



County of Los Angeles  
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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



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December 3, 2019

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

From: Bobby D. Cagle  
Director

*Done by BDC*

**GRACE RESOURCES FISCAL COMPLIANCE ASSESSMENT**

**REVIEW OF REPORT**

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Grace Resources, Inc. (the Contractor) in May 2019. The Contractor provides Family Visitation Safe Child Custody Exchange services, and is headquartered in the Fifth Supervisorial District.

**Key Outcomes**

NUMBER OF PRIORITY FINDINGS
PRIORITY 1 2
PRIORITY 2 0
PRIORITY 3 0

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 Family Visitation/Safe Child Custody Exchange 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 operating loss for the fiscal period ending December 31, 2017 in the amount of \$35,182 as noted in the Audited Financial Statement; and Cash/Expenditures, related to checks payable to cash for petty cash and other reimbursements.

On June 26, 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 weaknesses in the approved 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:agm

#### Attachments

c: Sachi A. Hamai, Chief Executive Officer  
Arlene Barrera, Auditor-Controller  
Public Information Office  
Audit Committee  
Steve Baker, Executive Director, Grace Resources, Inc.

# Grace Resources

Meeting Real Needs with a Touch of Grace

## Grace Resource Center

July 18<sup>th</sup>, 2019

To: Whom It May Concern  
From: Jeremy Johnson  
Re: Grace Resources Contract #10-012-01 Fiscal Corrective Action Plan

### FCAT Section I – Financial Overview – Question No. 3

Incurred operational loss of \$35,182

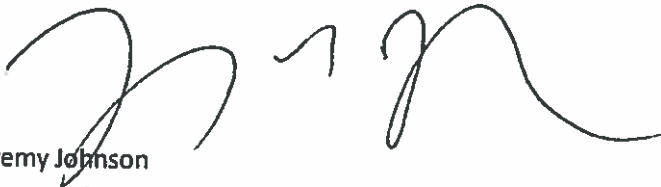
From 2009 to 2017 we operated the Lancaster Community Shelter for the City of Lancaster and we had a LAHSA contract. We lost money on a regular basis while operating the shelter. This was due to the fact that the LAHSA contract did not cover some very important items such as Worker's Compensation Insurance and Property Insurance. Money from the General Fund of the Resource Center was used to cover these expenses and we raised money to also assist with covering operating costs not covered by the contract. Our remedy to this issue was the closure of the shelter in August, 2017. No further expenses have been incurred since the closure of the shelter.

### FCAT Section IV – Cash/Expenditures

Checks payable to cash

Prior to the audit, petty cash was replenished by writing a check to "cash" and taking it to the bank. We will no longer write checks to cash for petty cash reimbursement or for any other purposes.

Sincerely,



Jeremy Johnson  
Director of Operations  
Grace Resources, Inc  
(661) 940-5272  
j.johnson@graceresources.org