County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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October 29, 2026

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

for

From: Lisa E. Mandel
Interim Director

FOSTERING UNITY
FISCAL DESK REVIEW REPORT

The Department of Children and Family Services (DCFS) Contract Compliance Division (CCD) conducted a Fiscal Desk Review of Fostering UNITY in June 2026. This Contractor contracts with the County of Los Angeles DCFS to provide Caregiver and Youth Support Services.

Key Outcomes

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

The CCD conducted a Fiscal Desk Review which consisted of reviewing the following: Financial Statements, Internal Revenue Service Tax Transcripts, Board of Directors Listing, Board Meeting Minutes, and 501(c)(3) Letter.

The CCD identified a potential internal control weakness in the following areas:

Priority 1

- The Contractor had material weakness in their Audited Financial Statements for their Fiscal Year that ended December 31, 2025.

On August 18, 2026, DCFS' CCD Financial Specialist IV held an exit conference with the Contractor's Executive Director. The Contractor's representative agreed with the review findings and recommendations and was receptive to implementing systemic changes to improve compliance with regulatory standards. The Contractor 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) 371-6052.

LEM:RT
KR:DF:agm

c: Joseph M Nicchitta, Chief Executive Officer
Oscar Valdez, Auditor-Controller
Public Information Office
Audit Committee
Dorothy Daniels, Chief Executive Officer/Executive Director, Fostering UNITY

Fiscal Corrective Action Plan Addendum

Fiscal year ended December 31, 2025 | DCFS Fiscal Desk Review – June 2026

Date: September 22, 2026

To: Ali Gomaa-Mersal, Los Angeles County Department of Children and Family Services

Re: Exit Summary dated August 18, 2026 – Financial Overview, Question No. 7

Fostering Unity submits this Fiscal Corrective Action Plan Addendum in response to the four internal control findings identified in its fiscal year 2025 audit and referenced in the DCFS Exit Summary. Management engaged CFO Vertical to correct the identified accounting deficiencies, strengthen oversight, and establish ongoing financial reporting controls. Corrective actions for all four findings have been implemented. The procedures, timeframes, responsible positions, monitoring data, and available compliance records are detailed below.

Finding 2025-001 | Lack of Segregation of Duties

Status: Corrective actions implemented.

Corrective actions and process: CFO Vertical assigned a Senior Accountant to prepare journal entries and monthly account reconciliations. An independent CFO Vertical accounting consultant reviews journal entries before posting and reviews completed monthly reconciliations. CFO Vertical prepares monthly financial statements after close and provides them to management for review before Board distribution. Management retains responsibility for expenditure authorization and organizational oversight.

Implementation timeframe: Implemented before June 10, 2026; ongoing monthly thereafter.

Ongoing monitoring and use of data: The independent reviewer examines journal entry support, reconciliation exceptions, and monthly financial results. Unusual transactions and unreconciled items are referred for correction and followed through to resolution. Management and the Board use monthly financial statements to identify variances and oversee financial activity.

Responsible positions: Senior Accountant, CFO Vertical (preparation); External Accounting Consultant, CFO Vertical (independent review); Executive Director (management and Board oversight).

Compliance documentation: Journal entry support and review records; monthly reconciliations and review evidence; monthly financial statements and evidence of management/Board distribution.

Finding 2025-002 | Failure to Timely Apply Accounts Receivable Collections

Status: Corrective actions implemented.

Corrective actions and process: CFO Vertical recorded the auditor-recommended adjusting entry for the receivable overstatement. Beginning in May 2026, the organization transitioned to accrual-based revenue recognition: revenue is recorded when earned, related receivables are established as appropriate, and cash receipts are applied to outstanding receivables when collected. The Senior Accountant reviews the receivable subledger monthly against receipts and supporting records; the External Accounting Consultant independently reviews and approves that reconciliation.

Implementation timeframe: Audit adjustment recorded and monthly procedures implemented by June 10, 2026; accrual-based revenue practices began May 2026.

Ongoing monitoring and use of data: Monthly receivable aging, bank receipts, and general ledger balances are compared to identify unapplied collections, aged items, and differences. Exceptions are investigated and corrected during close; subsequent reconciliations confirm resolution.

Responsible positions: Senior Accountant, CFO Vertical (recording and reconciliation); External Accounting Consultant, CFO Vertical (independent review).

Compliance documentation: Auditor-recommended adjustment and posting record; receivable aging; cash receipt support; monthly subledger-to-general-ledger reconciliations and review evidence.

Finding 2025-003 | Duplication of Payroll Expenses and Improper Bank Reconciliations

Status: Corrective actions implemented.

Corrective actions and process: Management and CFO Vertical corrected the payroll posting configuration. The redundant payroll-related bank account in the accounting system was deactivated; duplicate payroll expenses were identified and reversed, and related corrections were recorded. Bank accounts were reconciled through the then-current reporting period. The Senior Accountant now prepares monthly bank reconciliations, which are independently reviewed by the External Accounting Consultant.

Implementation timeframe: Configuration correction, duplicate expense cleanup, and reconciliation catch-up completed before June 10, 2026; monthly review continues.

Ongoing monitoring and use of data: All active bank accounts are reconciled monthly to third-party statements. Payroll-related ledger transactions and reconciliation exceptions are reviewed for duplicate or missing postings; differences are investigated and corrected, with independent review of the completed work.

Responsible positions: Senior Accountant, CFO Vertical (monthly reconciliation and corrections); External Accounting Consultant, CFO Vertical (independent review); Executive Director (oversight).

Compliance documentation: Payroll account configuration/deactivation record; corrective journal entries; payroll reports; bank statements; monthly reconciliations and review evidence.

Finding 2025-004 | Deficiencies in Internal Control Over Restricted Fund Documentation and Tracking

Status: Corrective actions implemented.

Corrective actions and process: CFO Vertical implemented QuickBooks Classes to separately identify revenues and expenses by grant, donor restriction, award, or funding source. Transactions are coded to the applicable class, allowing management and accounting personnel to review funding-source activity and match expenditures to the applicable grant or donor requirements. Class-based reporting is used to support restricted-fund accounting and the reconciliation of grant activity to the general ledger. The organization will retain grant agreements and transaction-level supporting documentation alongside these reports.

Implementation timeframe: QuickBooks Classes and related tracking procedures implemented by September 2026; ongoing coding and review as transactions are recorded and during monthly close.

Ongoing monitoring and use of data: Monthly class reports and underlying transaction detail are reviewed against grant terms, available funding, and supporting expenditure records. Coding exceptions and unsupported or potentially ineligible charges are investigated and corrected. Funding-source activity is used to prepare and review restricted-fund balances and to identify items requiring management follow-up.

Responsible positions: Senior Accountant, CFO Vertical (class coding and reporting); External Accounting Consultant, CFO Vertical (review and reconciliation); Executive Director (grant compliance oversight).

Compliance documentation: QuickBooks Class setup and class-based revenue/expense reports; grant agreements; expenditure support; general ledger detail; restricted-fund reconciliation or rollforward schedules and review evidence.

Organization-wide oversight and verification

The Executive Director is responsible for ensuring full implementation of this plan. CFO Vertical performs the accounting and independent review procedures described above. Each month, management will use reconciliation results, receivable aging, payroll and bank activity, class-based grant reports, and financial statements to identify exceptions, assign corrective follow-up, and verify resolution. Supporting records will be retained and provided to DCFS upon request. No names of children are included in this plan.

Submitted on behalf of Fostering Unity:

Dorothy Daniels — 9/22/2026

Executive Director / Authorized Representative — Date