PHILIP L. BROWNING
Director

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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

Board of Supervisors
HILDA L. SOLIS
First District
MARK RIDLEY-THOMAS
Second District
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Third District
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Fourth District
MICHAEL D. ANTONOVICH
Fifth District

November 24, 2015

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

From: Philip L. Browning
Director

RENAISSANCE UNLIMITED FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) Contract Fiscal Compliance conducted a review of Renaissance Unlimited, a Transitional Housing Placement Program (the THPP) in October 2014.

SUMMARY

CAD conducted a fiscal compliance assessment, which included an on-site review of the THPP's financial records such as financial statements, bank statements, check register and personnel files to determine the THPP's compliance with the terms, conditions and requirements of the program contracts, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The THPP was in full compliance with 1 of 5 areas of the fiscal compliance assessment: Payroll and Personnel.

CAD noted deficiencies in the following areas: Financial Overview, related to operating loss, negative net assets, non-timely completion and submittal of the Semi-Annual Expenditure Reports to DCFS and unpaid payroll taxes; Loans, Advances and Investments, related to a loan due from the Executive Director; Board of Directors and Business Influence, related to not having certified Board meeting minutes; and Cash/Expenditures, related to absence of a second signature on the payroll checks payable to the authorized check signer, incomplete bank reconciliations and absence of fixed assets inventory list.

Attached are the details of our review.

REVIEW OF REPORT

On February 11, 2015, Helga Kiaian, DCFS CAD Fiscal, held an exit conference with staff from the THPP: Chris Onyegbaduo, Executive Director and Adaeye Anyanwu, Office Manager. The THPP representatives agreed with the review findings and recommendations, were receptive to implementing systemic changes to improve compliance with regulatory standards and to address the noted deficiencies in a Fiscal Corrective Action Plan (FCAP).

The THPP provided the attached FCAP addressing the recommendations noted in this report.

A copy of this compliance report has been sent to the Auditor-Controller.

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

PLB:EM
LTI:DLF

Attachments

c: Sachi A. Hamai, Chief Executive Officer
John Naimo, Auditor-Controller
Jerry E. Powers, Chief Probation Officer
Public Information Office
Audit Committee
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division
Chris Onyegbaduo, Executive Director, Renaissance Unlimited

RENAISSANCE UNLIMITED
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 - 2015

SCOPE OF REVIEW

The fiscal compliance assessment included a review of Renaissance Unlimited, a Transitional Housing Placement Program's (the THPP's) financial records for the period of January 1, 2012 through September 30, 2014. CAD reviewed the financial statements, bank statements, check register and personnel files to determine the THPP's compliance with the terms, conditions and requirements of the program's contracts with the Department of Children and Family Services (DCFS), 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 THPP was in full compliance with 1 of 5 areas of the fiscal compliance assessment: Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following areas out of compliance:

Financial Overview

- According to the Audited Financial Statements (AFS), as of December 31, 2012, the THPP incurred $12,367 loss from operation and had a total net assets deficit of $23,821.

The THPP representatives stated that the Board of Directors and the Executive Director will continue to monitor the fiscal strength of the THPP and make adjustments as necessary to ensure meeting all of its obligations.

- The Semi-Annual Expenditure Report for the period of January to June 2014, which was due to DCFS on September 1, 2014, was not submitted until October 1, 2014.

The THPP representatives stated that they will ensure that all future reports are submitted on a timely basis.

- A review of the Internal Revenue Service's account transcript indicated that the THPP has unpaid payroll taxes in the amount of $31,915 ($6,929 is for penalties and interest for the quarters ending December 31, 2013; March 31, 2014; June 30, 2014; and September 30, 2014).

The THPP representatives stated that they will ensure that all outstanding taxes are paid in installments by December 31, 2016.

Recommendations:

The THPP management shall ensure that:

1. A plan is developed and implemented to eliminate the loss from operations and net asset deficit and demonstrate that the THPP can operate without incurring a loss in the future.

