COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
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J. TYLER McCAULEY
AUDITOR-CONTROLLER

February 23, 2004

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES – 2002-03 CALIFORNIA DEPARTMENT OF EDUCATION CHILD CARE GRANT AUDIT**

The Department of Children and Family Services (DCFS) requested the annual audit of their Child Care Grant Agreement with the State of California Department of Education (CDE). Simpson & Simpson, CPA's, conducted the audit.

The County of Los Angeles uses CDE funds to provide child care services to children at risk of abuse, neglect or exploitation. CDE funding under the Child Care contract consists of Federal Alternative Payment Program (FAPP) funds and General Alternative Payment Program (GAPP) funds. Simpson & Simpson verified that DCFS maintained accounting and management systems and related internal controls to ensure that FAPP and GAPP funds were controlled and expended in compliance with applicable federal and State laws, regulations and contract provisions. A copy of Simpson & Simpson's report is attached.

If you have any questions, please contact me or your staff may contact DeWitt Roberts at (626) 293-1101.

JTM:DR:TK
Attachment

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Department of Children and Family Services
Dr. David Sanders, Ph.D., Director
Angela Carter, Deputy Director, Bureau of Administration
Department of Public Social Services
Bryce Yokomizo, Director
Gail Dershewitz, Division Chief, Management Information and Evaluation Section
Audit Committee
Public Information Office

AUDIT REPORT ON

COUNTY OF LOS ANGELES

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAMS

FINANCIAL STATEMENTS

JUNE 30, 2003

Simpson & Simpson

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

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Simpson & Simpson
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Mr. David Sanders, Director
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

We have audited the financial statements of the child development programs, Contract Numbers GAPP 2030 and FAPP 2029, of the County of Los Angeles Department of Children and Family Services (DCFS) as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of DCFS child development programs' management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the expenditures of DCFS child development programs' subrecipients as listed in Note 5, which amounted to $144,706 or 2% of the expenditures of Contract Number FAPP 2029. The financial statements of these subrecipients were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 2029, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards of the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3, pursuant to the Welfare Reform Act of 1971, Los Angeles County is required to support the expansion of child care services by maintaining its fiscal year 1970-71 expenditures level of $170,019. We determined that DCFS did meet this requirement.

As explained in Note 4, we have not audited DCFS child development programs' claimed other related child care costs and administrative costs. Therefore, we do not express an opinion on the claimed other related child care costs and administrative costs.

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In our opinion, except for DCFS child development programs' claimed other related child care costs and administrative costs as noted above, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of DCFS child development programs, Contract Numbers GAPP 2030 and FAPP 2029, as of June 30, 2003, and the results of its operations and the changes in its fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 13, 2003 on our consideration of DCFS child development programs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained on pages 15 through 23 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* issued by the California Department of Education and are not a required part of the financial statements of DCFS child development programs. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements of DCFS child development programs and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Los Angeles, California
December 13, 2003

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAMS

BALANCE SHEET
June 30, 2003

	GAPP 2030	FAPP 2029
Assets:		
Cash	$ 13,483	$ -
Restricted Cash	36,342	37,034
Grants Receivable	-	2,091,702
Total Assets	$ 49,825	$ 2,128,736
Liabilities:		
Reserve Account Payable	$ 36,342	$ 37,034
Due to State	13,483	-
Due to DCFS	362,514	2,693,598
Total Liabilities	412,339	2,730,632
Fund Balance:		
Deficit	(362,514)	(601,896)
Total Fund Balance	(362,514)	(601,896)
Total Liabilities and Fund Balance	$ 49,825	$ 2,128,736

See accompanying notes to the financial statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAMS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2003

	GAPP 2030	FAPP 2029
Revenues:		
Government Grants	$ 1,987,753	$ 8,018,253
Funds Used to Satisfy Maintenance of Effort Requirement (Note 3)	170,019	-
Parent Fees	-	58
Interest Income	-	9
Total Revenues	2,157,772	8,018,320
Expenditures:		
Direct Payments to Providers (Note 2)	1,605,323	6,456,487
Direct Payments to Satisfy Maintenance of Effort Requirement (Note 3)	170,019	-
Other Related Child Care Costs (Note 4)	68,787	296,497
Administrative Costs (Note 4)	416,845	1,682,590
Total Expenditures	2,260,974	8,435,574
Excess (Deficit) of Revenues Over Expenditures	(103,202)	(417,254)
Fund balance at July 1, 2002	(259,312)	(184,642)
Fund balance at June 30, 2003	$ (362,514)	$ (601,896)

See accompanying notes to the financial statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The financial statements present only the child development programs, Contract Numbers GAPP 2030 and FAPP 2029, of the County of Los Angeles Department of Children and Family Services (DCFS).

