



County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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

BOBBY D. CAGLE
Director

BRANDON T. NICHOLS
Chief Deputy Director



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August 21, 2019

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

From: *Cynthia McCoy* for
Bobby D. Cagle
Director

BEHAVIORAL HEALTH SERVICES FISCAL COMPLIANCE ASSESSMENT

REVIEW OF REPORT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Behavioral Health Services (the Contractor) in November 2018. The Contractor provides family-focused services to strengthen and preserve families, and serves as an alternative to foster care placements for children. This Contractor is headquartered in the Second Supervisorial District.

Key Outcomes

NUMBER OF PRIORITY FINDINGS
PRIORITY 1 2
PRIORITY 2 1
PRIORITY 3 2

CAD conducted an on-site Fiscal Compliance Assessment review of the Contractor's financial records: financial statements; bank statements; check register(s); and personnel files. The review also focused on five key areas of internal controls to determine their compliance with Family Preservation Contract: Financial Overview (financial records, bank statements); Loans, Advances and Investments; Board of Directors and Business Influence; Cash/Expenditures (Check Registers); and Payroll and Personnel files.

"To Enrich Lives Through Effective and Caring Service"

The Contractor 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 area(s) of: Financial Overview, related to a material weakness disclosure and an incomplete Cost Allocation Plan; and Cash/Expenditures, related to checks payable to an authorized signatory without a second signature from a higher-level employee, bank reconciliations that were not signed and dated by both the preparer and the reviewer, and fixed assets listing that was not maintained and/or appropriately tagged.

On January 7, 2019, the DCFS CAD Fiscal Specialist IV, held an exit conference with the Contractor's representatives, Shirley Summers, Chief Executive Officer and Christine Lung, 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 agreed to address the noted potential internal control weakness in a Fiscal Corrective Action Plan (FCAP).

The Contractor 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.

BDC:KR
LTI:ai

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Arlene Barrera, Acting Auditor-Controller
Terri L. McDonald, Chief Probation Officer
Sheila Mitchell, Chief Deputy Probation Officer, Juvenile Services
Public Information Office
Audit Committee
Shirley Summers, Chief Executive Officer, Behavioral Health Services
Blanca Vega, DCFS Program Director



February 13, 2019

Alain Iniego
Fiscal Compliance Administrator
Department of Children and Family Services
Contract Administration Division
3530 Wilshire Blvd., 5th Floor
Los Angeles, CA 90010

**RE: Fiscal Corrective Action Plan (FCAP) re Fiscal Compliance Assessment
11/14/18 – 12/5/18**

Dear Alain Iniego,

This letter serves as our FCAP to the findings as reported in your Exit Summary and Request for FCAP that we received via email on 1/4/19.

FCAT Section I – Financial Overview

Question No. 7

Finding

- The Audited Financial Statements for the period ending June 30, 2017 identified a material weakness. According to deficiency 2017-01 described in the accompanying Schedule of Findings and Questioned Costs, the general ledger balances were not reconciled and the books for the fiscal year ended June 30, 2017 were not closed for several months after year end. Multiple adjustments were posted to the trial balance to reconcile the accounts.

FCAP

- BHS responded to deficiency 2017-01 by hiring a Controller and additional accounting staff, and reorganizing the accounting department. During the year, BHS also was completing its transition to new accounting software, which is anticipated to have a long-term positive impact on timeliness of future reporting.

Question No. 9

Finding

- The agency's cost allocation plan did not include all required information; it did not include the basis of accounting and was not signed by management certifying its accuracy.

FCAP

- The Cost Allocation Plan will be corrected to include the basis of accounting. See Attachment I. This will be taken to our Board of Directors for approval by March 2019, which is the certification of accuracy.

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FCAT Section IV – Cash/Expenditures

Question No. 18

Finding

- Two checks were issued to an authorized signatory without a second signature from a higher-level employee. Check No 66064 for \$1,000 and Check No. 66483 for \$1,202.58 were payable to an authorized signatory signed by the payee and another employee of the same level.

FCAP

- The BHS Accounting Department is revising BHS Fiscal Policy 2.2.6 Internal Controls and instituted new procedures to ensure that when the payee is also a signor on a check, the disbursement shall be reviewed and approved by a higher level employee or Board member who shall also sign the check. See Attachment II, revised Policy 2.2.6. All authorized signers will be educated on the new procedures. The revised policy will be taken to the Board of Directors for approval by March 2019.

Question No. 26

Finding

- The bank reconciliation reports were not signed and dated by both the preparer and the reviewer.

FCAP

- The BHS Accounting Department has instituted new procedures to ensure that bank reconciliations are prepared within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliations shall be signed and dated by both the preparer and the reviewer.

Question No. 29

Finding

- The Contractor does not maintain a current listing of fixed assets and fixed assets were not appropriately tagged.

FCAP

- The Divisional Directors who oversee the DCFS Programs shall identify any fixed assets including capital and non-capital asset equipment purchased with Contract funds and provide listing(s) of such assets to the Chief Compliance Officer (CCO) by March 31, 2019, who will forward it to the Operations Manager and Controller to fill in missing data (e.g. date of purchase, source of funds, etc.). The Operations Manager will maintain such complete inventory of DCFS fixed assets on a spreadsheet that includes item description, serial number, date of purchase, acquisition cost and source(s) of funding. The Operations Manager will tag all items on the inventory list by April 30, 2019.

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If you have any questions, please don't hesitate to contact me at 310-679-9126 or email dlevan@bhs-inc.org.

We appreciate the opportunity to improve our programs.

Sincerely,

A handwritten signature in cursive script that reads "Debbie Levan". The signature is written in black ink and extends to the right with a long horizontal flourish.

Debbie Levan, MPH, CCEP, CHC
Chief Compliance Officer

C. Shirley Summers
Todd Turley
Christina Lung
Denise Shook