PHILIP L. BROWNING
Director

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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August 19, 2015

To: Supervisor Michael D. Antonovich, Mayor
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Supervisor Sheila Kuehl
Supervisor Don Knabe

From: Philip L. Browning
Director

HAMBURGER HOME DBA AVIVA FAMILY AND CHILDREN'S SERVICES FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) Contract Fiscal Compliance conducted a review of Hamburger Home dba Aviva Family and Children's Services in May, 2015. Hamburger Home dba Aviva Family and Children's Services (the Contractor) is a non-profit organization that is contracted with DCFS for the following contracts: AB 1733/2995 Child Abuse and Neglect Prevention Intervention and Treatment, Foster Family Agency, Group Home Foster Care, Intensive Treatment Foster Care–Foster Family Agency and Wraparound Approach Services. Some of these contracts are joint contracts with the Probation Department and/or the Department of Mental Health.

SUMMARY

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

The Contractor was in full compliance with 4 of 5 areas of the fiscal compliance assessment: Financial Overview; Loans, Advances and Investments; Board of Directors and Business Influence; and Payroll and Personnel.

CAD noted deficiencies in the area of Cash/Expenditures, related to inadequate internal controls regarding check disbursement procedures, bank reconciliations, and not maintaining a fixed assets list.

Attached are the details of our review.

REVIEW OF REPORT

On May 26, 2015, Molly Sun, DCFS CAD, held an exit conference with staff from the Contractor: Thomas Bernal, Chief Financial Officer, Regina Bette, Chief Executive Officer, and Florinda Pendley, Controller. The Contractor's 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 Agency provided the attached approved 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 Aldo Marin, Board Relations Manager, at (213) 351-5530.

PLB:EM
LTI:ms

Attachments

c: Sachi A. Hamai, Interim Chief Executive Officer
John Naimo, Auditor-Controller
Jerry Powers, Chief Probation Officer
Regina Bette, Chief Executive Officer, Hamburger Home dba Aviva Family and Children's Services
Public Information Office
Audit Committee
Sybil Brand Commission
Department of Mental Health
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

HAMBURGER HOME DBA AVIVA FAMILY AND CHILDREN'S SERVICES
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 - 2015

SCOPE OF REVIEW

The fiscal compliance assessment included review of Hamburger Home dba Aviva Family and Children's Services' (the Contractor's) financial records for the period of January 1, 2013 through March 31, 2015. Contracts Administration Division (CAD) reviewed the financial records such as financial statements, bank statements, check register and personnel files to determine the Contractor's compliance with the terms, conditions and requirements of its contracts with the County of Los Angeles Department of Children and Family Services, the Auditor-Controller Contract Accounting and Administration Handbooks (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 Contractor was in full compliance with 4 of 5 areas of the fiscal compliance assessment: Financial Overview; Loans, Advances and Investments; Board of Directors and Business Influence; and Payroll and Personnel.

During the review, CAD noted multiple investments that consist of mutual funds and individual stocks. However, the Contractor declared that the investments are from funds raised by the Group Home. County funds are not invested.

FISCAL COMPLIANCE

CAD found the following areas out of compliance:

Cash/Expenditures

- The authorized check signer made two checks totaling $424.00 payable to him without a second signature.

The Contractor re-trained their accounts payable staff and executive staff to ensure that a second signature is in place when the check payee and signer is the same employee. The Chief Financial Officer will ensure a second signature is obtained when the payee and the signer is the same employee.

- Monthly bank reconciliations were not signed and dated by the preparer.

The Contractor agreed to implement a process whereby the Controller will ensure monthly bank reconciliations are signed and dated by the preparer beginning June 30, 2015. CAD fiscal staff will

follow-up with the Contractor by September 30, 2015 to ensure implementation of the Fiscal Corrective Action Plan (FCAP).

- The inventory list of fixed assets did not include an item description, serial number, and funding source.

The Contractor agreed to implement an inventory list of fixed assets that will include item description, serial number, date of purchase, acquisition cost, and funding source by June 30, 2015. CAD fiscal staff will follow-up with the Contractor by September 30, 2015 to ensure implementation of the FCAP.

Recommendations:

The Contractor's management shall ensure that:

1. A second signature is obtained on all checks where the payee and check signer is the same employee.

2. Monthly bank reconciliations are signed and dated by the preparer.

3. The inventory list of fixed assets includes item description, serial number, date of purchase, acquisition cost, and funding source.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE AUDITOR-CONTROLLER

The most recent fiscal review of Hamburger Home's Wraparound Program was posted by the Auditor-Controller (A-C) on May 18, 2010 for fiscal years 2007-08 and 2008-09. The A-C's review identified $12,225 in over allocated expenditures, and $3,874 in unallowable/unsupported expenditures. The A-C recommended that the Contractor allocate shared costs according to its cost allocation plan, ensure only allowable costs expenses are charged to the Wraparound Approach Services Program, reconciling items from the bank reconcillations are resolved timely, and all program expenditures are supported by adequate documentation. The Contractor repaid the costs disallowed on audit to the County.

NEXT FISCAL COMPLIANCE ASSESSMENT

The next Fiscal Compliance Assessment of the Agency will be conducted in County fiscal year 2015-2016.

AVIVA FAMILY AND CHILDREN'S SERVICES
Incorporated as Hamburger Home

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President & CEO
Regina Bette, LMFT

aviva
Helping Children & Their Families

June 19, 2015

Hamburger Home dba Aviva
Fiscal Compliance Assessment – Summary of Finding
Corrective Action Plan

On-site – Fiscal Compliance Assessment: 5/11/15 – 5/15/15.

This is a corrective action plan (CAP) to address the areas identified as internal control weaknesses during fiscal review conducted on the above dates. The items found and our CAP are:

FCAT Section II – Loans, Advances and Investments
Weakness identified: The Agency has multiple investments that consist of mutual funds and individual stocks.

FCAP: Since we have been written up in the past for keeping the money in a savings where balance exceeded $100,000 due to the limitations of FDIC coverage Aviva will continue to invest as it has. The majority of programs that Aviva offers are funding through the County of Los Angeles. These programs often run at a deficit or break even. Aviva does raise a substantial amount of funds to bridge the gap of funding received for these programs, therefore there are no County dollars included in our investment account.

FCAT Section IV – Cash/Expenditures
Weakness identified:
1) Authorized check signer made checks payable to himself without a second signature.
2) Monthly bank reconciliation from January 2015 through March 2015 were not signed and dated by the preparer.
3) A listing of fixed assets did not include item descriptions, serial number, and source(s) of funding.

FCAP: 1) Aviva has retrained our accounts payable staff and executive team on the policy to insure that a second signature is present when the payer and the signor are the same employee on 6/16/15. The CFO was responsible for making this change and implementing it and the accounts payable clerk will be responsible for enforcing the policy.

FCAP: 2) Aviva will add a line to the bank reconciliation so that the preparer's signature and date can be included. The Controller will be responsible for insuring this will be implemented by 6/30/15.

FCAP: 3) Aviva will insure that the serial number, description, date of purchase, acquisition date and source of funding are included on the asset list. The Controller will be responsible for making the change effective on 6/30/15.

If you have any more questions, please feel free to contact me.

Thank you,

Thomas Bernal
Chief Financial Officer