Pursuant to Chapter 324, Item 6100-196-001, of the State Budget Act of 1983, the California Department of Education (CDE) made funds available to Los Angeles County to provide child day care services for families qualifying under the State's Child Development Guidelines. The maximum reimbursable amount (MRA) in the Standard Agreement between CDE and DCFS for the fiscal year 2002/03 is $2,041,261 for Project No. 19-Y196-00-2/Contract No. GAPP 2030 and $12,835,796 for Project No. 19-Y196-00-2/Contract No. FAPP 2029. DCFS uses CDE funds in the Children's Protective Services Program. The Children's Protective Services Program provides child care services to children who are subject to abuse, neglect or exploitation.

During the fiscal year 2002/03, a net total of $1,605,323 for Project No. 19-Y196-00-2/Contract No. GAPP 2030, and $6,456,487 for Project No. 19-Y196-00-2/Contract No. FAPP 2029, in direct provider payments were made by DCFS. The child care services were provided by individual child care providers or by private day care centers. (Also see Note 5.)

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to DCFS, the accounts are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources of various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose.

The following governmental fund type is used for the child development programs:

Special Revenue Fund – Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements of DCFS child development programs have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. DCFS considers revenues to be available if they are collected within 60 days after year-end to be available to finance the expenditures accrued for the reporting period. Expenditures are generally recognized when the related fund liability is incurred.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant.

NOTE 2 - DIRECT PAYMENTS TO CHILD CARE PROVIDERS

Direct provider payments are reported in the contract year the services are authorized and provided, in accordance with CDE's "Funding Terms and Conditions for Child Development Programs." Direct provider payments to eligible families/child care providers represent vendor payments made to individual providers and private day care centers for childcare services. Under the child care payment system, invoices can be submitted by child care providers up to 60 days from the original due date.

Project No. 19-Y196-00-2/Contract GAPP 2030

On June 30, 2003, "Fiscal Report For Alternative Payment or Family Child Care Home Programs" for Contract Number GAPP 2030, DCFS reported direct provider payments of $1,775,342. However, included in this amount was $170,019 related to payments made by the County of Los Angeles, Department of Children and Family Services (DCFS) to meet its Maintenance of Effort (MOE). Therefore, direct provider payments are $1,605,323 ($1,775,342 less $170,019), which is below the MRA of $2,041,261. (Also see Note 6.)

Project No. 19-Y196-00-2/Contract FAPP 2029

On June 30, 2003, "Fiscal Report for Alternative Payment or Family Child Care Home Programs" for Contract Number FAPP 2029, DCFS reported direct provider payments of $6,456,487. The Maximum Reimbursable Amount (MRA) for the project is $12,835,796; therefore, the direct provider payments did not exceed the MRA.

NOTE 3 - MAINTENANCE OF EFFORT

Pursuant to the Welfare Reform Act of 1971, Los Angeles County's "Maintenance of Effort" (MOE) amount is $170,019. During our audit, we verified that DCFS satisfied its MOE requirement.

NOTE 4 – ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS

Other Related Child Care Costs (ORCCC) consist of the costs of providing direct services which include the position responsible for recruitment, site inspection, license verification, eligibility determination, review and supervision of placement and the costs related to these positions.

The California Department of Social Services (CDSS) audits DCFS' administrative costs and ORCCC. Our examination of the claimed DCFS' administrative costs and ORCCC was limited to a verification of the cost allocation percentages which were used as a basis for determining DCFS' administrative costs and ORCCC allocable to the Child Care Program for each quarter. Because the total DCFS' administrative costs and ORCCC are unaudited, we do not express an opinion on them.

Project No. 19-Y196-00-2/Contract GAPP 2030

The *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* indicates that DCFS' administrative costs and ORCCC should not exceed $397,551, 20% of the net reimbursable cost of $1,987,753, or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-2, DCFS incurred a total of $485,632 in administrative costs and ORCCC associated with the Child Care Program. Therefore, DCFS can claim as much as $397,551 for administrative costs and ORCCC.

Furthermore, the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* indicates that administrative costs alone should not exceed $313,643, 15% of the net cost of $2,090,955, or actual administrative costs, whichever is less. For Project No. 19-Y196-00-2, DCFS incurred a total of $416,845 in administrative costs associated with the Child Care Program. DCFS also incurred $3,600 in audit fees for the performance of the fiscal year 2002/03 program audit. We have included these costs within the total administrative costs shown in the fiscal year 2002/03 statements. Therefore, DCFS can claim as much as $313,643 for administrative costs.

