County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
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(213) 351-5602

BRANDON T. NICHOLS
Director

JENNIE FERIA
Chief Deputy Director

January 13, 2025

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

Cynthia McCoy Miller for

From: Brandon T. Nichols
Director

NEW LIFE FOSTER FAMILY AGENCY
FISCAL COMPLIANCE ASSESSMENT

REVIEW OF REPORT

The Department of Children and Family Services (DCFS) Contract Compliance Division (CCD) conducted a Fiscal Compliance Assessment (FCAT) review of New Life Foster Family Agency (FFA) (the Contractor) in December 2024. The Contractor provides Foster Family Agency services. The Contractor is headquartered in the Fifth Supervisorial District.

Key Outcomes

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

The CCD conducted a FCAT review of the Contractor's financial records, which consisted of the following: 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 their contract: Financial Overview (financial records and bank statements); Loans, Advances and Investments; Board of Directors and Business Influence; Cash/Expenditures; and Payroll and Personnel.

The CCD identified potential internal control weaknesses in the following areas:

Priority 1

- Cash/Expenditures (2 Findings)

  New Life FFA had an operating loss of $139,446 noted in their Audited Financial Statements ending December 31, 2023.

  New Life FFA had a negative Net Assets amount of $21,236 noted in their Audited Financial Statements ending December 31, 2023.

On November 13, 2024, DCFS CCD Financial Specialist IV held an exit conference with the Contractor's Executive Director and Administrative Assistant. 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) 371-6052.

BTN:CMM
RW:DF:jj

Attachments

c: Fesia Davenport, Chief Executive Officer
Oscar Valdez, Auditor-Controller
Guillermo Viera Rosa, Chief Probation Officer
Public Information Office
Audit Committee
Nauman Azariah, Chief Executive Officer, New Life Foster Family Agency
Kellee Coleman, Assist Program Administrator, Community Care Licensing Division (CCLD)
Monique Turner-Marshall, Regional Manager, CCLD
Bernice Karnsrithong, Regional Manager, CCLD
Celeste M. Fitchett, Bureau Chief, Performance and Fiscal Audits, California Department of Social Services

LOS ANGELES COUNTY
NEW LIFE FOSTER FAMILY AGENCY (FCAT)
Corrective Action Plan
2024
SECTION 1: FINANCIAL OVERVIEW

3. Contractor Loss

3.1 Did the Contractor incur a loss from operations during the reporting period? (Using the most recent Audited Financial Statements (AFS) subtract total expenditures from total revenue. If amount is negative then the Contractor is operating at a loss.) If a loss occurred, and the ratio is 1.5 or higher, then answer No to this question and sub questions 3.4, 3.5, 3.6

Facility

Site

3.4 Is the current ratio is less than 1.00 ?

Facility

Site

1. Explain the Cause.

Question No. 3 – Priority #1 The current de¿cit reported is primarily attributable to payroll expenses incurred in 2023 but paid in 2024. The payroll dates are every 5th and 20th of each month. This timing difference impacts the ¿nancial statements, as the expenses are recognized in the 2023 ¿scal year, while the associated cash in¿ow from Federal Program (ORR) occurs in 2024. The FFA Program is strong. Despite this timing discrepancy, the New Life FFA (DCFS) program demonstrates a strong ¿nancial position , maintaining a healthy cash ¿ow with current reserves of over $93,000 in the FFA-DCFS account. Under the Federal- ORR program, the Agency cannot keep any cash balance in the ORR bank account longer than 72 hours. New Life Foster Family Agency operates the ORR program through grant, with funds disbursed only when expenses are ready to be paid. There are two primary reasons for the de¿cit in this speci¿c program: 1. Accrual Accounting and Payroll Timing: Under the accrual accounting method, we recognize payroll expenses when they are incurred, regardless of when the payment is made. Payroll for the period from December 16 to December 31, 2023, is recorded in December 2023. However, this payroll is debited from our bank account on January 5th, 2024, due to the payroll cycle. Therefore, although we incur the payroll liability in December, the corresponding cash expenditure occurs in January when the income from the escrow account is received. Given these factors, the reported de¿cit in this program does not represent a cash de¿cit. Instead, it re¿ects timing difference in expense recognition. The cash out¿ow associated with payroll incurred in December will be funded by the grant reimbursement in January 2024, aligning the cash in¿ows with the cash expenditures.

2. Corrective Action Taken.

To prevent an operating loss for fiscal year 2024, we met with our payroll company on 11/25/2024 and obtained a solution. Our payroll company has agreed to withdraw our payroll payment on January 2nd instead of January 5th. By doing this, it will allow us to receive income from our federal escrow account sooner than before. The income to cover all payroll liabilities will now be received by December 31st. The income received on December 31st will prevent an operating loss.

3. Explain what the Quality Assurance (QA) Plan is to maintain Compliance.

CEO and Finance Manager will continuously monitor the financials to prevent an operation loss and will follow the Corrective Action Plan.

4. Did the Contractor have negative net assets during the reporting period? (Using the most recent Audited Financial Statements subtract total liabilities from total assets. If amount is negative then the Contractor has negative net assets.)

Facility

Site

1. Explain the Cause.

Depreciation Expense: Depreciation is a non-cash expense that represents the allocation of the cost of tangible assets over their useful lives. While it reduces our reported income, it does not involve an actual cash out¿ow. Instead, it is recorded as a journal entry in our accounting system. This Depreciation expense is under the ORR Federal program. The DCFS programs do not have a depreciation expense.

2. Corrective Action Taken.

To prevent an operating loss for fiscal year 2024, we met with our payroll company on 11/25/2024 and obtained a solution. Our payroll company has agreed to withdraw our payroll payment on January 2nd instead of January 5th. By doing this, it will allow us to receive income from our federal escrow account sooner than before. The income to cover all payroll liabilities will now be received by December 31st. The income received on December 31st will prevent an operating loss.

3. Explain what the Quality Assurance (QA) Plan is to maintain Compliance.

CEO and Finance Manager will continuously monitor the financials to prevent an operation loss and will follow the Corrective Action Plan.