COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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CHIEF DEPUTY

December 5, 2007

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **FISCAL REVIEW OF GREENE HOME FOR BOYS - A GROUP HOME FOSTER CARE CONTRACTOR**

Attached is our report on Greene Home for Boys (Greene or Agency) fiscal operations from January 1, 2004 to December 31, 2004. Greene is licensed to operate two group homes (GHs), each with a resident capacity of six children. Greene is located in the Second Supervisorial District.

The Department of Children and Family Services (DCFS) contracts with Greene to care for foster children placed in the Agency's homes. Under the contract, DCFS paid Greene $4,102 a month per child, based on a rate determined by the California Department of Social Services. Greene received a total of $517,077 in group home foster care funds from DCFS during 2004.

Scope

Our review was intended to determine whether Greene complied with the contract terms, and appropriately accounted for and spent foster care funds on allowable and reasonable expenditures. We also evaluated Greene's expenditure and revenue documentation, internal controls and compliance with applicable federal, State and County guidelines governing GH funds.

Summary of Findings

We identified $83,453 in questioned costs. We also noted that Greene needs to improve its internal controls over disbursements, petty cash, bank reconciliations, salary and personnel, insurance, client records and fixed assets.

We have recommended that DCFS resolve the questioned costs and collect any disallowed amounts. In addition, DCFS needs to ensure that Greene's management takes action to address the recommendations in this report and monitor to ensure that the actions result in permanent changes.

Review of Report

We discussed our report with Greene's management on July 12, 2006. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan, is attached. Upon further review by DCFS, $56,172 of the questioned costs were allowed after the agency provided additional information and supporting documentation. DCFS is working on establishing a repayment plan for the remaining $27,281 ($83,453 - $56,172). We thank Greene's management and staff for their cooperation during our review.

Please call if you have any questions, or your staff may contact Jim Schneiderman at (626) 293-1101.

JTM:MMO:JLS:MM

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
Barbara Greene, Executive Director, Greene Home for Boys
Board of Directors, Greene Home for Boys
Cora Dixon, Bureau Chief, Foster Care Audit Bureau, CA Dept. of Social Services
Sheliah Dupuy, Bureau Chief, Foster Care Rates Bureau, CA Dept. of Social Services
Public Information Office
Audit Committee Members
Commission for Children and Families

Greene Home for Boys Group Home
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified $83,453 in unallowable and unsupported/inadequately supported expenditures. Details of these costs are discussed below.

Applicable Regulations and Guidelines

Greene is required to operate its group homes in accordance with the following federal, State and County regulations and guidelines:

- Group Home Foster Care Contract (Contract), including Exhibit C-1, Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook).
- Federal Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations (Circular).
- California Department of Social Services Manual of Policies and Procedures (CDSS MPP).
- California Code of Regulations, Title 22 (Title 22).

Unallowable Expenditures

We identified $40,073 in unallowable group home expenditures.

Assistant Director Salary

The Assistant Director received $33,600 in salary during our review period. The Agency's job description states the Assistant Director is responsible for the program when the Executive Director is absent. The Assistant Director is also supposed to develop programs and supervise staff on daily operations. According to the Assistant Director's personnel record, he has a high school education, and his prior work history indicates he was a stock clerk for Smart and Final. We found no other documentation regarding a degree or other qualifications in the areas of child care administration, social work, etc.

According to the CDSS Community Care Licensing Manual, the individual in charge in the absence of the Administrator, which is equivalent to the Executive Director position, would need to have graduated from high school and have one year of administrative or supervisory experience in social work, child care and/or support staff providing direct services to children in an agency. As previously indicated, there was no evidence in the Assistant Director's personnel file that he had the experience necessary to serve as a back-up to the Executive Director.

Further, while Greene did provide time records for the Assistant Director, the Agency was unable to provide examples of work done by this employee (e.g., signatures on checks, allowance distributions, petty cash reimbursements, staff schedules, etc.). In addition, employee and client interviews conducted by both A-C and DCFS staff indicated he was not known to be an employee of the Agency. Since we were unable to validate his employment at the Agency, we question these costs. It should be noted that our review of this employee's salary was for calendar year 2004. However, he remained on the Agency's payroll until August 2005. DCFS management should determine if the employee worked during 2004 and 2005 and recover any foster care funds used to pay unjustified salary to this employee.

Fines, Penalties and Interest

$5,909 in penalties and interest, including payments to the Internal Revenue Service (IRS) for late tax payments, and other credit card finance charges and late fees. Fines, penalties and interest payments are unallowable under Sections 16 and 23 of Circular A-122.

