the agency's employee for an employee party (candles, wine glasses, cookies, spray paint, water & candy), groceries and decorations. Original receipts for the $160.16 were not provided and $521.74 of receipts was provided for the employee party. Entertaining expenses for employees is not allowable.

Corrective Action:
All non-payroll checks shall be paid in compliance with the Auditor Controller Handbook. In compliance with our internal policy, all supporting documentation (original receipts, invoices, bill, etc.) must be attached and approved prior to payment. All expenditures incurred shall also be allowable cost under our County Contract and/or donated fund's stipulations.

Question No. 25:
The bank reconciliation for January, February and March showed outstanding items for longer than six months. In addition, the bank reconciliation for January, February and March were not signed and dated by both the preparer and reviewer. One of the bank reconciliations for the month of February was not prepared within 30 days of the bank statement.

Corrective Action:
The Organization has resolved all outstanding items beyond six months, and will ensure the signatures of the preparer, signer, and reviewer to satisfy the A.C. Handbook Section B 1.4. All reconciliations shall be signed and prepared within 30days in compliance with the Auditor Controller Handbook.

Question No. 27:
Payment for one contract social worker was not made according to the agreement. The agreement allows for payment of $500 for each home study, but the invoice from the social workers billed $500 for a home study and $30 for cell phone expense.

Corrective Action:
The aforementioned contract social worker was being contracted to provide home study and social worker services. The contractor had separate consulting agreements for each function. The Organization has resolved the agreement discrepancy by consolidating the contract social worker's consulting agreements into one agreement that list all of her consulting capacities. All other consulting agreements were reviewed to ensure consultants were being compensated according to their agreement and in accordance with the guidelines set forth in the A-C Handbook.

Question No. 28:
The fixed assets list does not include date of purchase, acquisition cost and funding source. The list included item description and serial numbers (Attachment I).

Corrective Action:

The Organization has revised the Inventory listing to comply with the A-C Handbook Section 4.2. The new inventory listing includes the date of purchase, acquisition cost and funding source.

V. FCAT SECTION V – PAYROLL & PERSONNEL

No deficiency noted

Guardians of Love would like to thank Mr. Moreno for his knowledge, valuable recommendations and for her professionalism and assistance throughout the new contract monitoring process. GOL respectfully submits this Financial Corrective Action Plan for your review.

Prepared By: _____ Date: May 30, 2015

Kinikki Pullerwood
Chief Operating Officer