



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

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

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February 16, 2021

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

From: Bobby D. Cagle
Director

**CHANGING THE HEALTH OF ADOLESCENTS IMPACTING THE NATION REACTION
FISCAL COMPLIANCE ASSESSMENT**

REVIEW OF REPORT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Changing the Health of Adolescents Impacting the Nation Reaction (the Contractor) in December 2019. The Contractor provides a Transitional Housing Placement Program for Non-Minor Dependent (THPP-NMD) and is headquartered in the Second Supervisorial District.

Key Outcomes

NUMBER OF PRIORITY FINDINGS
PRIORITY 1 1
PRIORITY 2 3
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 focused on five key areas of internal controls to determine their compliance with THPP-NMD Contract: 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 of:

Priority 1

- Financial Overview
 - The Contractor had a negative net asset of \$49,237.00 to cover the increased program operational costs in its Audited Financial Statement for the fiscal year that ended December 31, 2018.

Priority 2

- Cash/Expenditures
 - The original receipt for a credit card transaction for the amount of \$107.20 was not available; a duplicate receipt was provided.
 - Fixed asset inventory list did not include tagged numbers.
- Payroll and Personnel
 - Timecards were not signed by the employee's supervisor.

On March 13, 2020, DCFS CAD Financial Specialist IV held an exit conference with the Contractor's Chief Executive Officer. The Contractor's representative 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:KR
LTI:lm

Attachments

c: Fesia Davenport, Chief Executive Officer
Arlene Barrera, Auditor-Controller
Adolfo Gonzales, Chief Probation Officer
Brandon Nichols, Chief Deputy Probation Officer
Public Information Office
Audit Committee
Jessica Saint-Paul, Chief Executive Officer, C.H.A.I.N. Reaction
Kellee Coleman, Regional Manager, Community Care Licensing Division
Monique Marshall-Turner, Regional Manager, Community Care Licensing Division



Changing the Health of Adolescents Impacting the Nation Reaction, Inc.

Improving Health Care and Reducing Health Risk Behaviors in Foster Care Youth, Adolescents and Communities

April 28, 2020

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

Sent Via Email April 30, 2020 attention Luis Moreno, DFCS lmoreno@dcfs.lacounty.gov

Fiscal Corrective Action Plan - Addendum

**Financial Compliance Assessment (FCAT)
Review Period Ending: December 31, 2018
Section I- Financial Overview**

We would like to first note that CHAIN Reaction, Inc. contracts with the County DCFS to provide services for the THPP-NMD program. We currently do not have a contract for the THPP program as documented in the exit summary.

FCAT Section I - Question No. 4

Finding: According to the audited financial statements for the period ending December 31, 2018, the Contractor incurred a negative net asset of \$49,237.

Fiscal Corrective Action Plan (FCAP)

C.H.A.I.N. Reaction, Inc. has significantly improved their financial positions. The decrease in administrative cost, repaying DCFS and actively repaying off contracted related expenses we decreased our liabilities and corrected the corporations previous operating loss.

During the review, the \$49,237 of the negative net assets included an Officer's Payable of \$31,093.70 due to the Executive Director balance of previous loans to assist the organization with program operations. No additional loans have been made to the organization to ensure there would not be an increase in liability. The Board of Directors voted to begin repayment to the Officer's Payable loan as of July 15, 2019 to decrease the significant amount of the net assets.

As of March 15, 2020, a total of three payments have been made toward the loan balance. The Board of Directors has authorized to continue to make payments and to review the status of the additional liabilities to ensure operational effectiveness and to reduce financial liabilities. The



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Board Secretary will be responsible for ensuring the payments are made monthly. The Executive Director will be responsible to work with the Fiscal Administrative Assistant to review the liabilities to track and report to the Board of Directors to monitor and follow the corrective action plan to monitor assets.

FCAT Section IV - Question No. 27

Finding: Original Receipts for a credit card transaction from Target on 9/8/19 for \$107.20 was not provided. Duplicate receipt was provided.

Fiscal Corrective Action Plan (FCAP)

In an effort to maintain record of purchases for foster care youth, CHAIN Reaction, Inc. opted for electronic access for program related purchases to prevent risk of faded or lost/misplaced receipts. We have researched businesses and vendors that allow corporations to have access to receipts via email, online portals or other cloud-based platform that will outline the detail of all purchases, including date, time and all items purchased.

Effective April 20, 2020, CHAIN Reaction Inc. personnel that makes the purchase(s) will download the receipt(s) and keep a copy and file with the financial records for the corresponding month. A file with month tabs has been made so receipts can be placed in each monthly folder. An attachment to the original receipt will be made when possible. This will allow original paper and/or electronic receipts on file.

The Executive Director or Administrative Designee will be responsible for this plan and will work with the Quality Assurance (QA) team to conduct a financial review of purchases for quarter two of 2020 and quarter three of 2020 to ensure these practices are fully implemented. The QA team will add receipt purchases to the internal audit tool for the agency's programs.

FCAT Section IV - Question No. 29

Finding: Fixed asset inventor list did not include tagged numbers.

CHAIN Reaction, Inc. fixed asset inventory list included serial numbers for all equipment purchased with contract funds which are used solely for the benefit of the THPP-NMD Program. The equipment purchased with grant (non-contract funds) included numbers to identify the purchaser. The Fiscal Administrative Assistant will assign tag numbers for all equipment listed on the fixed asset inventory including grant purchased equipment as advised by the DCFS Fiscal Compliance Administrator.

The agency is complying with the government issued Stay-at-Home Order to mitigate the spread of COVID-19. As such, the Executive Director will be responsible to ensure the Fiscal



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Administrative Assistant will assign tag numbers and soon as it is reasonable to return to the office and the remote living sites. All assets currently have manufacturer serial numbers that are intact on all equipment purchased with contract funds so the Fiscal Administrative Assistant will be able to place the tags on the equipment. The Executive Director will ensure the tag numbers are issued and review the updated Fixed Asset Inventory list.

FCAT Section V - Question No. 34

Finding: Timecards for the CEO were not signed by the supervisor.

Fiscal Corrective Action Plan (FCAP)

All timecards will be signed in ink by the employee and the employee's supervisor to certify the accuracy of the report. The Board Secretary or Board designee certifies the accuracy of the CEO's timecard. The timecard presented to the Fiscal Compliance Administrator during the fiscal review was the personal/office copy of the employee's timecard. It was an oversight that the Fiscal Compliance Administrator did not receive the processed timecard. This was corrected after review of the Exit Summary on March 13, 2020. The CEO's timecard is the only timecard signed by the Board Secretary or Board of Director designee.

No payments are made to employees without the employee and supervisor's signature. The Fiscal Administrative Assistant will be responsible to review all timecards to ensure the signed timecards by the Board of Secretary are filed with the designated payroll ending dates to ensure the CEO's processed timecard is filed with payroll.

If you have any questions or concerns as outlined in our FCAP Addendum, please feel free to contact our organization. For the health and safety of our foster care youth, staff and community, CHAIN Reaction, Inc. has migrated to remote operations to mitigate the spread of novel COVID-19 Disease and to comply with the government Stay-at-Home Order. As a result, we have suspended in-person meetings. We can be reached via telephone at 310-428-1290 or by email at ceo@chainreactioninc.org. Due to the nature of COVID-19 pandemic phone calls are the preferred method of contact.

Sincerely,

Jessica Saint-Paul, DMSc PA, MPH, MCHES
Executive Director

Rhyan N. Foster, LP, PsyD
Board Secretary