Personal Expenses

$564 in employee personal expenses, such as vehicle registration and penalties, a parking violation, repairs at the Executive Director's home, out-of-state food purchases and movies that are inappropriate for the children cared for by Greene. Foster care funds are to be used to provide necessary care and services to the placed children and should not be used for the personal expenses of Agency staff.

Unsupported/Inadequately Supported Costs

We identified $43,380 in group home expenditures that are either not supported, or the support provided was inadequate to relate the costs to the program.

- $20,486 in vehicle-related expenditures, such as payments for a non-agency owned vehicle, car insurance, repairs, maintenance, gasoline and vehicle registration fees. Greene management indicated two vehicles are used solely for the group home program. However, the Agency did not provide mileage logs or other documentation showing the vehicles were used for GH purposes. The A-C handbook states that supporting documentation, such as vehicle mileage logs, showing dates, destination, purpose of trip, and mileage is required for vehicle-related expenditures.

- $12,275 for items such as groceries, fast food purchases, video games, DVDs, clothing, recreational activities, household repairs, remodeling and other miscellaneous items. Although the Agency provided $5,708 in receipts, we could not determine if the expenditures were for the benefit of the group home. The remaining receipts, totaling $6,567, were internally generated by the Agency. The A-C Handbook states that photocopied invoices or receipts, internally

generated documents (e.g., requests for check forms, requisitions, cancelled checks, etc.), and account statements are not adequate supporting documentation.

- $9,117 in credit card payments for items such as office supplies, home improvement supplies, cleaning supplies, groceries, and clothing. We were unable to determine if the purchases were for the group homes, since the Agency's supporting documentation was not marked to indicate who authorized the purchases or the facility for which the items were purchased. In addition, the Agency did not consistently provide original invoices to support the expenditures. The A-C Handbook states that all credit card disbursements must be supported by original invoices, store receipts or other external authenticating documents indicating the item(s) purchased and the employee making the purchase.

- $1,502 in unsupported expenditures. The Agency was unable to provide any supporting documentation, such as itemized receipts or original invoices, to indicate the purpose of the expenditures. The A-C Handbook states that original vouchers, invoices, receipts or other documentation must be provided to support all revenues and expenditures. Unsupported expenditures will be disallowed.

Recommendations

DCFS management:

1. **Resolve the $83,453 in questioned expenditures and collect any disallowed amounts.**

2. **Determine if the Assistant Director worked from January 2004 through August 2005, and recover any foster care funds used to pay unjustified salary to this employee.**

Greene management:

3. **Maintain adequate supporting documentation for all group home expenditures, including original itemized invoices and receipts.**

4. **Ensure that group home funds are used only for necessary, allowable and reasonable expenditures for the group home.**

5. **Ensure appropriate supporting documentation, such as logs, invoices, receipts, cancelled checks and other external documents, is maintained for all expenditures, including documentation that the expenditures are related to the group home program.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted the following internal control weaknesses during our review.

Non-Compliance with Federal and State Income Tax Reporting Requirements

The group home contract and A-C Handbook Section A.2.6 requires the Agency to comply with federal and State tax reporting requirements.

We identified $14,659 in payments to three individuals that were not reported to the IRS on either a 1099 for independent contractors or a W-2 for employees. The three individuals provided house cleaning services as independent contractors to the Agency. After our review, Agency management submitted 1099s to the IRS for these employees.

Recommendation

6. **Greene management ensure that all payments to independent contractors and employees are reported to the federal and State tax agencies.**

Insurance

The group home contract requires the Agency to have automobile liability insurance of not less than $1 million for each accident, covering all "owned," "hired" (i.e., leased or rented) and "non-owned" vehicles, or coverage for "any auto."

Greene did not carry all of the required automobile insurance for 2004. From January 1, 2004 through August 21, 2004, the Agency did not have coverage for "hired" or "owned" autos. From August 22, 2004 through December 31, 2004, the Agency only had coverage for "owned" autos. It did not have the required "non-owned" or "hired" auto coverage.

Recommendation

7. **Greene management ensure the Agency maintains the required automobile insurance coverage.**

Separation of Duties

The Agency does not maintain adequate separation of duties in the areas of cash receipts, cash disbursements, bank reconciliations, or payroll. Specifically, the Agency's Executive Director performs the following functions:

- Receives, records and deposits all cash receipts.
- Receives and reconciles all bank statements.