2. Semi-Annual Expenditure Reports are submitted timely.

3. Payroll tax returns are filed and paid when due and existing delinquent taxes are resolved.

Loans, Advances and Investments

- A review of the Audited Financial Statement for the period as of December 31, 2012, the THPP has an outstanding "officer's advance" due from its Executive Director in the amount of $8,643. The "officer's advance" refers to interest from the THPP's line of credits, which was considered unallowable by their independent auditor and recorded as "officer's advance."

The THPP representatives stated that they will repay Renaissance Unlimited the unallowable expenditure amounts that were converted to "officer's advance" by June 30, 2016.

Recommendation:

The THPP management shall ensure that:

4. The THPP will only expend contracts funds on allowable expenditures.

Board of Directors, and Business Influence

- The Board meeting minutes dated September 28, 2014; June 27, 2014; and March 28, 2014, were not certified by the Board Secretary.

The THPP representatives stated that the Chairman of the Board of Directors will ensure that the Board Secretary certifies all future Board meeting minutes.

Recommendation:

The THPP management shall ensure that:

5. Board meeting minutes are certified by the Board Secretary.

Cash/Expenditures

- Payroll checks payable to the Executive Director were electronically signed by him only.

The THPP representatives stated that the Chairman of the Board of Directors will sign all payroll checks for the Executive Director.

- Bank reconciliations were not dated and signed by preparer and reviewer and outstanding items are not resolved timely. Three checks dated January 5, 2014; February 5, 2014; and March 5, 2014, totaling $1,069, were outstanding as of September 30, 2014.

The THPP representatives stated that the Executive Director will ensure that monthly bank reconciliations are being prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliations will be signed and dated by both the preparer and the reviewer.

- The THPP did not maintain a fixed assets inventory list.

No fixed assets were purchased with funds from the contract that is the subject of the review. However, the THPP has developed fixed assets inventory including capital and non-capital asset equipment, purchased with funds from THPP's current contract. The THPP representatives stated that the Executive Director will ensure that all assets are properly labeled, tagged and documented.

Recommendations:

The THPP management shall ensure that:

6. Checks payable to the authorized check signer are reviewed and approved by a higher-level employee, or Board member who shall also sign the check.

7. Bank reconciliations are prepared in a timely manner, signed by the preparer and reviewer, and outstanding items are resolved timely.

8. An inventory list of fixed assets is maintained that includes: item description, serial number, date of purchase, acquisition cost and source of funding.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

The most recent fiscal review of Renaissance Unlimited was conducted by the Auditor-Controller (A-C) on April 8, 2009 for the period of January 1, 2006 through December 31, 2006, for a former Group Home contract. The A-C identified $11,732 in unallowable costs and $77,847 in unsupported/inadequately supported costs. The A-C also noted that as of December 31, 2005, Renaissance Unlimited had an operating loss of $44,035, negative net assets of $62,866 and a total debt of $176,776, of which $24,810 were loans from officers. Additionally, Renaissance Unlimited needed to develop a cost allocation plan and strengthen its internal controls over accounting, disbursements, payroll and personnel records and contracting procedures and maintain minutes of

its Board meetings. Renaissance Unlimited entered into a repayment agreement and continues to make payments.

NEXT FISCAL COMPLIANCE ASSESSMENT

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

Renaissance Unlimited Homes, Inc.

2718 South Redondo Blvd
Los Angeles, California 90016

Phone: 323-935-1786
Fax: 323-935-5411

Renaissance Pride: License #197601532

April 17, 2015

Helga Kiaian
Fiscal Compliance Administrator
Contracts Administrative Division
DCFS
3530 Wilshire Blvd, 5th Floor
Los Angeles, CA 90010

RE: **Renaissance Unlimited Homes, Inc.**
Corrective Action Plan on Fiscal Compliance Assessment - Internal Controls Questionnaire:

Dear Ms. Kiaian,

This is the corrective action plan on the findings of the Fiscal Compliance Assessment of our agency. Our agency will work diligently to ensure ongoing compliance with all contract requirements.

