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DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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July 17, 2015

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

From: Philip L. Browning
Director

COMMUNITY YOUTH SPORTS AND ARTS FOUNDATION GROUP HOME FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) Contract Fiscal Compliance conducted a review of Community Youth Sports and Arts Foundation (the Group Home) in November 2014.

SUMMARY

CAD conducted a Fiscal Compliance Assessment, which included an on-site review of the Group Home's financial records such as, financial statements, bank statements, check register, and personnel files to determine the Group Home's 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 2 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; and Payroll and Personnel.

CAD identified deficiencies in the areas of Financial Overview, related to a negative net assets; Board of Director and Business Influence, related to the Board not meeting every three months, and the Board meeting minutes not certified by the Board Secretary; Cash/Expenditures, related to the Group Home not maintaining written agreements with independent contractors.

Attached are the details of our review.

REVIEW OF REPORT

On March 4, 2015, Luis Moreno, DCFS Fiscal, held an exit conference with staff from Community Youth Sports and Arts Foundation Glen Scott, Executive Director, and Raymond Ro, Deputy Probation Officer, Placement Permanency & Quality Assurance, the Probation Department. The Group Home representative agreed with the review findings and recommendations, was 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 Group Home 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

Attachment

c: Sachi A. Hamai, Interim Chief Executive Officer
John Naimo, Auditor-Controller
Jerry E. Powers, Chief Probation Officer
Glen Scott, Community Youth Sports and Arts Foundation

COMMUNITY YOUTH SPORTS AND ARTS FOUNDATION
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014-2015

SCOPE OF REVIEW

The Fiscal Compliance Assessment included review of Community Youth Sports and Art Foundation financial records for the period of December 31, 2011 through September 30, 2014. CAD reviewed the financial statements, bank statements, check register, and personnel files to determine the Community Youth Sports and Art Foundation's (the Group Home) 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 on-site Fiscal Compliance Assessment review focused on five key areas of internal controls:

1) Financial Overview,
2) Loans, Advances and Investments,
3) Board of Directors and Business Influence,
4) Cash/Expenditures, and
5) Payroll and Personnel.

The Group Home was in full compliance with 2 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following three areas out of compliance:

Financial Overview

- According to the unaudited financial statements, as of December 31, 2013, the Group Home incurred $315.87 in negative net assets.

The Group Home operates a Community Based six bed Group Home Program. The requirement to complete and submit Audited Financial Statements and Single Audit Reports is on a triennial schedule. The Group Home considers the -$315.87 as a point in time snap shot, not a permanent condition.

Recommendation

The Group Home's management shall ensure that:

1. A plan is implemented to eliminate the net asset deficit and prevent net asset deficit in the future.

Board of Directors and Business Influence

- The Group Home Board of Directors did not meet at least every three months. The Board met on March 08, 2014, July 12, 2014, September 27, 2014, and December 20, 2014.

- Board meeting minutes were not certified by the Board Secretary.

The Board of Directors will review their bylaws to determine if conference call Board meetings can be used to ensure the quarterly meetings occur as required. The Board of Directors were previously approving the prior Board meeting minutes at the beginning of the next Board meeting. The Board of Directors will ensure the Board Secretary certifies all Board meeting minutes.

Recommendations

The Board of Directors shall ensure that:

2. The Board schedules and conducts quarterly meetings.

3. The Board meeting minutes are certified by the Board Secretary.

Cash/Expenditures

- Written agreements with independent contracts were not maintained. Two out of the three written agreements for accounting and handyman services were not maintained.

The Group Home does not contract with the handyman for services; it hires the handyman to provide as needed repair services at the Group Home facility. The Group Home will develop a form contract to use for handyman services. The Board of Directors will ensure it executes and maintains the annual contract or extension of its existing contract for accounting services.

Recommendation

The Group Home's management shall ensure that:

4. Contractor agreements are maintained for all independent contractors.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

A fiscal review of the Group Home was posted by the Auditor-Controller on March 25, 2013. This report identified unallowable expenditures of past due payroll taxes, penalties, finance charges and interest, and inadequately supported expenditures totaling $17,597. The Group Home entered into a repayment agreement and repaid all funds.