NOTE 4 – ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS (Continued)

Project No. 19-Y196-00-2/Contract FAPP 2030

The *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* indicates that DCFS' administrative costs and ORCCC should not exceed $1,603,664, 20% of the net reimbursable cost of $8,018,320, or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-2, DCFS incurred a total of $1,979,087 in administrative costs and ORCCC associated with the Child Care Program. Therefore, DCFS can claim as much as $1,603,664 for administrative costs and ORCCC.

Furthermore, the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* indicates that administrative costs alone should not exceed $1,265,336 15% of the net cost of $8,435,574, or actual administrative costs, whichever is less. For Project No. 19-Y196-00-2, DCFS incurred a total of $1,682,590 in administrative costs associated with the Child Care Program. DCFS also incurred $14,400 in audit fees for the performance of the fiscal year 2002/03 program audit. We have included these costs within the total administrative costs shown in the fiscal year 2002/03 statements. Therefore, DCFS can claim as much as $1,265,336 for administrative costs.

NOTE 5 – SUBRECIPIENTS' EXPENDITURES

The expenditures claimed by the subrecipients for Contract Number FAPP 2029 are summarized below.

Unaudited, obtained Audited Financial Statements:		
Connections for Children	$	16,218
Crystal Stairs, Inc.		75,146
International Institute of Los Angeles		5,407
Mexican American Foundation		33,703
Options		14,232
Subtotal (2% of Total Expenditures)		144,706
Audited, did not obtain Audited Financial Statements		
Child Care Resource Center, Inc.		73,101
Total (3% of Total Expenditures)	$	217,807

The expenditures of the subrecipients in the amount of $144,706, which represent 2% of the total expenditures of Contract Number FAPP 2029, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 2029, is based solely on the reports of the other auditors.

The audited financial statements of Child Care Resource Center, Inc. were not available as of the report date. However, our auditor has audited the expenditures incurred by Child Care Resource Center, Inc.

NOTE 6 – FUND BALANCE-DEFICIT

The deficit resulted from expenditures in excess of grant revenue. The deficit is funded by DCFS's general fund.

NOTE 7 – CONTINGENCIES

DCFS child development programs receive state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowed expenditures under terms of the grants, it is believed that any repayment resulting from disallowances will not be material.

SUPPLEMENTARY INFORMATION

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

GENERAL INFORMATION

Full Official Name of Agency
Los Angeles County Department of Children and Family Services

Project Numbers
19-Y196-00-2 (GAPP 2030)
19-Y196-00-2 (FAPP 2029)

Type of Agency
County Welfare Department

Address of Agency
425 Shatto Place
Los Angeles, CA 90020

Name and Address of Chief Executive Officer
David Sanders, Director
425 Shatto Place
Los Angeles, CA 90020
(213) 351-5600

Name and Address of Accountant
Ed Jewik, Finance Officer
425 Shatto Place
Los Angeles, CA 90020
(213) 351-5560

Period Covered by the Examination
July 1, 2002 to June 30, 2003 (19-Y196-00-2)/GAPP 2030
July 1, 2002 to June 30, 2003 (19-Y196-00-2)/FAPP 2029

Number of Days of Operation of Agency
251

Scheduled Hours of Operation Each Day

Opening Time:	8:00 a.m.
Closing Time:	5:00 p.m.
Hours Open:	9

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of Los Angeles Department of Children and Family Services Vendor No. Y196

Fiscal Year End: June 30, 2003 Contract No. GAPP 2030

Independent Auditor's Name: Simpson and Simpson, CPAs

SECTION I - REVENUE	EDP NO.	Column A CUMULATIVE FISCAL YEAR PER AGENCY	Column B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	Column C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	$0	$0	$0
Restricted income for operating costs	306			0
Cal Learn Program	308			0
Maintenance of Effort	339	170,019		170,019
Other:	312			0
SUBTOTAL	311	170,019	0	170,019
TRANSFER FROM RESERVE FUND	310			0
FAMILY FEES FOR CERTIFIED CHILDREN	329			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349			0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			0
Other:	362			0
TOTAL REVENUE	390	$170,019	$0	$170,019

