



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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September 1, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink that reads "Wendy L. Watanabe".

SUBJECT: **WASHINGTON-HANCOCK HOME FOR GIRLS, INC. – A GROUP HOME
FOSTER CARE CONTRACTOR – FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of Washington-Hancock Home for Girls, Inc. (Washington-Hancock or Agency) from January 1 through December 31, 2009. Washington-Hancock is located in the Second Supervisorial District, and is licensed to operate one group home (GH) with a resident capacity of six children.

DCFS and the Probation Department contract with Washington-Hancock to care for foster children placed in the Agency's home. DCFS paid Washington-Hancock between \$3,500 and \$3,889 per child per month, based on a rate determined by the California Department of Social Services, for a total of \$251,358 during 2009.

The issuance of our report was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal audits. To enable Washington-Hancock to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management in December 2010.

Summary of Findings

We identified \$1,672 in unsupported/inadequately supported costs. Washington-Hancock also needs to strengthen its controls over its petty cash, payroll and personnel records, fixed assets, mileage logs and ensure the Agency's insurance policy provides

the required notice in the event the policy is cancelled. Details of our findings are discussed in Attachment I.

We have recommended that DCFS resolve the questioned costs, and collect any disallowed amounts. DCFS should also ensure that Washington-Hancock management takes action to address the recommendations in this report, and monitor to ensure that the actions result in permanent changes.

Review of Report

Washington-Hancock's management declined to formally discuss this report at an exit conference, and have agreed to repay the \$1,672 in questioned costs using non-County funds. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates the Agency's general agreement with our findings and recommendations.

This audit is not intended to be, and does not constitute, the discovery or identification of an overpayment for purposes of the federal Improper Payments Act, related California State laws, including, but not limited to, Welfare and Institutions Code sections 11466.23, 11466.235, 11466.24, etc., nor State regulations intended to implement either the federal Improper Payments Act or related provisions in State law. This audit is intended solely to assist DCFS in managing its contractual relationships. Consequently, this report will be forwarded to DCFS in order that it might take further action, as it deems appropriate, based on its contents. Such further action may, or may not, include the discovery or identification of an overpayment for purposes of federal or State law.

We thank Washington-Hancock's management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:MWM

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Interim Director, DCFS
Donald H. Blevins, Chief Probation Officer
Reaver E. Bingham, Deputy Chief, Probation
Cynthia McCoy-Miller, Administrative Deputy, DCFS
Jacqueline Washington, Executive Director, Washington-Hancock Home for Girls, Inc.
Board of Directors, Washington-Hancock Home for Girls, Inc.
Cora Dixon, Bureau Chief, Foster Care Audits Bureau, CA Dept of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

Washington-Hancock Home for Girls, Inc.
Group Home Contract Provider
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified \$1,672 in unsupported/inadequately supported expenditures. Details of these expenditures are discussed below.

Applicable Regulations and Guidelines

Washington-Hancock Home for Girls, Inc. (Washington-Hancock or Agency) is required to operate its group home (GH) in accordance with the following federal, State and County regulations and guidelines:

- GH Contract, including the 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 A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unsupported/Inadequately Supported Expenditures

A-C Handbook Section A.3.2 requires that all expenditures be supported by original vouchers, invoices, receipts, cancelled checks or other documentation. Unsupported expenditures will be disallowed upon audit. In addition, A-C Handbook Section B.2.3 states that petty cash disbursements must be supported by invoices, store receipts, or other external authenticating documents, indicating the items purchased and the employee making the purchase.

We identified \$1,672 in inadequately supported petty cash, vehicle repair and clothing expenditures. The Agency did not provide itemized receipts, or the documentation provided was inadequate to show that the expenses were GH-related. For example, the Agency provided a photocopy of an \$843 vehicle repair invoice, but the customer name, address and phone number on the invoice had been noticeably altered, and the invoice and payment amounts did not agree. In addition, the odometer reading on a repair invoice for the same vehicle in September was less than the odometer reading on an invoice from the prior March.

Recommendations

- 1. DCFS management resolve the \$1,672 in questioned costs and collect any disallowed amounts.**
- 2. Washington-Hancock management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted several contract compliance issues and internal control weaknesses. DCFS should ensure that Washington-Hancock management takes action to address each of the contract compliance and internal control recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Petty Cash Controls

A-C Handbook Section B.2.3 states that an agency may have a petty cash fund of up to \$500 to pay for small incidental expenses (e.g., postage due, small purchases of office supplies, etc.). The agency should keep the petty cash fund at a set amount (imprest basis), and draw checks to establish the fund and to periodically replenish the fund to its assigned level. In addition, the agency should have documentation supporting each petty cash fund replenishment, and reference the documents to the petty cash fund reimbursement check.

We noted that Washington-Hancock does not maintain their petty cash fund on an imprest basis, and that the Agency writes reimbursement checks for \$500, regardless of how much was actually spent. In addition, the Agency does not reference supporting documentation to the petty cash fund reimbursement check as required.

