



**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

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November 7, 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

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CHILDREN'S INSTITUTE FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of the Children's Institute (the FFA) in February 2016. The FFA has one licensed site located in the Fourth 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 well-being of vulnerable children by healing those harmed by abuse or neglect, helping families provide safe, nurturing homes and the resources their children need to thrive, and advancing innovative programs and policies that contribute to the welfare of children."

At the time of the review, the FFA supervised 37 DCFS placed children in 32 Certified Foster Homes. The placed children's average length of placement was nine months and their average age was five.

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.

"To Enrich Lives Through Effective and Caring Service"

The FFA was in full compliance with 3 of 5 applicable areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influence; and Payroll and Personnel.

CAD identified potential internal control weaknesses in the areas of: Financial Overview, related to the untimely submittal of the semi-annual expenditure reports; and Cash/Expenditures, related to an incomplete fixed asset inventory.

Attached are the details of CAD's review.

REVIEW OF REPORT

On April 7 2016, Luis Moreno, DCFS CAD, held an exit conference with the FFA Representatives: Elva Loya, Assistant Controller; Yeison Gonzalez, Director of Contracts; and Eliz Hovsepien, Vice President of Finance. The FFA representatives agreed with the review findings and recommendations, and were receptive to implementing systemic changes to improve compliance with regulatory standards. The FFA agreed to address the noted potential internal control weaknesses in a Fiscal Corrective Action Plan (FCAP).

A copy of this compliance report has been sent to the Auditor-Controller 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:KR
LTI:lm

Attachments

- c: Sachi A. Hamai, Chief Executive Officer
Calvin C. Remington, Interim Chief Probation Officer
John Naimo, Auditor-Controller
Mary Emmons, Chief Executive Officer, Children's Institute
Public Information Office
Audit Committee
Lenora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

**CHILDREN'S INSTITUTE
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2015 - 2016**

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of the Children's Institute (the FFA) financial records for the period of July 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 FFA's 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 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 applicable 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 semi-annual expenditure report due September 1, 2015, was not submitted until October 20, 2015.

Recommendation:

The FFA's management shall ensure that:

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

Cash/Expenditures

- The fixed asset inventory did not include all required elements.

The fixed asset inventory was missing the acquisition date, cost, and funding source. The FFA is in the process of purchasing an asset program that will have the capability of tagging and tracking fixed assets, which will include all required elements. The software was scheduled for agency-wide implementation in July 2016.

Recommendation:

The FFA's management shall ensure that:

2. The Fixed Asset Inventory includes all required elements.

PRIOR YEAR FISCAL COMPLIANCE ASSESSMENT FOLLOW-UP

CAD'S last Fiscal Compliance Assessment dated March 25, 2016 (assessment conducted in February 2015), identified two recommendations. CAD verified that one of the recommendations have been implemented by the FFA.

NEXT FISCAL COMPLIANCE ASSESSMENT

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



children's institute, inc.
safe children, strong families, healthy communities

Corrective Action Plan

Fiscal Compliance Assessment
Onsite Fiscal review: 2/16/16 thru 2/18/16
Submission Date: April 12, 2016

Finding	Corrective Action – Next Step	Effective Dates
<p>FCAT Section I – Financial Overview</p> <p>a. The Semi-Annual Expenditure Report shall be mailed no later than 60 days following the close of each semi-annual reporting period. One of the reports was due September 1 and was submitted on October 20, 2015.</p> <p>FCAT Section IV – Cash/Expenditures</p> <p>b. The agency fixed asset inventory list did not include the date purchase, acquisition cost, and funding source.</p>	<p>a. The June 30, 2015 report was submitted late due to the ending of CII's fiscal year and completion of the Independent audit. Going forward, if needed, CII will submit a preliminary semi-annual report to meet report due date and once the audit is complete; a final report will be submitted.</p> <p>b. CII maintains a fix asset listing that is completed annually, but will ensure that all relevant information is listed to include the acquisition cost, date and funding source; the current listing maintained includes: Description of Item, Serial Number and other relevant information. CII is in the process of purchasing a mobile asset program that has the capability of tagging and tracking fixed assets. The software will require certain criteria to be entered (such as purchase date, acquisition cost and funding source) during the tagging phase. The software is scheduled for agency-wide implementation in July 2016.</p>	<p>a. 06/30/16 By Yeison Gonzalez, Director Contracts Mgmt.</p> <p>b. 07/01/16 By Eliz Hovsepian, VP of Finance</p>

Yeison Gonzalez

5/27/16