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	$1,774,465	$877	$1,775,342
1000 Certificated Salaries	402			0
2000 Classified Salaries	404	330,618		330,618
3000 Employee Benefits	406	114,377		114,377
4000 Books and Supplies	408			0
5000 Services and Other Operating Expenses	412	40,637		40,637
6100/6200 Other Approved Capital Outlay	413			0
6400 New Equipment (*program-related*)	414			0
6500 Equipment Replacement (*program-related*)	416			0
Depreciation or Use Allowance	439			0
Start-Up Expenses (service level exemption)	447			0
Indirect Costs -- Rate: 0.00%	459			0
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other:	489			0
TOTAL EXPENSES	490	$2,260,097	$877	$2,260,974
TOTAL ADMINISTRATIVE COST (included above)	690	$416,845	$0	$416,845
DAYS OF OPERATION	169	251		251

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUD 9500-AP Page 1 of 1 (5/2002)

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of Los Angeles Department of Children and Family Services Vendor No. Y196

Fiscal Year End: June 30, 2003 Contract No. FAPP 2029

Independent Auditor's Name: Simpson and Simpson, CPAs

SECTION I - REVENUE	EDP NO.	Column A CUMULATIVE FISCAL YEAR PER AGENCY	Column B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	Column C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	$0	$0	$0
Restricted income for operating costs	306			0
Cal Learn Program	308			0
Maintenance of Effort	339			0
Other:	312			0
SUBTOTAL	311	0	0	0
TRANSFER FROM RESERVE FUND	310			0
FAMILY FEES FOR CERTIFIED CHILDREN	329	58		58
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	9		9
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			0
Other:	362			0
TOTAL REVENUE	390	$67	$0	$67

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	$6,444,461	$12,026	$6,456,487
1000 Certificated Salaries	402	1,958		1,958
2000 Classified Salaries	404	1,341,862		1,341,862
3000 Employee Benefits	406	462,120		462,120
4000 Books and Supplies	408	1,093		1,093
5000 Services and Other Operating Expenses	412	168,162		168,162
6100/6200 Other Approved Capital Outlay	413			0
6400 New Equipment (*program-related*)	414	371		371
6500 Equipment Replacement (*program-related*)	416	289		289
Depreciation or Use Allowance	439	16		16
Start-Up Expenses (service level exemption)	447			0
Indirect Costs -- Rate: 0.03%	459	3,216		3,216
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other:	489			0
TOTAL EXPENSES	490	$8,423,548	$12,026	$8,435,574
TOTAL ADMINISTRATIVE COST (included above)	690	$1,682,590	$0	$1,682,590
DAYS OF OPERATION	169	251		251

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUD 9500-AP Page 1 of 1 (5/2002)

AUDITED FINAL RESERVE ACCOUNT CASH ACTIVITY REPORT
ALTERNATE PAYMENT PROGRAMS

Agency Name: County of Los Angeles Department of Children and Family Services

Fiscal Year End: June 30, 2003 Vendor No. Y196

Federally Insured Bank Name: Los Angeles Couny Pooled Surplus Investment Fund

Independent Auditor's Name: Simpson and Simpson, CPAs

ALTERNATIVE PAYMENT RESERVE ACCOUNT	COLUMN A PER AGENCY'S ACCOUNTING LEDGER	COLUMN B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	COLUMN C PER AUDIT
BEGINNING CASH BANK BALANCE - Last Fiscal Year's Ending Cash Bank Balance (Not from CDFS 9530)	$71,653	$0	$71,653
PLUS CASH DEPOSITED TO RESERVE ACCOUNT FROM CONTRACT(S) - During Fiscal Year Being Audited:			
Contract No. GAPP 2030	0		0
Contract No. FAPP 2029	0		0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred to Reserve Account	0	0	0
SUBTOTAL	71,653	0	71,653
PLUS INTEREST DEPOSITED TO RESERVE ACCOUNT - During Fiscal Year Being Audited:	1,723		1,723
LESS CASH WITHDRAWN FROM RESERVE ACCOUNT FOR CONTRACT(S) - During Fiscal Year Being Audited:			
Contract No. GAPP 2030	0		0
Contract No. FAPP 2029	0		0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Contract No.			0
Total Transferred from Reserve Account	0	0	0
ENDING CASH BANK BALANCE - Fiscal Year Being Audited	$73,376	$0	$73,376

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

DCFS mistakenly did not report the interest earned during the month of June 2003 on the monies held in the Reserve Account. Therefore, the interest and the ending balance does not agree with form CDFS 9530-A, which was sumbitted to CDE in July 2003.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

2002-2003 CDD CONTRACT SUMMARY

Agency Name: County of Los Angeles Department of Children and Family Services
Auditor: Simpson and Simpson, CPAs
Fiscal Year Ended: June 30, 2003