- Signs all checks without a second signature.
- Approves and records all cash disbursements, including petty cash.
- Approves all hires, terminations and pay rate changes.
- Reviews timecards and payroll processing.
- Distributes payroll checks to employees.

This lack of separation of duties could result in inappropriate use of GH funds. Greene's Board of Directors needs to take immediate action to ensure the Agency maintains adequate separation of duties as required by the A-C Handbook.

Recommendation

8. **Greene's Board of Directors take immediate action to ensure the Agency maintains adequate separation of duties.**

Petty Cash Procedures

According to the A-C Handbook, petty cash should be used for small incidental expenses. Petty cash disbursements must also be supported by invoices, store receipts or other external documentation, indicating the item(s) purchased and the employee making the purchase.

Greene is not using their petty cash fund in accordance with the A-C Handbook requirements. Specifically:

- The petty cash fund was often used for items other than small incidental expenses. The Agency generally used petty cash funds for groceries, repairs, postage, clothing, haircuts, toiletries and entertainment for the children. Additionally, we noted 16 instances where single petty cash purchases ranged from $100-$200.

- The receipts for petty cash expenditures do not identify the purpose of the purchase, the household for which the purchase was made, the child for whom the purchase was made (if applicable) and the employee making the purchase.

Some of these issues were also mentioned in the Agency's December 31, 2002 financial audit report. Without proper controls over petty cash, the Agency cannot ensure group home funds are used only for necessary, reasonable and allowable expenditures.

Recommendations

Greene management:

9. **Ensure petty cash funds are used only for small incidental expenses.**

10. Ensure receipts for petty cash disbursements identify the items purchased, the purpose of the items, the child for whom the item(s) was purchased and the employee making the purchase.

Checks Payable to Cash

Section B.2.1 of the A-C Handbook states that checks shall not be payable to Cash. We noted 49 checks, totaling $16,395, payable to Cash. These checks were typically to reimburse the petty cash fund and for allowances to the children. In one instance, the cash was used to buy a bunk bed. Greene should ensure that checks are not made payable to Cash. Petty cash reimbursement checks should be made to the fund custodian instead of Cash, and as previously noted, petty cash should only be used for small incidental expenses.

Recommendation

11. Greene management ensure checks are not made payable to Cash.

Disbursement Procedures

The A-C Handbook B.2.1 states that all supporting documentation shall be referenced to check numbers and marked "Paid" or otherwise canceled to prevent duplicate payments.

Nineteen of 65 invoices we reviewed (29%) were not marked "Paid" or otherwise cancelled. For an additional 27 of the 65 disbursements (42%), the invoice was not marked "Paid", but was referenced to a check number.

Recommendation

12. Greene management ensure all invoices and receipts are marked "Paid" and referenced to check numbers upon payment.

Accounting Procedures

Fixed Assets

Section 4.2 of the A-C Handbook requires that all fixed assets purchased with contract funds be tagged, and an inventory of all fixed assets be conducted at least once a year. The Agency's list of fixed assets should include the item description, serial number, date of purchase, acquisition cost and sources of funding.

Greene does not tag all fixed assets and does not conduct an annual inventory of fixed assets. In addition, the Agency's fixed asset list did not contain all required information (e.g., date of purchase, etc.). We were unable to locate 18 of 152 listed assets (12%). The Agency provided supporting documentation for 24 of the 152 assets, but the

acquisition cost on the inventory sheets did not agree with the supporting documentation.

Recommendations

Greene management:

13. **Tag all fixed assets.**

14. **Conduct an inventory of fixed assets at least once a year.**

15. **Ensure the fixed asset list includes all required information, including date of purchase and acquisition cost.**

Financial Records

A-C Handbook Section A.1.0 requires agencies to use either the cash basis or accrual basis method of accounting. Greene indicated they use accrual basis accounting. However, the Agency does not have liability accounts for the amounts owed on its credit cards. As a result, the Agency's financial records do not include all of the Agency's debt.

Recommendation

16. **Greene management ensure all liabilities are recorded in the financial records.**

Client Records

Section 11.1 of the Contract requires the Agency to keep files on each child in the facility for five years after the expiration of the Agreement, or for three (3) years from the date of the submission of the final expenditure report, whichever is later.

Greene does not keep files for the time required by the contract. Agency management indicated the files are not kept after a child leaves the facility.

