



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

425 Shatto Place, Los Angeles, California 90020  
(213) 351-5602

PHILIP L. BROWNING  
Director

BRANDON NICHOLS  
Chief Deputy Director

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December 9, 2016

To: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Hilda L. Solis  
Supervisor Sheila Kuehl  
Supervisor Janice Hahn  
Supervisor Kathryn Barger

From: Philip L. Browning  
Director

**PHOENIX HOUSES OF LOS ANGELES FISCAL COMPLIANCE ASSESSMENT**

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of the Phoenix Houses of Los Angeles (the Group Home) in March 2016. The Group Home has one site located in the Third Supervisorial District and provides services to the County of Los Angeles DCFS placed children. According to the Group Home's Program Statement, its stated purpose is "to provide a residential program with a daily structured regimen to meet the rehabilitation, development, treatment, educational, recreational, and social needs of high risk adolescents assessed with a primary substance use disorder and co-occurring emotional and mental health issues."

At the time of the review, the Group Home served 39 Probation foster youth and two DCFS children. The placed children's overall average length of placement was 111 days and their average age was six.

**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 contracts with the 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.

Each Supervisor  
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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 Influence; and Payroll and Personnel.

CAD identified potential internal control weaknesses in the areas of: Financial Overview, related to the untimely submission of the Semi-Annual Expenditure Report; and Cash/Expenditures, related to reconciliation items not resolved timely.

Attached are the details of CAD's review.

### **REVIEW OF REPORT**

On April 21, 2016, Ali Gomaa-Mersal, DCFS CAD, held a fiscal exit conference with the Group Home representative, Hened Ayala, Interim Controller. The Group Home representative agreed with the review findings and recommendations; was 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).

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

A copy of this compliance report has been sent to the A-C 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:agm

Attachment

c: Sachi A. Hamai, Chief Executive Officer  
John Naimo, Auditor-Controller  
Calvin C. Remington, Interim Chief Probation Officer  
Audit Committee  
Public Information Office  
Sybil Brand Commission  
Ann Bray, President and Chief Executive Officer Phoenix Houses of Los Angeles  
Lenora Scott, Regional Manager, Community Care Licensing Division  
Lajuannah Hills, Regional Manager, Community Care Licensing Division

**PHOENIX HOUSES OF LOS ANGELES  
FISCAL COMPLIANCE ASSESSMENT REVIEW  
FISCAL YEAR 2015 - 2016**

**SCOPE OF REVIEW**

The Fiscal Compliance Assessment included a review of the Phoenix Houses of Los Angeles (the Group Home's) financial records for the period of January 1, 2014 through December 2015. The Contracts Administration Division (CAD) reviewed financial statements, such as bank statements, check register, and personnel files to determine the Group Home's compliance with the terms, conditions, and requirements of the Group Home contracts with 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 Influence; and Payroll and Personnel.

**FISCAL COMPLIANCE**

CAD found the following two areas out of compliance:

**Financial Overview**

- The Semi-Annual Expenditure Report (SAER) for the period of July to December 2015, which was due to DCFS by March 1, 2016, was received on April 1, 2016.

**Recommendation:**

The Group Home's management shall ensure that:

1. SAERs are submitted timely and in accordance with the requirements of the Group Home Contract.

**Cash/Expenditures**

- Reconciliation items (three checks in the total amount of \$2,349.96) remained outstanding for over six months.

The Group Home indicated that the correction was made within a week of the finding. In addition, the Group Home indicated that their Accounts Payable Department will resolve outstanding checks over 45 days.

**Recommendation:**

The Group Home's management shall ensure that:

2. Reconciliation items 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.



Phoenix House

PHOENIX HOUSES OF LOS ANGELES  
FISCAL CORRECTIVE ACTION PLAN

April 28, 2016

Emelinda Fernandez  
11600 Eldridge Ave.  
Lake View Terrace, CA 91342  
Tel: 818-686-3066 x 4066

DCFS  
Ali Gomaa-Mersal  
Email: gomaaa@dcfs.lacounty.gov

RE: On site Fiscal Compliance Assessment: 3/14/2016 – 4/1/2016

**FCAT Section I – Financial Overview**

**Findings:** *The Semi-Annual Expenditure Report for the period of July to December 2015 was due to DCFS on March 1, 2016, was received on April 1, 2016*

**Per Contract Agreement:** *Per paragraph 16.2 of GH contract agreement, the Semi-annual Expenditure Report (Exhibit E), along with the Group Home Cost Report (Exhibit U), shall be mailed no later than September 1 for the semi-annual report for the period ended June 30 and March 1 for the semi-annual report for the period ended December 31.*

**Action:**

- ✓ We will make sure that semi-annual expenditure reporting will be on time in the future.

**FCAT Section II – Loans, Advances and Investments**

**Findings:** *No Deficiency Noted*

**FCAT Section III – Board of Directors, and Business Influence**

11600 Eldridge Ave.  
Lake View Terrace, CA 91342  
Tel: 818-686-3000

**Findings:** *No Deficiency Noted*

**FCAT Section IV – Cash/Expenditure**

**Findings:** *Reconciling items (3 checks in the total amount of \$2,349.96) remain outstanding for over six months.*

**Per Contract Agreement:** *A-C Handbook Section B31.4 states, "Monthly bank reconciliations should be prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed and dated by both the preparer and the reviewer. Reconciling items should be resolved timely."*

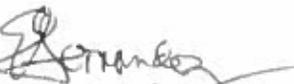
**Actions:**

- ✓ Correction made within the week of findings.
- ✓ We will work with AP Dept. to make sure outstanding checks for long time (45 days max) should take an action immediately.
- ✓ Bank reconciliation will be reconciling in timely manners.

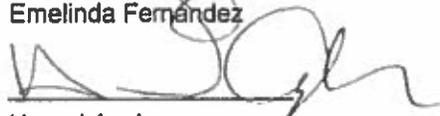
**FCAT Section V – Payroll and Personnel**

**Findings:** *No Deficiency Noted*

Prepared by:

  
\_\_\_\_\_  
Emelinda Fernandez

Reviewed by:

  
\_\_\_\_\_  
Hened Ayala