Audited Final Attendance and Fiscal Report	Project Name	Contract No.	MRA	Due From State	% of MRA
AUD 9500-AP	General – Alternative Payment	GAPP 2030	$ 2,041,261	$ -	0%
AUD 9500-AP	Federal Block Grant	FAPP 2029	12,835,796	425,368	3.3139%
	Total		$14,877,057	$425,368	

See Independent Auditor's Report.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF EXPENDITURES BY STATE CATEGORIES

For the Fiscal Year Ended June 30, 2003

State Categories	GAPP 2030	FAPP 2029
Direct Payments to Providers	$ 1,775,342	$ 6,456,487
Certified Salaries	-	1,958
Classified Salaries	330,618	1,341,862
Employee Benefits	114,377	462,120
Books and Supplies	-	1,093
Services and Other Operating Expenses	40,637	168,162
New Equipment	-	371
Equipment Replacement		289
Depreciation		16
Indirect Cost		3,216
Total Expenditures by State Categories	$ 2,260,974	$ 8,435,574

See Independent Auditor's Report.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES UTILIZING CONTRACT FUNDS

For the Fiscal Year Ended June 30, 2003

No repair or renovation expenditures were incurred by DCFS child development programs in the fiscal year ended June 30, 2003.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF EQUIPMENT EXPENDITURES UTILIZING CONTRACT FUNDS

For the Fiscal Year Ended June 30, 2003

No equipment expenditures were incurred by DCFS child development programs in the fiscal year ended June 30, 2003.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF ADMINISTRATIVE COSTS
For the Fiscal Year Ended June 30, 2003

	GAPP 2030	FAPP 2029
Certified Salaries	$ -	$ 204
Classified Salaries	283,788	1,143,635
Employee Benefits	98,176	394,434
Books and Supplies	-	361
Services and Other Operating Expenses	34,881	141,375
New Equipment	-	212
Equipment Replacement	-	49
Depreciation		4
Indirect Cost		2,316
Total Administrative Costs	$ 416,845	$ 1,682,590

See Independent Auditor's Report.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
For the Fiscal Year Ended June 30, 2003

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal:			
Department of Health and Human Services			
Passed through State of California			
Alternative Payment CCDBG	93.575	FAPP 2029	$8,018,253
Total Federal Expenditures			$8,018,253

Nonfederal Grantor/Pass-Through Grantor/Program	Grantor Identifying Number	Nonfederal Expenditures
State of California:		
Child Development Services		
Alternative Payment – General	GAPP 2030	$1,987,753
Total State Expenditures		$1,987,753

Notes to the Schedule of Expenditures of Federal and Nonfederal Awards
For the Fiscal Year Ended June 30, 2003

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and Nonfederal Awards includes the federal and state grant activity of the County of Los Angeles Department of Children and Family Services (DCFS) child development programs, Contract Nos. GAPP 2030 and FAPP 2029. The reporting entity of DCFS child development programs is described in Note 1 of DCFS child development programs' financial statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. Type of auditor's report issued:	Qualified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	None
b. Reportable condition(s) identified that are not considered to be material weakness(es)?	None
3. Noncompliance material to financial statements noted?	None
4. Internal control over major programs:	
a. Material weakness(es) identified?	None
b. Reportable condition(s) identified that are not considered to be material weakness(es)?	None
5. Type of auditor's report issued on compliance for major programs:	Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7. Identification of major programs:	

CFDA No.	Program Title
93.575	HHS- Community Development Block Grant

8. Dollar threshold used to distinguish between type A and type B programs:	$300,000
9. Auditee qualified as low-risk auditee?	Yes

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2003
(Continued)

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. STATUS OF FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings in the prior year.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Mr. David Sanders, Director
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

We have audited the financial statements of the child development programs (Contract Nos. GAPP 2030 and FAPP 2029) of the County of Los Angeles Department of Children and Family Services (DCFS) as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the above mentioned DCFS child development programs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DCFS child development programs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course

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of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the California Department of Education and federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

Simpson & Simpson

December 12, 2003
Los Angeles, California

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Mr. David Sanders, Director
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

Compliance

We have audited the compliance of the child development programs (Contract Nos. GAPP 2030 and FAPP 2029) of the County of Los Angeles Department of Children and Family Services (DCFS) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2003. Major federal program of DCFS child development programs is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of DCFS child development programs' management. Our responsibility is to express an opinion on DCFS child development programs' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DCFS child development programs' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on DCFS child development programs' compliance with those requirements.

In our opinion, DCFS child development programs complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2003.

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Internal Control Over Compliance

The management of DCFS child development programs is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal program. In planning and performing our audit, we considered DCFS child development programs' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of DCFS child development programs as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the management, the California Department of Education and federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

December 12, 2003
Los Angeles, California