



County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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November 14, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
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Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Philip L. Browning
Director

*Philip Browning
11/14/16*

FUTURO INFANTIL HISPANO FOSTER FAMILY AGENCY FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of the Futuro Infantil Hispano Foster Family Agency (the FFA) in May 2016. The FFA has two sites, one located in the First Supervisorial District and another located in San Bernardino County. Both offices provide services to the County of Los Angeles DCFS placed children and to children placed by other counties. According to the FFA's Program Statement, its stated purpose is "to achieve the placement agency's overall goals of permanency and well-being."

At the time of the review, the FFA supervised 244 DCFS placed children in 90 Certified Foster Homes. The placed children's overall average length of placement for the children sampled was nine months and their average age was eight.

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.

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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 loss from operations and Semi Annual Expenditure Reports not being submitted timely; and Cash/Expenditures, related to the bank reconciliations having outstanding items longer than six months.

Attached are the details of CAD's review.

REVIEW OF REPORT

On June 7, 2016, Luis Moreno, DCFS CAD Fiscal, held an exit conference with the FFA Representatives: Oma Velasco-Rodriguez, Executive Director; and Jose Tejada, Controller. The FFA representatives agreed with the review findings and recommendations, were receptive to implementing systemic changes to improve compliance with regulatory standards, and 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 compliance 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
John Naimo, Auditor-Controller
Oma Velasco-Rodriguez, Executive Director
Public Information Office
Audit Committee
Lenora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

**FUTURO INFANTIL HISPANO FOSTER FAMILY AGENCY
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2015 - 2016**

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of the Futuro Infantil Hispano Foster Family Agency's (the FFA's) financial records for the period of July 1, 2014 through March 31, 2016. The 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 agency-wide 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

- According to the Audited Financial Statements for the period ending June 30, 2015, the Contractor incurred a loss of \$669,153 in operations.

The FFA stated the operational loss was due to a decrease of 133 placements in FY 2014-2015, the decertification of foster parents, and an increase in expenses due to outsourcing SAFE Home Studies. The FFA has taken steps to reduce expenses.

- The Semi-Annual Expenditure Reports (SAERs) that were due September 1, 2015 and March 1, 2016, were submitted on September 8, 2015 and March 21, 2016, respectively.

The FFA will ensure that all SAERs are submitted timely.

Recommendation:

The FFA's management shall ensure that:

1. A plan is developed and implemented to eliminate/reduce the FFA's operational loss and demonstrate that it can operate without incurring a loss in the future.
2. All SAERs are submitted timely.

Cash/Expenditures

- The bank reconciliations for January, February, and March 2016 (Ontario office) showed outstanding items over six months.

The FFA's Controller will review all reconciliations and ensure that there are no outstanding items over 90 days.

Recommendation:

The FFA's management shall ensure that:

3. Bank reconciliation items are resolved timely.

PRIOR YEAR FISCAL COMPLIANCE ASSESSMENT FOLLOW-UP

There was no prior Fiscal Compliance Assessment completed; however, the Auditor-Controller completed a Fiscal Review of the FFA.

NEXT FISCAL COMPLIANCE ASSESSMENT

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



FUTURO INFANTIL HISPANO
Foster Family Agency

June 17, 2016

Fiscal Compliance Administrator
County of Los Angeles
Department of Children and Family Services
Bureau of Contracts Services
Attn: Luis Moreno
3530 Wilshire Blvd, 5th Floor
Los Angeles, CA 90010

RE: FCAP for findings and recommendations related to Fiscal Compliance Assessment for period ending June 30, 2015.

Dear Mr. Moreno:

In response to our exit interview on fiscal compliance assessment on June 07, 2016. Futuro Infantil Hispano is submitting the following Fiscal Corrective Action Plan (FCAP) to address the following:

1. According to the Audited Financial Statements of the period ending June 30, 2015, the Contractor incurred a loss from operations of \$669,153.

In accordance with the loss incurred in operations for the fiscal year 2015, the following have played a major part in the loss from operations. FIH was operating with a population of 747 in the Fiscal Year 2013-2014, for the Fiscal Year 2014-2015 FIH decrease its population by 133 placements. The decertification of foster parents has also played a role in the loss. For the fiscal year 2013-2014 Futuro had 124 foster homes with a closure of 21 homes either due to voluntary and involuntary decertification FIH was operating with 103 foster homes for Fiscal Year 2014-2015. The other major factor to FIH loss incurred in Fiscal Year 2015 was of not having an adoption license, this process forced FIH to outsource the expense of having all its foster parents obtain a SAFE Home Studies which ranged each from (\$1500 - \$1750) which FIH incurred an additional expense of \$113,000.

Futuro has taken steps to reduce expenses, even with the approximation reduction in revenue of \$1,000,000.00 Futuro has been forced to downsize in personnel and cut expenses, but even with all the expenses being reduced operating cost have kept rising.

2. The Semi-Annual Expenditure Report for the periods of January to June 2015 (due September 1) and July to December 2015 (due March 1) were submitted September 08, 2015 and March 21, 2016 respectively.

FIH Controller will ensure that all Semi Annual Reports will be submitted on a timely manner on or before the due date, with a preliminary report if a final draft has not been completed. The Process will include mailing the report with a certified and return receipt to show date of mailing and date received by county employee.

3. 3 of 6 Bank Reconciliations showed two outstanding items longer than six months. They have been outstanding since April 2015.

FIH Controller will review all reconciliations prepared by our accountants TK Associates by the third day of receipt to ensure that no outstanding items show more than 90 days as stamped in our checks "NOT PAYABLE AFTER 3 MONTHS" from date issued.

If you need additional information or have any questions, please feel free to contact me at our West Covina office (626) 339-1824 or email me at jtejeda@futuroinfantil.org.

Sincerely,


Jose E. Tejeda
Controller

