



County of Los Angeles DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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

BOBBY D. CAGLE
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December 28, 2020

To: Supervisor Hilda L. Solis, Chair
Supervisor Holly J. Mitchell
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: 
Bobby D. Cagle
Director

ALPHA TREATMENT CENTERS FISCAL COMPLIANCE ASSESSMENT

REVIEW OF REPORT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Alpha Treatment Centers (the Contractor) in July and August 2020. The Contractor provides Foster Family Agency and Intensive Services Foster Care and is headquartered in the First Supervisorial District.

Key Outcomes

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

CAD conducted a virtual 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

focused on five key areas of internal controls to determine their compliance with the Foster Family Agency and Intensive Services Foster Care contracts: Financial Overview (financial records, bank statements); Loans, Advances and Investments; Board of Directors and Business Influence; Cash/Expenditures; and Payroll and Personnel.

CAD identified potential internal control weaknesses in the following areas:

Priority 1

- Financial Overview
 - The Contractor experienced an operation loss of \$49,795 in its fiscal year that ended June 30, 2018, as well as a \$151,108 loss in its fiscal year that ended June 30, 2019. Due to the high risk noted in the Contractor's Audited Financial Statement, the County of Los Angeles Auditor-Controller is in the process of beginning a Fiscal Review.
- Cash/Expenditures
 - Weekly personal allowance payments to the placed children were not accurate.

On September 15, 2020, DCFS CAD Financial Specialist IV held an exit conference with the Contractor's representatives: Chief Executive Officer and Chief Operations Officer. The Contractor's representatives agreed with the review findings and recommendations, and were receptive to implementing systemic changes to improve compliance with regulatory standards. The Contractor agreed to address the noted potential internal control weaknesses 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:KDR
LTI:ms

Attachments

- c: Fesia Davenport, Acting Chief Executive Officer
Arlene Barrera, Auditor-Controller
Raymond Leyva, Interim Chief Probation Officer
Public Information Office
Audit Committee



LIC# 197805881

To:

October 5, 2020

Molly Sun
Fiscal Compliance Administrator
County of Los Angeles
Department of Children and Family Services
Contracts Administration Division
3530 Wilshire Blvd., 5th Floor
Los Angeles, CA 90010

FSB Corrective Action Plan (CAP)

FCAT Section I –Financial Overview

Question No. 6

Finding: According to the Audited Financial Statements for the period ending June 30, 2018, the Contractor incurred a loss from operation in the amount of \$151,108.

- Alpha Treatment Centers (ATC) began developing the Mental Health component of our FFA in July of 2017. Although ATC has hired the appropriate personnel and obtained the appropriate software and services to meet the needs of the Department and Medi-Cal, we have temporarily furloughed the Mental Health staff to recuperate the loss of funds as we navigate through the current covid-19 climate. ATC is continuing to work with Los Angeles County Department of Mental Health to obtain the DMH contract which would allow us to obtain the proper funding for services our ISFC clients need.
- ATC has secured an SBA line of credit in the amount of \$150,000.00 and the Paycheck Protection Program grant in the amount of \$122,200 for the purpose of recovering from the ISFC/mental health and covid-19 setback. ATC will repay the interest on the loan with private funding from private adoption home study services and first aid CPR instruction. The PPP loan forgiveness application is in process.
- ATC has downsized the FFA program and members of senior leadership have absorbed the duties of quality assurance and intensive care coordination, temporarily.

- ATC has continuously prioritized funding to allow for more RFA recruitment efforts. Currently, we are focusing on ATCs internet presents and have increased our website and call-in traffic by 120% since July 2020. Currently, ATC has 15 new families awaiting approval by the end of the calendar year. ATC will continue with the successful recruitment efforts.
- The ATC accounting department is working with LA DCFS to collect monies due; ATC has calculated that 8-10 children are not being paid for the appropriate LOC. The appropriate payment for LOC will help close the financial gap by an estimated \$4,500-\$7,500 per month, depending on the LOC determined by the Department.
- ATC will continue to reduce costs and overhead effective immediately and, produce a balanced and sustainable budget by July 1st, 2021.
- The Chief Executive Office will ensure all benchmarks and objectives are met.


FCAT Section IV –Cash/Expenditures

Question No. 30

Finding: Weekly personal allowances were paid to children incorrect.

- ATC has corrected the amount due to youth for weekly allowance to reflect current age-based amounts detailed in the DCFS Change Notice dated August 26th, 2020.
- The Chief Executive Officer has verified that these changes were made in all documentation pertaining to the clothing and allowance for foster youth.

X



Jenessa Sargent
Chief Executive Officer

10/5/2020