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October 15, 2008

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

FROM: Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: **FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY CONTRACT REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES WRAPAROUND APPROACH SERVICES PROVIDER**

We completed a fiscal review of Five Acres The Boys' and Girls' Aid Society of Los Angeles County (Five Acres or Agency), a Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) provider.

Background

DCFS contracts with Five Acres, a private non-profit community-based organization to operate the Wraparound Program, which 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 placed or at risk of being placed in a Rate Classification Level of 12 to 14 group home, Metropolitan State hospital, etc. Five Acres' offices are located in the First and Fifth Districts.

DCFS paid Five Acres on a fee-for-service basis $4,184 per child, per month or approximately $513,000 for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether Five Acres appropriately accounted for and spent Wraparound Program 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

Generally, Five Acres' expenditures were allowable, properly documented and accurately billed to the Wraparound program as required. However, in November 2006, Five Acres inappropriately spent $8,320 Wraparound program funds on the Mental Health Program. As a result, funding to provide Wraparound services was reduced by that amount.

Five Acres management indicated that DCFS was not billed the $8,320 since their Wraparound contract is a fee-for-service contract. However, the County contract requires agencies to use all Wraparound funds for the benefit of Wraparound participants. In addition, the County contract requires surplus Wraparound funds that agencies accumulate to be returned to the County or reserved for future Wraparound services.

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

Review of Report

We discussed our report with Five Acres on December 20, 2007. In their attached response, Five Acres management indicated that DCFS was not billed the $8,320 since their Wraparound contract is a fee-for-service contract. However, as indicated above, Five Acres spent Wraparound program funds in a non-Wraparound program, which is not allowed by the contract.

We thank Five Acres 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.

WLW:MMO:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Patricia S. Ploehn, Director, Department of Children and Family Services
Ted Myers, Chief Deputy Director, Department of Children and Family Services
Susan Kerr, Senior Chief Deputy, Department of Children and Family Services
Robert A. Ketch, Executive Director, Five Acres The Boys' and Girls' Aid Society of Los Angeles County
Public Information Office
Audit Committee

WRAPAROUND APPROACH SERVICES
FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY
FISCAL YEAR 2006-07

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in Five Acres The Boys' and Girls' Aid Society of Los Angeles County's (Five Acres 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 Agency's bank reconciliation for November 2006.

Results

Five Acres properly recorded and deposited cash receipts timely. However, the bank reconciliation contained 12 checks totaling $2,313 that had been outstanding for more than 11 months.

Recommendation

1. **Five Acres management resolve reconciling items in a timely manner.**

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 21 non-payroll expenditure transactions billed by the Agency from July 2006 to December 2006, totaling $16,348.

Results

Generally, Five Acres' program expenditures were allowable, properly documented and accurately billed to the Wraparound program as required. However, Five Acres charged

$1,337 in utilities and furniture used by other programs. Subsequent to our review, Five Acres transferred the expenditures to appropriate programs.

Recommendation

2. **Five Acres management ensure that the Wraparound Program is only charged for expenditures benefiting the Wraparound Program.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Five Acres' fixed assets and equipment purchased with Wraparound funds are used for the Wraparound Program and that the items are safeguarded.

We did not perform test work in this section, as Five Acres did not use Wraparound funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL

Objective

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

Verification

We reviewed payroll expenditures of four employees totaling $4,742 for November 2006. We also reviewed the personnel files of staff assigned to the Wraparound Program.

Results

Five Acres' salaries were properly supported and 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 Five Acres' 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 Five Acres' Cost Allocation Plan and selected a sample expenditures incurred in November 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Five Acres' Cost Allocation Plan complied with the County contract requirements. However, in November 2006, Five Acres allocated $8,320 in Mental Health Program expenditures to the Wraparound Program. As a result, funding to provide Wraparound services was reduced.

Five Acres management indicated that DCFS was not billed the $8,320 since their Wraparound contract is a fee-for-service contract. However, the County contract required agencies to use all Wraparound funds for the benefit of Wraparound participants. In addition, the County contract requires surplus Wraparound funds that agencies accumulate to be returned to the County or reserved for future Wraparound services.

Five Acres needs to review their accounting records to identify non-Wraparound expenditures charged to the Wraparound Program and adjust their accounting records accordingly. Depending on the amount of non-Wraparound expenditures inappropriately charged, Five Acres may need to repay DCFS for excess Wraparound funds.

Recommendations

Five Acres management:

3. **Determine the total over allocated amount and resolve the excess funds in accordance with the County contract.**

4. **Ensure that shared costs are allocated according to the Cost Allocation Plan and the County contract.**

May 20, 2008

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

Re: Five Acres The Boys' and Girls' Aid Society of Los Angeles County Contract Review- Wraparound approach services program provider report.

Dear Mr. McCauley:

We are in receipt of the report from the Auditor Controller relating to their review of the contract between Five Acres and the Department of Children and Family Services (DCFS), covering 2006-07. This letter will address the findings indicated in the their report and provides our corrective action plan.

Cash/Revenue

Recommendation:
Five Acres management resolve reconciling items in a timely manner.

Response:
We will resolve outstanding checks within six months of issuance date.

Expenditures/Procurement

Recommendation:
Five Acres management ensure that the Wraparound Program is only charged with expenditures benefited the program.

Response:
This error was also detected by management as part of a routine billing review process. Management will continue to ensure that the Wraparound Program is charged only with expenditures which benefit the program.

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626.798.6793, TTY 626.204.1375, Fax 626.797.7722 www.fiveacres.org

Founded in 1888 as The Boys' and Girls' Aid Society of Los Angeles County | Please Remember Five Acres in Your Will
Participating Member of United Way, Inc. | Accredited Member of Child Welfare League of America/Council on Accreditation

Cost Allocation Plan

Recommendation:
Determine the over allocated amount and repay DCFS

Response:
The auditors are confusing cost reimbursement contracts with fee for service contracts, and this is a fee for service contract. We never actually billed any of these costs to DCFS. We were never paid for these costs in question. If you can show any payments from DCFS or DMH which support this audit comment, we will reconsider our position.

Recommendation:
Ensure that shared costs are allocated according to the Cost Allocation Plan and the County Contract.

Response:
Management has internal controls in place to ensure that costs are allocated to appropriate contracts.

Respectfully,

Eric Remelmeyer

Eric Remelmeyer
Chief Financial Officer