Finding: "According to the Audited Financial Statements (AFS), as of December 31, 2012, the Agency incurred $12,367 loss from operation and had a total net assets deficit of $23,821. Operating loss and negative net assets raise doubts about Renaissance Unlimited Homes' ability to continue as a going concern. The agency may face challenges in meeting its future obligations as they become due.

Action taken 02/11/2015 and Ongoing: The losses were incurred because the agency was obligated to meet specific contract requirement while funding was drastically cut by the County. The contract is no longer in place and all other agency programs are currently operating within budget
The Agency Board of Directors and the executive director will continue to monitor the fiscal strength of the agency and make adjustments as necessary

to ensure that it meets all of its obligations.

Finding: "The Agency did not submit the Semi-Annual Expenditure Report in a timely manner. The Semi- Annual Expenditure Report for the period of January to June 2014, which was due to DCFS on September 1st 2014, was submitted on 10/01/14".

Action taken 02/11/2015 and Ongoing: The Agency is currently up-to-date on the submission of Semi-Annual Expenditure Reports. The Executive Director will ensure that all future reports are submitted on a timely basis.

Finding: "Per Internal Revenue Service's Account Transcript information, the agency has unpaid payroll taxes of $31,915, of which $6,929 is penalties and interest, for the quarters ending December 31, 2013; March 31, 2014; June 30, 2014; and September 30, 2014."

Action taken 02/11/2015 and Ongoing: The nonpayment of taxes came about when the agency was obligated to meet specific contract requirement while funding was drastically cut. The contract is no longer in place and all other agency programs are currently operating within budget. Back taxes will be paid off by installment and the Executive Director will ensure that there is no future nonpayment of taxes.

Finding: "Per Audited Financial Statement as of 12/31/12 the agency has an outstanding "officer's advance" due from its executive director in the amount of $8,643. There is no repayment agreement in place".

Action taken 02/11/2015 and Ongoing: No actual "officer's Advance" was made to the Executive Director. However, interest from agency's line of credits from prior contracts was considered by the Auditor as non-allowed and was considered officer's advance. The Auditor will be asked to make the correction on the Audited Financial Statement or the payment will be offset with uncollectable officer's loan to the agency for the same period as identified in the Audited Financial Statement.

Finding: "The Board meeting minutes dated September 28, 2014, June 27, 2014 and March 28, 2014 were not certified by the Board Secr

Action taken 02/11/2015 and Ongoing: The Executive Director will ensure that the Board Secretary certifies all future Board Minutes.

Finding: Payroll checks payable to executive director are electronically signed by him only.

Action taken 02/11/2015 and Ongoing: The Board has been advised of this finding and The Chairman of the Board of Directors will sign all payroll checks for the Executive Director. Finding:

Finding: "Bank reconciliations were not dated and signed by preparer and reviewer. and outstanding items were not resolved timely"

Action taken 02/11/2015 and Ongoing: The Executive Director will ensure that Monthly bank reconciliations are being prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliations are being signed and dated by both the preparer and the reviewer. The Executive Director will ensure that reconciling items are being resolved timely."

Finding: "The Agency did not maintain an inventory list of fixed asset (capitalized and non-capitalized) that include item description, serial number, date of purchase, acquisition cost and source of funding"

Action taken 02/11/2015 and Ongoing. No fixed assets were purchased with funds from the contract that is the subject of the review. However, the agency has developed fixed assets inventory including capital and non-capital asset equipment, purchased with funds from Agency's current contract. The Director will ensure that all assets are properly labelled, tagged and documented.

Please feel free to contact us if you have any questions.

Respectfully Submitted.

Renaissance Unlimited Homes Inc.

Chris N. Onyegbaduo

Renaissance Unlimited Homes, Inc.

