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October 4, 2007

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **SAN FERNANDO VALLEY COMMUNITY MENTAL HEALTH CENTER CONTRACT REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES WRAPAROUND APPROACH SERVICES PROGRAM PROVIDER**

We have conducted a fiscal review of San Fernando Valley Community Mental Health Center (SFV or Agency), a Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) program provider.

Background

DCFS contracts with SFV, a private non-profit community-based organization, to provide and operate the Wraparound program. The Wraparound program is a family-centered and needs-driven program providing individualized services to children and their families such as, therapy, housing, educational and social assistance. The target population for the Wraparound program includes children who are currently or at risk of being placed in a Rate Classification Level of 12 to 14 group home, Metropolitan State hospital, etc. SFV is located in the Fourth District.

DCFS paid SFV on a fee-for-service basis $4,184 per child, per month. SFV was paid approximately $1.8 million for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether SFV complied with its contract terms and appropriately accounted for and spent Wraparound funds in providing services to children and their families. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Overall, SFV provided the services in accordance with the County contract. SFV's payroll and program expenditures were properly supported and appropriately charged to the Wraparound program. In addition, SFV maintained adequate accounting records and appropriate internal controls over most of its business operations. The Agency needs to improve its control over gasoline credit card usage. The Agency did not maintain documentation to support $368 in gasoline credit card charges.

The details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with SFV on August 17, 2007. In their attached response, SFV management concurred with our findings and recommendations. We also notified DCFS of the results of our review.

We thank SFV for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Patricia S. Ploehn, Director, Department of Children and Family Services
Susan Kerr, Chief Deputy Director, Department of Children and Family Services
Ian Hunter, Ph.D., CEO, San Fernando Valley Community Mental Health Center
Public Information Office
Audit Committee

WRAPAROUND APPROACH SERVICES
SAN FERNANDO VALLEY COMMUNITY MENTAL HEALTH CENTER
FISCAL YEAR 2006-07

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in San Fernando Valley Community Mental Health Center's (SFV or Agency) records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliations for SFV's two bank accounts for February 2007.

Results

SFV properly recorded and deposited cash receipts in a timely manner. However, SFV did not resolve reconciling items timely. Specifically, 29 (9%) of 323 outstanding checks totaling $5,359 were over 90 days old. A similar issue was noted in the last year's monitoring report.

Recommendation

1. **SFV management ensure that reconciling items are resolved timely.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 36 non-personnel expenditure transactions billed by the Agency from July 2006 through March 2007, totaling $44,033.

Results

Generally, SFV's expenditures were allowable, properly documented and accurately billed to the Wraparound program as required. However, SFV charged $302 in office supplies used by a non-Wraparound program and did not maintain gasoline credit card receipts to support $368 in gasoline charges. In addition, two mileage claims sampled were overstated by 488 miles resulting in an overpayment of $181. SFV needs to improve their controls over gasoline credit card usage and mileage claim reimbursement. These same findings were also noted in the prior year's monitoring report. Subsequent to our review, SFV transferred $851 to the Wraparound Program.

Recommendations

SFV management:

2. **Ensure the Wraparound funds are solely used for the program.**

3. **Maintain adequate supporting documentation for expenditures charged to the Wraparound program.**

4. **Establish sufficient controls over gasoline credit card usage and mileage claim reimbursement.**

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed the Agency's policies and procedures manuals and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Except as noted above, SFV maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether SFV's fixed assets and equipment purchased with Wraparound funds are used for the Wraparound program and that the assets are adequately safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets listing. In addition, we performed a physical inventory count and reviewed the usage of six items purchased or leased with Wraparound funds, totaling approximately $15,000.

Results

The three items SFV purchased with Wraparound funds were used to provide program services. In addition, the items were adequately safeguarded.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the Wraparound program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed the payroll expenditures totaling $21,782 for 11 employees for February 2007. We also reviewed the personnel files of the 11 staff assigned to the Wraparound program.

Results

SFV's payroll expenditures were properly supported and appropriately charged to the Wraparound program. The Agency also maintained personnel files as required by the County contract.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether SFV's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed SFV's Cost Allocation Plan and selected a sample expenditures from June 2006 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

SFV's Cost Allocation Plan complied with the County contract requirements. However, SFV allocated $119 in fundraising activity cost as indirect cost to the Wraparound program. The County contract does not allow the Agency to charge the program for fundraising activities. Subsequent to our review, SFV reduced their allocation for Fiscal Year (FY) 2006-07 by $119.

Recommendation

5. **SFV management ensure that indirect costs are allocated according to the Cost Allocation Plan and the County contract.**

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether the outstanding recommendations from the FY 2005-06 monitoring review were implemented. The report was issued in September 2006.

Results

The prior year's monitoring report contained eight recommendations. SFV implemented seven (88%) of the eight recommendations. The recommendation not implemented relates to SFV not resolving business checks that were outstanding for over 90 days. As previously reported, this issue was also noted during this year's review.

Recommendation

6. **SFV management implement the outstanding recommendation from the FY 2005-06 monitoring report.**

SAN FERNANDO VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.

Making Lives Improved

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Visit our website at

August 29, 2007

Mr. J. Tyler McCauley
Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

Re: San Fernando Valley Community Mental Health Center Contract Review – A Department of Children and Family Services Wraparound Approach Services Program Provider

Dear Mr. McCauley:

The San Fernando Valley Community Mental Health Center, Inc. (Center) has reviewed and concurred with the findings on the above referenced report. The Center will certainly review and incorporate all the recommendations as listed into the Center's procedures.

The Center and its management team appreciated the hard work and dedication of the audit team during this fiscal review. If you should have any questions, please do not hesitate to contact me at (818) 901-4830.

Sincerely,

Ian Hunter

Ian Hunter, Ph.D.
Executive Director