Recommendation

17. **Greene management keep children's files as required by the Contract.**

Payroll/Personnel Controls

Greene's payroll and personnel procedures do not comply with CDSS MPP, Section 11-402, which requires supporting documentation be kept for all program expenditures, including employee salary rates. In addition, Circular A-122 states that salaries and

wages must be supported by records indicating the total number of hours worked each day, signed by the employee and approved by a supervisor.

- Two of 12 employee files (17%) did not have salary rate information. In two other files (17%), the salary rate in the file did not agree to the employees' current pay.

- None of the 12 timecards were signed by the supervisor.

- Four of 12 payroll payments (33%) were incorrectly calculated, resulting in a net underpayment of $98.

- Four of 12 employee checks (33%) were endorsed by both the employee and the Executive Director, and cashed at the bank by the Executive Director for the employee. The co-endorsement of employee payroll checks by the Executive Director, together with the separation of duties weaknesses discussed earlier, increases the possibility of misappropriation, misstatement or misuse of assets.

Recommendations

Greene management:

18. **Ensure employee personnel files contain current authorized salaries or hourly rates of pay.**

19. **Require all timecards to be signed by the supervisor.**

20. **Resolve the under and over payments for the four employees.**

21. **Discontinue the practice of co-endorsing and cashing employee checks.**

Bank Reconciliations

Section B.1.4 of the A-C Handbook states that bank statements should be received and reconciled by someone with no cash handling, check writing, or bookkeeping functions. Monthly bank reconciliations should also be prepared within 30 days of the bank statement date, reviewed by management, and signed by both the preparer and the reviewer. Reconciling items should be resolved timely.

We reviewed the Agency's 2004 bank reconciliations and noted that the reconciliations were not signed or dated by the preparer or reviewer. The reconciliations are completed and reviewed by the Executive Director, who also performs cash handling, check writing and bookkeeping functions. Bank reconciliations should be conducted by an individual with no cash handling, check writing or bookkeeping responsibilities.

Recommendations

Greene management:

22. **Have bank reconciliations completed by an individual with no cash handling, check writing, or bookkeeping responsibilities.**

23. **Require bank reconciliations to be signed and dated by the preparer and reviewer.**

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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PATRICIA S. PLOEHN, LCSW
Director

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Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

March 26, 2007

Barbara Greene, Executive Director
Greene Home for Boys Group Home
1238 Sultan Circle
Carson, CA 90745

Dear Ms. Greene:

RE: REVIEW RESPONSE TO FISCAL CORRECTIVE ACTION PLAN (FCAP) OF GREENE HOME FOR BOYS – A GROUP HOME FOSTER CARE CONTRACTOR

We have reviewed your fiscal corrective action plan (FCAP) addendum with the last submission date of March 22, 2007 in response to the Auditor-Controller's draft fiscal audit report and our request letter dated March 7, 2007. The FCAP fully addresses twenty-one recommendations (See Attachment I). In addition, four recommendations directed to DCFS were fully addressed (See Attachment II).

With regard to the $83,453 in questioned costs, a total of $56,172 has been allowed after your agency provided additional information and supporting documentation (See Attachment III) leaving the remaining balance of $27,281 which must be repaid to the Department. Please call Mark Huang of my staff after April 16, 2007 to schedule an appointment that week to set up and sign a repayment plan. The plan must be in place by April 20, 2007, or DCFS may take adverse action as stated in your contract.

If you have any questions, please contact me at (626) 691-1462 or Mark Huang of my staff at (626) 691-1615.

Sincerely,

Sue Harper

Sue Harper, ASM III
Fiscal Monitoring & Special Payments

SKH:MH:mh

Mike McWatters, Chief Audit Division
Russell Lingo, Principal Accountant-Auditor

ATTACHMENT I

GREENE HOME FOR BOYS (GREENE OR AGENCY)
LOS ANGELES COUNTY AUDITOR-CONTROLLER
REVIEW OF GROUP HOME FOSTER CARE CONTRACT

Summary of Recommendations

Based on the Fiscal Corrective Action Plan (FCAP) dated December 22, 2006 and last supplemental information dated March 23, 2007 submitted by the Greene Home for Boys (GREENE or Agency), the status of each of the 25 recommendations is summarized as follows:

- 21 Recommendations (#3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, and 24) were fully addressed.

- 4 Recommendations (#1, 2, 9, and 25) directed to the Department were addressed (See Attachment II).

Recommendation fully addressed

3. **Maintain adequate supporting documentation for all group home expenditures, including original itemized invoices and receipts.**

   Agency Proposed FCAP: All the supporting documentation for group home expenditures will specify the house, what the purchase was for, who made the purchase, and who authorized the purchase. GREENE will maintain original receipts, invoices, cancelled checks, bank statements, and internally generated documents. Five itemized invoices/receipts were provided for review.

