PHILIP L. BROWNING
Director

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

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March 22, 2016

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

From: Philip L. Browning
Director

## STARSHINE TREATMENT CENTER FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Starshine Treatment Center (the Group Home) on April 21, 2015. The Group Home has four licensed sites in San Bernardino County and provides services to the County of Los Angeles Probation placed youth and youth from other counties. According to the Group Home's Program Statement, its stated purpose is "to treat adolescent males and their families with issues related to abuse, neglect, behavioral and emotional issues and delinquency in a residential setting."

At the time of the review, the Group Home served 20 Probation placed youth and two dual supervision status clients. The placed children's overall average length of placement was 18 months and their average age was 15.

## 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 their 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 full compliance with 3 of 5 areas of the Fiscal Compliance Assessment: Loans Advances and Investments; Board of Directors and Business Influences; and Payroll and Personnel.

CAD noted deficiencies in the areas of Financial Overview, related to the Group Home not maintaining a Cost Allocation Plan; Cash/Expenditures, related to inadequate segregation of duties, and not maintaining a Fixed Asset Inventory.

Attached are the details of CAD's review.

## REVIEW OF REPORT

On June 10, 2015, Joe Jimenez, CAD Fiscal, held an exit conference with the Group Home representatives: James B. Pace, Executive Director, and Cecilia R. Pace, Assistant Executive Director.

The Group Home representatives were in agreement with the review findings and recommendations; were 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 Group Home 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:dlf

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Calvin Remington, Interim Chief Probation Officer
John Naimo, Auditor-Controller
James B. Pace, Executive Director, Starshine Treatment Center
Public Information Office
Audit Committee
Sybil Brand Commission
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

**STARSHINE TREATMENT CENTER**
**FISCAL COMPLIANCE ASSESSMENT REVIEW**
**FISCAL YEAR 2014 - 2015**

## SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of the Starshine Treatment Center's (the Group Home's) financial records for the period of July 1, 2013 through March 31, 2015. 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 program's contracts with the Department of Children and Family Services (DCFS) and the Probation Department, 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 full compliance with 3 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influences; and Payroll and Personnel.

## FISCAL COMPLIANCE

CAD found the following two areas out of compliance:

### Financial Overview

- The Group Home does not maintain a Cost Allocation Plan.

The Group Home's Assistant Executive Director stated she will develop a Cost Allocation Plan.

**Recommendation:**

The Group Home's management shall ensure that:

1. A Cost Allocation Plan is developed.

### Cash/Expenditures

- Authorized check signer signs checks issued to himself.

The Group Home representative stated that effective immediately all checks written to authorized check signers shall be reviewed and signed by a second authorized check signer.

- The Group home does not maintain a fixed asset inventory.

The Group Home representative reported the management would ensure the development of a fixed asset inventory.

**Recommendations:**

The Group Home's management shall ensure that:

1. A second signature is required on all checks where the payee is an authorized check signer.

2. A fixed assets inventory is developed that includes all required elements.

## MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

A fiscal review of the Group Home has not been posted by the Auditor-Controller.

## NEXT FISCAL COMPLIANCE ASSESSMENT

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

# Starshine Treatment Center, Inc.

(A California Non-Profit Corporation)

June 10, 2015

County of Los Angeles
Department of Children & Family Services
Fiscal Compliance Division

Attn: Mr. Joe Jimenez

Subject: Fiscal Corrective Action Plan for Starshine Treatment Center, Inc.

In response to the Fiscal Compliance Assessment Review findings, our agency's Fiscal Corrective Action Plan (FCAP) is as follows:

**FCAT Section I-Financial Overview**

Question No. 8

Finding: "Agency does not maintain a cost allocation plan."

FCAP: Pursuant to the Group Home Contract agreement Section 24.2, Starshine Treatment Center, Inc (STC) will immediately submit to County a cost allocation plan which provides for the reasonable allocation of STC's expenditures for the current fiscal year. Starshine Treatment Center's cost allocation plan shall be developed in accordance with the principles included in OMB Circular A-122 and the Auditor-Controller Group Home Contract Accounting and Administration Handbook.

**FCAT Section IV- Cash/Expenditures**

Question No. 17

Following a review of bank statements, cancelled checks, check registers, and credit card statements for the months of April, May, and June 2014, the following deficiencies were noted:

Finding: Authorized Check Signer, signs for checks issued to himself.

FCAP: In accord with A-C Handbook Section B.2.1, there will be no future instances where the payee will be the signer of the check. Checks written to James Pace will be signed by other authorized check signers (either Cecilia Pace or Nick Pace); for checks where the payee is either

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Nick Pace or Cecilia Pace, James Pace will be the signer. This corrective action plan will be implemented immediately.

Question No. 28

Finding: Agency listing of fixed assets does not have all of the required information, specifically, the source of funding is missing.

FCAP: In accord with A-C Handbook Section B.4.2 which states, "Each contractor shall maintain a current listing of fixed assets, including the item description, serial number, date of purchase, acquisition cost and source(s) of funding", STC will immediately revise the listing of fixed assets format to include the source of funding for each asset. Immediate steps have been taken to develop an Excel spreadsheet which will meet A-C Handbook Section B.4.2 criteria.

Respectfully submitted,

James B Pace

James B. Pace
Executive Director
Starshine Treatment Center, Inc
(909) 882-7978

cc: Ken Bersinger, CPA