Recommendation

- 3. Washington-Hancock management maintain the petty cash fund on an imprest basis by periodically replenishing the fund to its assigned amount, and reference the supporting documentation to the reimbursement checks.**

Payroll and Personnel Controls

We noted the following internal controls weaknesses in Washington-Hancock's payroll and personnel controls:

- The Agency does not have written policies and procedures for employee benefits. Circular A-122, Attachment B, Section 8.G.2 states that employee benefits are allowable costs, provided the benefits are granted in accordance with established written policies.
- We reviewed five employees' time cards for one pay period, and noted the hours on two (40%) employees' time cards were incorrectly calculated. As a result, the hours reported on the payroll register were inaccurate, resulting in a total overpayment of \$137. The Agency needs to ensure that time cards are reviewed for accuracy.

Recommendations

Washington-Hancock management:

- 4. Develop written policies and procedures for employee benefits.**
- 5. Ensure time cards are reviewed for accuracy before processing.**
- 6. Resolve the \$137 overpayment.**

Fixed Assets

A-C Handbook Section B.4.2 requires agencies to tag all fixed assets, and keep a current listing of fixed assets, including the item description, serial number, date of purchase, acquisition cost and source(s) of funding used to purchase the asset. In addition, agencies should conduct an inventory of fixed assets at least annually, to ensure that all fixed assets are accounted for, and maintained in proper working order.

We noted that the Agency does not tag its fixed assets. In addition, although the Agency tracks the general categories of assets (i.e., computers, vehicles, etc.), the fixed asset listing does not include the item description, serial number, date of purchase, acquisition cost and source(s) of funding for all items. We also noted that the Agency does not inventory fixed assets on an annual basis, as required.

Recommendations

Washington-Hancock management:

- 7. Ensure fixed assets are appropriately tagged, and maintain a listing that includes the item description, serial number, date of purchase, acquisition cost and source(s) of funding for all items.**
- 8. Inventory fixed assets at least annually to ensure that all fixed assets are accounted for and maintained in proper working order.**

Vehicle Mileage Logs

A-C Handbook Section A.3.2 requires agencies to maintain vehicle mileage logs that identify the date, destination, headquarter, purpose of trip, beginning and ending odometer readings, and the resulting mileage for all vehicles. In addition, the mileage logs must clearly distinguish business and personal travel.

The Agency's mileage logs indicated general destinations (i.e., Albertsons, Walmart, etc.), and the approximate distances from the GH. However, the logs did not list travel dates, headquarters, purpose of trip, beginning and ending odometer readings, the resulting mileage, or clearly distinguish business and personal travel.

Recommendation

- 9. Washington-Hancock management maintain mileage logs that identify the dates, destination and headquarters, purpose of trip, beginning and ending odometer readings, the resulting mileage, and clearly distinguish business and personal travel.**

Insurance

GH Contract Section 5.1.3 requires agency insurance policies to expressly indicate that the County must be given a written notice by mail at least 30-days before the cancellation of all policies evidenced on the certificate of insurance. The Agency's insurance certificate only provides ten-days notice for non-payment of the premium.

Recommendation

- 10. Washington-Hancock management ensure the Agency's insurance policy provides the County a 30-day advance written notice of a policy cancellation.**



**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

JACKIE CONTRERAS, Ph.D.
Interim Director

June 2, 2011

Jacqueline Washington, Executive Director
Washington-Hancock Home for Girls, Inc.
517 W. 48th Street
Los Angeles, CA 90037

Board of Supervisors
GLORIA MOLINA
First District
MARK RIDLEY-THOMAS
Second District
ZEV YAROSLAVSKY
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

Dear Ms. Washington:

**AUDITOR-CONTROLLER'S FISCAL REVIEW OF WASHINGTON HANCOCK HOME FOR
GIRLS, INC. - A GROUP HOME FOSTER CARE CONTRACTOR**

We have reviewed your fiscal corrective action plan (FCAP) in response to the Auditor Controller's fiscal audit report for the period of January 1, through December 31, 2009. The FCAP fully addresses the 10 recommendations (see Attachment I). In addition, the one recommendation directed to DCFS was fully addressed. Please submit all requested documents as identified in the DCFS response within 15 days.

DCFS requires that Washington-Hancock Home for Girls, Inc., as agreed, to submit a check drawn on non-foster care funds in the total amount of \$1,672.00. Please make your check payable to DCFS Cashier and mail to:

Latisha Thompson, ASM III
Department of Children and Family Services
425 Shatto Place Rm. 304
Los Angeles, Ca. 90020

The Department requires that you identify the source of the funds from which payment will be made.

If you have any questions, please contact Ali Gomaa-Mersal of my staff at (213) 351-3209.

Sincerely,

A handwritten signature in cursive script that reads "Latisha Thompson".