   DCFS Response: DCFS accepts the agency's policy. After reviewing the invoices/receipts provided, all the supporting documentation specified the needed information as stated. No significant exceptions were found.

4. **Ensure that group home funds are used only for necessary, allowable and reasonable expenditures to carry out the purpose and activities of the group home.**

   Agency Proposed FCAP: GREENE will ensure the group home funds are used for allowable and reasonable expenditures to carry out the purpose and activities of the group home. The mileage log form was provided. Dates, destination, purpose of trip and mileage are required to fill in this form. Most current month (February 2007) mileage logs were provided for review.

DCFS Response: DCFS accepts the agency's policy. After reviewing the policy and the mileage logs (February 2007), all the supporting documentation specified the required information as stated. No significant exceptions were found.

5. **Ensure all supporting documentation such as logs, invoices, receipts, cancelled checks and other external documents for employee reimbursements and advances are cross referenced and annotated with information such as the name of the employee the funds are going to, the amount provided, the item(s) purchased and the amount provided, and the amount expended and that expenditures are related to the group home program.**

   Agency Proposed FCAP: GREENE will ensure all supporting documentation such as logs, invoices, receipts, cancelled checks and other external documents for employee reimbursements and advances are cross referenced and annotated to indicate information such as the name of the employee the funds are going to, the amount provided, the items purchased, and the amount expended. Five expenditures paid to employees for advances/reimbursements with supporting documentation were provided for review.

   DCFS Response: DCFS accepts the Agency's policy. After review the supporting documentation provided by GREENE, all the supporting documentation were properly cross-referenced and annotated to indicate the needed information as stated. No significant exceptions were found.

6. **GREENE management ensure that all income from independent contractors and employees is timely and accurately reported to the federal and State taxing agencies.**

   Agency Proposed FCAP: GREENE will ensure all independent contractor incomes are reported on a 1099 MISC. form.

   DCFS Response: DCFS accepts the Agency's policy. According to the Auditor-Controller, subsequent to their review the agency management did submit MISC-1099's to the IRS for the identified employees.

7. **GREENE management ensure the appropriate automobile insurance coverage is maintained as required by the Contract.**

   Agency Proposed FCAP: Certificate of Liability Insurance was provided with effective term from 12/07/06 to 12/07/07. This insurance includes combined single limits $1 million for each accident and covered for any auto as required by the contract.

DCFS Response: DCFS accepts the agency's policy. After reviewing the certificate provided by GREENE, the liability insurance coverage is maintained as required by the contract.

8. **Work with the Board of Directors in preparing necessary written procedures establishing internal controls in compliance with the A-C Handbook for all personnel.**

   Agency Proposed FCAP: GREENE will work with the Board of Directors in preparing necessary written procedures establishing internal control in compliance with the A-C Handbook for all personnel.

   DCFS Response: DCFS accepts the agency's policy. After reviewing the plan of separation of duties proposed and approved by the Board of Directors, the duties are separated in compliance with the A-C Handbook. Appropriate review of the implementation of this policy was conducted. No significant exceptions were found.

10. **Ensure petty cash funds are used for small incidental expenses rather than normal purchases and disbursements.**

    Agency Proposed FCAP: GREENE's guidelines for Petty Cash:
    1. Petty cash funds shall be established at $500.00
    2. Petty cash funds should be separated from other funds such as cash receipts from customers, and other petty cash funds.
    3. Petty cash disbursements shall be used only for small incidental expenditures and not as a method to by-pass GREENE's purchasing system.
    4. Employees are prohibited from cashing personal checks from petty cash funds.

    DCFS Response: DCFS accepts the Agency's policy. After review two complete sets of petty cash reimbursement, all petty cash disbursements were used for small incidental expenses. No significant exceptions were found.

11. **Ensure receipts that support petty cash disbursements identify the items purchased, the purpose of the items and the employee making the purchase.**

    Agency Proposed FCAP: GREENE's guideline for Petty Cash:
    1. The petty cash receipt should indicate the amount disbursed, the purposes of the withdrawal, and the signatures of both the people receiving the cash and the fund custodian.
    2. Petty cash receipts should be numbered consecutively and fully accounted for at the time the reimbursement is required

3. Reimbursements shall be requested on a regular basis. All disbursements from petty cash shall be supported by documentation.
4. All requests for reimbursement for petty cash should be submitted on the request for reimbursement of petty cash fund form.