NEXT FISCAL COMPLIANCE ASSESSMENT

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

Community Youth Sports & Arts Foundation

Fiscal Corrective Action Plan

On 11/06/2014, 11/07/2014 and 11/10/2014, Mr. Luis Moreno, a fiscal auditor for the Department of Children and Family Services (DCFS) was on-site to review five fiscal areas in the Fiscal Compliance Assessment Tool (FCAT). Mr. Moreno as a result of his fiscal review identified three areas of internal control weaknesses. Community Youth Sports & Arts Foundation (CYSAF) was requested to submit a Fiscal Corrective Action Plan (FCAP) addressing the three identified areas of internal control weaknesses.

FCAT Section I- Financial Overview

"According to the unaudited financial statements as of December 31, 2013, the Agency (CYSAF) incurred $315.87 negative net assets". CYSAF has had a contract with the Department of Social Services since 1988 and understands it has an obligation to be solvent at all times and that the county can terminate its contract with an Agency if it becomes insolvent. On March 8, 2015, the board met and was informed of the DCFS Findings and is actively pursuing additional avenues to raise and provide unrestricted funds to offset times when CYSAF's resident population is down. In addition, CYSAF asserts, the fact that it incurred $315.87 in negative net assets as of 12/31/13 is a "snap shot" and is not a permanent condition.

Mr. Scott and our accountant will ensure CYSAF's financial statements are scrutinized at the beginning of each month to determine and forecast CYSAF's fiscal position and financial needs based on number of current residents, projected new residents, residents expected to graduate and a precinct that may AWOL..These factors will ensure that CYSAF will be in position to determine how much funding/revenue will be required to offset those times when our resident population declines.

FCAT Section III- Board of Directors and Business Influence

"The Agency's Board of Directors did not meet at least every three months; they met on 3/8/14, 7/12/14 and 9/27/14. Also the board minutes were not signed by the board secretary. CYSAF is aware of the board's responsibility to schedule and conduct board meeting at least every three months. During 2014, the board met on 3/8/14 but the second board meeting set

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for 6/7/14 had to be postponed due to an illness and couldn't be rescheduled until 7/12/14. CYSAF"s fourth and last quarterly board meeting was held on 12/20/14.

CYSAF did neglect to properly finalize the execution of the 2014 board minutes by not having the secretary of the board sign the minutes to properly certify the minutes.

Mr. Scott, executive director, will ensure that CYSAF's Board of Directors will schedule and conduct at least four quarterly board meetings before each quarterly due date and will further ensure that once the board minutes are produced, the board secretary will sign them within 5 business days to certify them as true copies. Mr. Scott has contacted the board members to establish dates and times of our future board meeting.

FCAT Section IV- Cash/ Expenditures

The auditor correctly noted that "Agency did not maintain a contractor agreement for accounting services from I.B.S. and for handyman services from Yahya H. Ali.

CYSAF normally requires and receives contracts from all entities that provide services to CYSAF. I.B.S.,being a group home accounting firm, admittedly neglected to provide CYSAF with its annual contract. However that is no excuse for CYSAF neglecting to request a contract. CYSAF received invoices each time the handyman provided services to CYSAF but did not provide a contract for handyman services.

CYSAF and Mr. Scott, in particular, will at the start of each year; request and have on file, signed contracts from each of its service providers. Additionally, since most handymen do not have contracts on hand, by May 1st CYSAF will develop and provide a standard form contract for handyman and service providers who do not have contracts.

In conclusion, CYSAF greatly appreciates its opportunity to provide services to the youth placed at CYSAF. In addition, the audit process and the time spent at our agency by Mr. Moreno are appreciated because he identified areas of internal control weakness that can only be beneficial to CYSAF's growth.

Glenn Scott

Glenn Scott, April 1, 2015

Executive Director/Administrator