



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

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



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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 McCay Miller for*
Bobby D. Cagle
Director

KOREAN AMERICAN FAMILY 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 Korean American Family Services (the Contractor) in December 2018. The Contractor provides Recruitment, Training, and Support Services for Pacific Islander Resource Families, and is headquartered in the Second Supervisorial District.

Key Outcomes

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|--------------------------------|
| NUMBER OF PRIORITY FINDINGS |
| PRIORITY 1 1 |
| PRIORITY 2 2 |
| PRIORITY 3 2 |

CAD conducted an on-site Fiscal Compliance Assessment review of the Contractor's financial records which consisted of: 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 the Recruitment, Training, and Support for Pacific Islander Resource Families 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.

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 an incomplete Cost Allocation Plan; Cash/Expenditures, related to checks payable to an authorized signatory without a second signature from a higher-level employee, a check issued payable to cash, bank reconciliations that were not performed timely and were not signed and dated by both the preparer and the reviewer, and fixed assets listing that was not maintained and fixed assets that were not appropriately tagged.

On January 9, 2019, the DCFS CAD Fiscal Specialist IV, held an exit conference with the Contractor's Executive Director. The Contractor's 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 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
Connie Chung-Joe, Executive Director, Korean American Family Services
Kellee Coleman, Acting Regional Manager, Community Care Licensing Division
LaKesha Smith, Regional Manager, Community Care Licensing Division



May 3, 2019

Mr. 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
Fiscal Compliance Assessment – Internal Control Questionnaire Summary of Findings
On-Site Fiscal Compliance Assessment: 12/11/18-12/14/18
Internal Control Questionnaire (ICQ) completed on December 10, 2018

Dear Mr. Iniego,

Thank you for your courtesy and availability during the Fiscal Assessment. Please find KFAM's Fiscal Corrective Action Plan (FCAP) below for each of DCFS's findings.

FCAT Section I - Financial Overview

Question No. 9

Finding

The Contractor'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.

Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook), Section C.2.4 requires that the Contractor's cost allocation plan to include the following information:

- 1. General accounting policies: basis of accounting, fiscal year, method for allocating indirect cost (simplified, direct, multiple, negotiated rate), and indirect cost rate allocation base.**
- 2. Identify the CONTRACTOR'S direct and indirect costs (by category) and describe the cost allocation methodology for each category.**
- 3. Signature of CONTRACTOR management certifying the accuracy of the plan.**

Fiscal Corrective Action Plan (FCAP)



Please note that KFAM uses the full-time equivalent (FTE) method to allocate shared and indirect costs, with the exception of office lease/rental. For office lease, KFAM uses the proportion of square footage for that program relative to all the space for all of KFAM's programs. That proportion is used to determine the percentage allocation for all common areas and administrative offices. Attached please find KFAM's general allocation method and lease allocation method signed and dated by the Executive Director. Effective May 3, 2019, KFAM will add the language to our Financial Handbook regarding the method of direct cost and indirect costs to include that the Executive Director with sign off to certify the accuracy of the plan.

FCAT Section IV - Cash/Expenditures

We reviewed bank statements, cancelled checks and check registers for the months of August, September and October 2018. The following deficiencies were noted:

Question No. 18 Finding

► **Two checks were issued to an authorized signatory without a second signature from a higher-level employee. Check No. 45394 for \$26 dated 8/24/18 and Check No. 45007 for \$500 dated 6/27/18 were issued payable to the Executive Director who also signed the checks without a second signature from a member of the Board of Directors.**

A-C Handbook, Section 8.2.1 states that "a second signature is recommended on all checks over \$500, unless otherwise specified in the contract. In instances where the payee is also a signor on the check, the disbursement shall be reviewed and approved by a higher-level employee, or Board member who shall also sign the check."

Please submit an FCAP to address the findings above.

Fiscal Corrective Action Plan (FCAP)

KFAM has three authorized signors for checks: Executive Director, Deputy Director, and Board Treasurer. KFAM's policy is that if a check is issued to any one of these individuals, a different person must sign the check. In the case of the two checks referenced above, the checks should not have been signed by the Executive Director, since the checks were payable to her. Effective May 3, 2019, KFAM's 3 approved check signers and the fiscal department will monitor more carefully to ensure this error does not occur in the future.

Question No. 19

Finding

► **Check No. 45524 for \$500 issued on 9/14/18 is payable to cash.**



A-C Handbook, Section B.2.1 states that "checks shall not be payable to 'cash' or signed in advance. Similarly, electronic debits to 'cash' shall not be made."

Please submit an FCAP to address the findings above.

Fiscal Corrective Action Plan (FCAP)

KFAM has issued checks to cash once or twice a year in order to have change for its fundraising events, where donors will purchase auction items in cash. Effective May 3, 2019, KFAM will not make checks payable to cash. Per the guidance of the DCFS fiscal review officer, KFAM staff will withdraw cash to have ready for fundraising events and submit documentation to seek reimbursement from the organization.

Question No. 26

Finding

► All bank reconciliation reports were not signed and dated by both the preparer and the reviewer. In addition, bank reconciliations were not performed timely: bank reconciliation for period ending August 31, 2018 was not reconciled until October 12, 2018; period ending September 31, 2018 was not reconciled until December 5, 2018; and period ending October 31, 2018 was not reconciled as of the date of the fieldwork.

A-C Handbook, Section B.1.4, Internal Controls - Bank Reconciliations, states that 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.

Please submit an FCAP to address the findings above.

Fiscal Corrective Action Plan (FCAP)

KFAM policy is for its accountant to conduct bank reconciliations on a monthly basis. KFAM has recently switched accounting firms and effective May 3, 2019, will work with its new accountant to ensure bank reconciliations are prepared within 30 days of the bank statement date and signed off and dated by both the prepare (the accountant) and the reviewer (KFAM Finance Manager or Bookkeeper).

Question No. 29

Finding



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

A-C Handbook, Section 8.4.2, Asset Identification and Inventory requires that "All fixed assets including capital and non-capital asset equipment, purchased with Contract funds are to be used solely for the benefit of the Contract and should be appropriately tagged. Each CONTRACTOR shall maintain a current listing of fixed assets, including the item description, serial number, date of purchase, acquisition cost and source(s) of funding."

Please submit an FCAP to address the finding above.

Fiscal Corrective Action Plan (FCAP)

KFAM does maintain a list of fixed assets purchased through government contracts and tags the equipment. However, there are no fixed assets purchased with our DCFS Contract funds.

Should you have any questions or concerns regarding this FCAP, please do not hesitate to contact me at 213-389-6755 x102 or cchungjoe@kfamla.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Chung Joe'.

Connie Chung Joe, JD
Executive Director, KFAM