DCFS Response: DCFS accepts the Agency's policy. After reviewing two sets of petty cash replenishments, all the receipts were properly identified the purchased items, the purpose of the items, and the employee making the purchase. No significant exceptions were found.

12. **GREENE management ensure checks are not made payable to cash. For petty cash purposes, check should be issued to the petty cash custodian.**

Agency Proposed FCAP: GREENE will ensure checks are not made payables to cash. For petty cash purposes, checks will be issued to the petty cash custodian. Guideline for Petty Cash:

1. The fund custodian (George Brantley) will be reimbursed by the administrator for amounts paid out of the petty cash fund. Upon presentation of documents for reimbursement, a check payable to the custodian is issued to bring the fund back to this original amount.

DCFS Response: DCFS accepts the Agency's policy. After reviewing two sets of petty cash reimbursement, the checks were issued to the petty cash custodian. No significant exceptions were found.

13. **GREENE management ensure all vendor invoices and receipts are appropriately marked as paid and referenced to check numbers upon payment.**

Agency Proposed FCAP: GREENE will ensure all receipts/invoices for payment shall be securely attached to the cancelled check and crossed referenced with the check number. Each purchase will be supported by a cash register receipt, invoice, sales slip or other sales documents which shall contain an itemized listing of the items purchased and be marked paid and referenced to check number upon payment. The vendor receipt for payment shall be attached to the invoice.

DCFS Response: DCFS accepts the agency's policy. After reviewing the vendor invoices and receipts for payments through the additional supporting documentation to the questioned costs, the vendor invoices and receipts were appropriately marked as paid and referenced to check numbers upon payments. No significant exceptions were found.

14. **Create and maintain a current listing of the Agency's fixed assets, including the item description, serial number, date of purchase, acquisition cost, and sources of funding.**

Agency Proposed FCAP: GREENE will create and maintain a current listing of the agency's fixed assets, including the item's description, serial number, date of purchase, acquisition cost, and sources of funding. A list of fixed assets was provided for review.

DCFS Response: DCFS accepts the agency's policy. After reviewing the list of fixed assets provided by GREENE, no significant exceptions were found.

15. **Conduct an inventory of the program's fixed assets at least once a year.**

Agency Proposed FCAP: GREENE will create and maintain a current listing of agency's fixed assets including the items description, serial number, date of purchase, acquisition cost and sources of funding. Inventory of fixed assets will be taken in the last week of December each year. The facility manager and a child-care worker will conduct the inventory. Computer generated form will be utilized for this annual inventory.

DCFS Response: DCFS accepts the Agency's policy. After reviewing a list of fixed assets and inventory policy, no significant exceptions were found.

16. **GREENE management ensure all financial liabilities are reflected in the financial records.**

Agency Proposed FCAP: GREENE will ensure all financial liabilities are reflected in the financial records. GREENE will use the accrual method for all accounting or recording for financial transactions. Monthly invoices will be prepared on the same basis.

DCFS Response: DCFS accepts the Agency's policy. Single Audit of 2005 is proceeding by Certified Public Accountant (CPA). A copy will be forwarded to DCFS when it is completed.

17. **GREENE management establishes procedures requiring a separate, complete and current record be maintained in the facility for each client placed at the group home in accordance with the requirements of the Group Home Contract.**

Agency Proposed FCAP: GREENE will establish procedures requiring a separate, complete and current record be maintained in the facility for each client placed at the group home in accordance with the requirement of the group home contract. A complete client record was provided for review.

DCFS Response: DCFS accepts the Agency's policy. After reviewing the sample provided by GREENE, no significant exceptions were found.

18. **Ensure employee personnel files contain current authorized salary amounts or hourly rates of pay approved by management.**

Agency Proposed FCAP: GREENE will ensure each employee personnel files contain current authorized salary amounts or hourly rate. A copy of blank salary agreement form was provided for review.

DCFS Response: DCFS accepts the Agency's policy. After reviewing all the salary agreement of current employees, no significant exceptions were found.

19. **Establish a policy requiring all time sheets be approved in writing by management to certify the accuracy of the reported time.**

Agency Proposed FCAP: GREENE will establish a policy requiring all time sheets be approved in writing by management to certify the accuracy of the reported time.

1. All employees must submit a timesheet reflecting their hours worked and hours absent from work.
2. Administrator's approval certifies that the time report correctly reflects all hours worked and absence for the pay period indicated.

