County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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July 22, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
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Supervisor Don Knabe
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From: Philip L. Browning
Director

HUMAN SERVICES NETWORK DBA YOUTH SERVICES NETWORK FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of the Human Services Network Doing Business As (dba) Youth Services Network (the Group Home) in February 2016. The Group Home has one site in the Third Supervisorial District and two sites in the Fifth Supervisorial District and provides services to the County of Los Angeles DCFS placed children and Probation foster youth. According to the Group Home's Program Statement, its stated purpose is "First, to help children develop skills and self-esteem which will enable them to become self-sufficient and productive persons in society. And second, to help develop and promote a viable social support system for children outside the foster care system."

At the time of the review, the Group Home was licensed for a capacity of 18 children and served 17 DCFS placed children. The children's overall average length of placement was seven months and their average age was 16.

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 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 identified deficiencies in the areas of Financial Overview, related to the late submittal of one Semi-Annual Expenditure Report; and Cash/Expenditures, related to incomplete supporting documents for disbursements and unresolved outstanding checks noted on bank reconciliations.

Attached are the details of CAD's review.

REVIEW OF REPORT

On March 21, 2016, Helga Kiaian, DCFS CAD, held the exit conference with the Group Home representatives, Miriam Corn, Executive Director, and Tamecia Citizen, Operations Director. The Group Home's representatives agreed with the review findings and recommendations, were receptive to implementing systemic changes to improve compliance with its DCFS contract and agreed to address the noted deficiencies in a Fiscal Corrective Action Plan (FCAP).

The Group Home provided the attached approved FCAP addressing the recommendations noted in this report.

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

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

PLB:KR
LTI:hk

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
Miriam Korn, Executive Director, Human Services Network dba Youth Services Network
Lenora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

HUMAN SERVICES NETWORK DBA YOUTH SERVICES NETWORK
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2015 - 2016

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of Human Services Network dba Youth Services Network's (the Group Home's) financial records for the period of January 1, 2014 through December 31, 2015. The Contracts Administration Division (CAD) reviewed the 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 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 Group Home was in 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

- One Semi-Annual Expenditure Report (SAER) was submitted late.

The SAER that was due on September 1, 2015, was submitted on September 22, 2015. The Group Home's Operations Director, under the supervision of the Executive Director will ensure all SAERs are submitted timely.

Recommendation:

The Group Home's management shall ensure that:

1. The SAERs are submitted timely.

Cash/Expenditures

- Three disbursements paid to employees for other than payroll did not have sufficient supporting documentation. There were no supporting documents available for one electronic payment.

The Operations Director, under the supervision of the Executive Director, will ensure that all disbursement checks are issued for the amount of the receipts submitted. The electronic payment cited an electronic charge by Merchants Solutions, which appears to be an error. This is currently being disputed by the Group Home. When this is resolved, the Group Home will provide supporting documentation to CAD.

- The Group Home did not resolve the outstanding items on a timely basis. Bank reconciliations for the months of October, November, and December 2015 show outstanding checks longer than six months.

The Operations Director, under the supervision of the Executive Director, will ensure that all outstanding items are resolved within six months of when the issue happens. The Executive Director will review, sign and date all bank reconciliations.

Recommendation:

The Group Home's management shall ensure that:

2. Adequate supporting documentation is maintained for all disbursements.

3. Outstanding items on the bank reconciliation reports are resolved timely.

NEXT FISCAL COMPLIANCE ASSESSMENT

The next Fiscal Compliance Assessment of the Group Home will be conducted in County Fiscal Year 2016-2017.

Youth Services Network

March 22, 2016

Human Services Network dba Youth Services Network
Fiscal Compliance Assessment
Internal Controls Questionnaire Summary of Findings 3/18/16
CORRECTIVE ACTION PLAN

FCAT Section I – Financial Overview
Question No. 6

Effective 3/21/16, The Operations Director, under supervision of the Executive Director, will ensure the Semi-Annual Expenditure Reports and Group Home Cost Report shall be mailed no later than September 1 (for report period ending June 30) and March 1 (for report period ending December 31).

FCAT Section IV - Cash/Expenditures
Question No. 22 and 23

As of 3/1/16, The Operations Director, under supervision of the Executive Director, issues all disbursements to employees other than payroll only in the amount of the receipts submitted at the time the disbursement is issued.

The electronic payment cited is an electronic charge by Merchants Solutions which appears to be in error and is currently being disputed. Documentation will be provided as soon as this issue is resolved.

Question No. 25

As of March 1, 2016, the Operations Director, under supervision of the Executive Director, has ensured that all outstanding checks will be reconciled within 6 months of issue. The Executive Director will sign and date all bank reconciliations when they are reviewed by her, effective 3/21/16.

Prepared by:

Miriam Korn, M.A. MFT
Executive Director

3/22/16
Date

Cc: **Barry Morganstern, President**
Rick Kaiser, Treasurer

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