Latisha Thompson, ASM III
Fiscal Monitoring and Special Payments

Attachments

- c: Mike McWatters, Chief Audit Division (via electronic mail only)
- Sandra Gomez, Principal Accountant-Auditor (via electronic mail only)

"To Enrich Lives Through Effective and Caring Service"

FISCAL REVIEW WASHINGTON HANCOCK HOME FOR GIRLS, INC. - A GROUP HOME FOSTER CARE CONTRACTOR

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP received on June 1, 2011, submitted by Washington-Hancock Home for Girls, Inc., status of each recommendation is summarized as follows:

- 10 Recommendations (1-10) were fully addressed.
- Recommendations () were partially addressed.
- 1 Recommendation (1) directed to the Department was addressed.

Recommendation Status

1. **DCFS management resolve the \$1,672 in questioned costs and collect any disallowed amounts.**

Agency Proposed FCAP: Washington Hancock Home agreed to repay the \$1,672.00 in disallowed and questionable cost. The executive director will issue a check from his personal funds.

DCFS Response: DCFS accepts the agency's response. DCFS requires that Washington-Hancock Home for Girls, Inc., as agreed, to submit a check drawn on non-foster care funds **in the amount of \$1,672.00**. The Department requires that you identify the source of the funds from which payments will be made. Please make your check payable to **DCFS Cashier** and mail to:

Latisha Thompson, ASM III
Department of Children and Family Services
425 Shatto Place Rm. 304
Los Angeles, Ca. 90020

2. **Washington-Hancock management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

Agency Proposed FCAP: Washington Hancock management will maintain adequate supporting documentation for all agency expenditures with original itemized invoices, receipts and or contracts.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

- 3. Washington-Hancock management maintain the petty cash fund on an imprest basis by periodically replenishing the fund to its assigned level and reference the supporting documentation to the reimbursement check.**

Agency Proposed FCAP: Washington Hancock has established the petty cash fund on an imprest basis. The petty cash fund will be reimbursed when then fund has reached the expense amount of \$475.00. The petty cash fund will not be used as a substitute for regular purchasing or disbursement practices. The petty cash recap form will include the date, amount, item description and the purpose of the expense.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

- 4. Washington-Hancock management create and distribute written employee policies and procedures that address employee benefits.**

Agency Proposed FCAP: Washington Hancock will add to the employee handbook policies and procedures to disclose all employee benefits.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation and a copy of the updated employee hand book to Fiscal Monitoring and Special Payments Unit.

- 5. Washington-Hancock management ensures time cards are reviewed for accuracy prior to processing payment.**

Agency Proposed FCAP: Washington Hancock will ensure that supervisors will consistently review all employees' timecards to verify the accuracy of the hours work before they are process for payment.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

- 6. Washington-Hancock management resolves the \$137 overpayment.**

Agency Proposed FCAP: Washington Hancock has agreed to pay the \$137 in overpayment. Please see recommendation 1.

DCFS Response: DCFS accepts the agency's response.

7. **Washington-Hancock management ensure fixed assets are appropriately tagged and maintain a listing that includes the item description, serial number, date of purchase, acquisition cost and source(s) of funding.**

Agency Proposed FCAP: Washington Hancock will ensure that all fixed assets purchased with a cost value of \$500 or more and purchased with County funds will be appropriately accounted for. An annual inventory will be performed and all fixed assets will be tagged. In addition a fixed assets list will be keep that will include the serial number, acquisition date, cost, and source of funding for the acquisition of the fixed asset.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

8. **Washington-Hancock management inventory fixed assets at least annually to ensure that all fixed assets are accounted for and maintained in proper working order.**

Agency Proposed FCAP: Washington Hancock management will ensure that all fixed assets purchased with a cost value of \$500 or more and purchased with County funds will be appropriately accounted for. An annual inventory will be performed and all fixed assets will be tagged. In addition a fixed assets list will be keep that will include the serial number, acquisition date, cost, and source of funding for the acquisition. A periodic physical review will be performed to ensure that they are maintained in proper working order.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

9. **Washington-Hancock management maintain mileage logs that identify the dates, destinations and headquarters, purpose of trip, beginning and ending odometer readings, the resulting mileage, and clearly distinguish business and personal travel.**

Agency Proposed FCAP: Washington Hancock management will maintain mileage logs for all vehicles use by the agency. This log will identify the date of the trip, destination from and to, purpose of trip, beginning and ending odometer reading miles, total miles and identify a business or personal trip.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation.

10. **Washington-Hancock management ensures the Agency's insurance policy provides the County a 30-day advance written notice of a policy cancellation.**

Agency Proposed FCAP: Washington Hancock management will ensure that the Agency's insurance policy provides the County of Los Angeles a 30 days advance written policy notice of cancellation.

DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation and a copy of the updated Insurance Policy Certificate to Fiscal Monitoring and Special Payments Unit.