DCFS Response: DCFS accepts the Agency's policy. After reviewing the salary payments for the period of 12/14/06-1/13/07, all time sheets were approved by management to certify the accuracy of the reported time. No significant exceptions were found.

20. **Resolve the under and over payment discrepancies for all four employees.**

Agency Proposed FCAP: GREENE will resolve the under and over payment discrepancies for all four employees by having another person check timecards for errors. The employee and administrator review the time card together and each of them signs to verify accuracy.

DCFS Response: DCFS accepts the Agency's policy. After reviewing the salary payments for the period of 12/14/06-1/13/07, all the time sheets were reviewed and signed by both administrator and staffs. No significant exceptions were found.

21. **Discontinue the practice of co-endorsing employee checks.**

Agency Proposed FCAP: GREENE will discontinue the practice for co-endorsing employee checks. All employees will cash their own checks. Employee checks shall not be co-endorsed by Management/Barbara Greene.

DCFS Response: DCFS accepts the Agency's policy. After reviewing the salary payments for the period of 12/14/06-1/13/07, no checks were co-endorsed by management.

22. **Ensure bank reconciliations are prepared in an appropriate format, identifying both the bank balance and the balance per the book and all reconciling items.**

Agency Proposed FCAP: GREENE will ensure bank reconciliation is prepared in an appropriate format identifying the bank balance and the balance per the book and all reconciling items. GREENE used Quick Book Pro 2002. Bank Reconciliation is done in Quick Book Program. Two months (10/2006 and 11/2006) bank reconciliation statements were provided for review.

DCFS Response: DCFS accepts the agency's policy. After reviewing the bank reconciliation statements provided by GREENE, no significant exceptions were found.

23. **Assign bank reconciliations to an individual with no cash handling, check writing, or bookkeeping responsibilities.**

Agency Proposed FCAP: GREENE has assigned Charles Carll, a child care worker, to prepare the bank reconciliation statements. Charles does not handle check writing or bookkeeping functions.

DCFS Response: DCFS accepts the agency's policy.

24. **Establish procedures requiring bank reconciliations be signed and dated by the preparer and reviewer.**

Agency Proposed FCAP: Monthly reconciliation will be done within 30 days of the bank statement date and reviewed by management for appropriateness and accuracy. The bank reconciliation will be signed and dated by the preparer and the reviewer. All discrepancies will be resolved in a timely manner.

DCFS Response: DCFS accepts the agency's insurance policy. After reviewing the bank reconciliation statements provided by GREENE, appropriate signatures were reflected on the statements.

mh-03/23/07
mh-03/05/07
mh-11/09/06

ATTACHMENT II

GREENE HOME FOR BOYS (GREENE OR AGENCY)
FISCAL AUDIT OF GROUP HOME FOSTER CARE CONTRACT
REVIEW OF EXPENDITURES

1. ***DCFS management should resolve the $83,453 in questioned expenditures and, if appropriate, collects any disallowed amounts.***

   DCFS RESPONSE: Please see Attachment III for a breakdown of allowed and disallowed costs.

The Auditor-Controller review disclosed a total of $83,453 in questioned costs with GREENE. $56,172 in questioned costs has been allowed after reviewing the additional information/supporting documentation provided by your Agency (see Attachment III). The remaining $27,281 in questioned costs are disallowed and must be repaid. Details of these costs are discussed below.

UNSUPPORTED/INADEQUATELY SUPPORTED COSTS

GREENE had **$43,380** in unsupported and inadequately supported expenditures for items such as payments to non-payroll expenditures, petty cash disbursements, allowance, credit card payments, and vehicle related expenditures. The Agency was either unable to provide any supporting documentation such as itemized receipts to indicate what was actually purchased or service provided, or the documentation provided was inadequate to establish that the expenditures were reasonable and allowable to carry out the purpose of the group home contract. DCFS will allow **$22,330** after reviewing the additional information/supporting documentation provided by your agency. **The remaining $21,050 is disallowed and must be repaid to DCFS.** (see attachment IV, IV-1 & IV-2).