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Renaissance Pride: License #197601532

July 31, 2015

Helga Kiaian
Fiscal Compliance Administrator
Contracts Administrative Division
DCFS
3530 Wilshire Blvd, 5th Floor
Los Angeles, CA 90010

RE: **Renaissance Unlimited Homes, Inc.**
Addendum to Corrective Action Plan on Fiscal Compliance Assessment - Internal Controls Questionnaire:

Dear Ms. Kiaian,

This is the addendum to the corrective action plan on the findings of the Fiscal Compliance Assessment of our agency. Our agency will work diligently to ensure ongoing compliance with all contract requirements.

Finding: "According to the Audited Financial Statements (AFS), as of December 31, 2012, the Agency incurred $12,367 loss from operation and had a total net assets deficit of $23,821. Operating loss and negative net assets raise doubts about Renaissance Unlimited Homes' ability to continue as a going concern. The agency may face challenges in meeting its future obligations as they become due.

Action taken 02/11/2015 and Ongoing: The losses were incurred because the agency was obligated to meet specific contract requirement while funding was drastically cut by the County. The contract is no longer in place and all other agency programs are currently operating within budget
The Agency Board of Directors and the executive director will continue to monitor the fiscal strength of the agency and make adjustments as necessary

to ensure that it meets all of its obligations.

Addendum 07/31/2016: Funding was reduced over 60% for our Agency Transitional Housing Placement Program contract #12-058-3 and THP-Plus contract number 08-002-13 on incremental basis starting in the 2010 fiscal year. Renaissance Unlimited was obligated by the contracts to retain staff including, Project Directors, Social Worker Supervisors and specified Case Manager to participant ratios. Both contracts have ended as of 12/31/2014.

Finding: "Per Internal Revenue Service's Account Transcript information, the agency has unpaid payroll taxes of $31,915, of which $6,929 is penalties and interest, for the quarters ending December 31, 2013; March 31, 2014; June 30, 2014; and September 30, 2014."

Action taken 02/11/2015 and Ongoing: The nonpayment of taxes came about when the agency was obligated to meet specific contract requirement while funding was drastically cut. The contract is no longer in place and all other agency programs are currently operating within budget. Back taxes will be paid off by installment and the Executive Director will ensure that there is no future nonpayment of taxes.

Addendum 07/30/2015: Funding was reduced over 60% for our Agency Transitional Housing Placement Program contract #12-058-3 and THP-Plus contract number 08-002-13 on incremental basis starting in the 2010 fiscal year. Renaissance Unlimited was obligated by the contracts to retain staff including, Project Directors, Social Worker Supervisors and specified Case Manager to participant ratios. Both contracts have ended as of 12/31/2014.

The Executive Director will ensure that all outstanding taxes are paid off on or before December 31, 2016.

Finding: "Per Audited Financial Statement as of 12/31/12 the agency has an outstanding "officer's advance" due from its executive director in the amount of $8,643. There is no repayment agreement in place".

Action taken 02/11/2015 and Ongoing: No actual "officer's Advance" was made to the Executive Director. However, interest from agency's line of credits from prior contracts was considered by the Auditor as non-allowed and was considered officer's advance. The Auditor will be asked to make the correction on the Audited Financial Statement or the payment will be offset with uncollectable officer's loan to the agency for the same period as identified in the Audited Financial Statement.

Addendum 07/31/2015: The Executive Director will repay Renaissance Unlimited the unallowable expenditure amounts that were converted to officers loans on or before June 30, 2016.

Finding: "The Board meeting minutes dated September 28, 2014, June 27, 2014 and March 28, 2014 were not certified by the Board Secretary.

Action taken 02/11/2015 and Ongoing: The Executive Director will ensure that the Board Secretary certifies all future Board Minutes.

Addendum 07/31/2015: The Chairman of the Board of Directors will ensure that the Board Secretary certifies all future Board Minutes.

Please feel free to contact us if you have any questions.

Respectfully Submitted.

Renaissance Unlimited Homes Inc.

Chris N. Onyegbaduo
Executive Director