- **$20,486,** paid for vehicle related expenditures such as payments for a non-agency owned vehicle, car insurance, repairs, maintenance, gasoline, and DMV registration. **$14,409** is allowed after reviewing the title certificate provided by GREENE and our calculation on the reasonable percentage (72% see Attachment V) used to benefit to the program. **The $6,077 in questioned costs remains disallowed and must be repaid.**

- **$12,275** paid for items such as groceries, fast food purchases, video games, DVDs, clothing, recreational activities, household repairs, remodeling, and other miscellaneous items. **$3,308** is allowed after reviewing the additional information/supporting documentation. **The remaining $8,967 in questioned cost remains disallowed and must be repaid to DCFS.**

- **$9,117** paid to credit card payments for items such as office supplies, home improvement supplies, cleaning supplies, groceries, and clothing. **$4,085** is

allowed after reviewing the additional information/supporting documentation. **The remaining $5,032 in questioned cost remains disallowed and must be repaid to DCFS.**

- **$1,502** paid for the allowance, foods, and recreation expenditures. **$528** is allowed after reviewing the additional information/supporting documentation. **The remaining $974 in questioned cost remains disallowed and must be repaid to DCFS.**

The Auditor-Controller (A-C) Handbook states that all revenues and expenditures shall be supported by original vouchers, invoices, receipts, timecards, mileage/travel logs, contract and/or other documentation and the unsupported expenditures shall be disallowed upon audit. Without the supporting documentation, DCFS is unable to determine the allowability. **Based on the additional documentation you supplied DCFS, a total of $35,458 remains disallowed and must be repaid.**

UNALLOWABLE COSTS

The Auditor-Controller identified **$40,073** in unallowable GH expenditures. **$33,841** is allowed after reviewing the additional information/supporting documentation, leaving the remaining unallowable costs to **$6,232** (see attachment IV & IV-3).

2. **Determine if the Assistant Director worked from January 2004 through August 2005 and to the extent it is determined that foster care funds were used to pay the undocumented salaries expenditures, take steps to recover those funds.**

   - **33,600** paid for Assistant Director Salary during the review period.

   DCFS RESPONSE: After review the resume, staff meeting attendance records, and Agency's response to the concerns from Auditor-Controller, considering the reasonableness of the salary (equivalent to the county employee item: Intermediate Typist Clerk), we allowed the payments made to Joseph Eddins (Assistant Director). Although Mr. Eddins was referred to as the "Assistant Director", he functioned as and was paid at a Clerk level.

   - **$5,909** paid for penalties and interest to Internal Revenue Service for failure to make tax deposits timely and credit card finance charges and late fees. Sections 16 and 32 of Circular A-122 identify fines, penalties, and interest payments as unallowable costs.

   - **$564** paid for employee personal expenses such as vehicle registration and penalty fees, a parking violation, repairs at the Executive Director's home, out of state food purchases and recreation activities. **$241** is allowed after reviewing

the additional information/supporting documentation provided by Greene. The remaining unallowable cost is **$323**.

These unallowable costs $6,232 has been disallowed by DCFS and must be repaid.

SEPARATION OF DUTIES

Recommendation 9: Review these procedures (separation of duties) and monitor operations to ensure compliance with them.

We have reviewed the plan of separation of duties proposed and approved by the Board of Directors. The duties are separated in compliance with the Auditor-Controller Handbook. We also conducted appropriate review on the implementation of this plan. No significant exceptions were found.

BANK RECONCILIATIONS

Recommendation 25: Ensure that Greene management takes appropriate corrective actions to address each of the internal control recommendations in this report and monitor to ensure the corrective actions result in permanent changes.

We have requested the Agency to provide the written policy for the Bank Reconciliation. We have received and reviewed the most current bank reconciliation statements to ensure the implementation of the written policy prepared by the Agency. No significant exceptions were found.

SKH:mh

Attachment III

GREENE'S HOME FOR BOYS GROUP HOME
AUGUST 29, 2006 FISCAL CORRECTION ACTION PLAN (FCAP)

COSTS ALLOWABLE BY DCFS	UNRESOLVED AMOUNT	COSTS UNALLOWABLE BY DCFS	DCFS' RESPOSE TO RECOMMENDATIONS TOTAL IN QUESTIONED COSTS $83,453
$ 14,409		$ 6,077	Vehicle Related Expenditures
$ 3,308		$ 8,967	Miscellaneous Expenditures
$ 4,085		$ 5,032	Miscellaenous Credit Card Expenditures
$ 528		$ 974	Allowance, Food, and Recreation Expenditures
$ 33,800			"Assistant Director" Salary
		$ 5,909	Penalties and Interest to IRS
$ 241		$ 323	Personal Expenses
$ 56,171		$ 27,282	

ORIGINAL QUESTIONED COSTS	$	83,453
AMOUNT ALLOWED	$	56,171
AMOUNT UNRESOLVED		
AMOUNT TO REPAID	$	27,282