COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

July 18, 2013

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **DOMESTIC ABUSE CENTER – A DEPARTMENT OF PUBLIC SOCIAL SERVICES DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

At the request of the Department of Public Social Services (DPSS), we completed a program and fiscal review of Domestic Abuse Center (DAC or Agency), which covered a sample of transactions from July 2011 through December 2012. DPSS contracts with DAC, a non-profit organization, to provide Domestic Violence Supportive Services (DVSS) Program services to eligible victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims.

The purpose of our review was to determine whether DAC appropriately accounted for and spent DVSS Program funds to provide the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid the Agency approximately $225,000 on a cost-reimbursement basis from July 2011 through December 2012. DAC provides services to residents of the Third Supervisorial District.

Results of Review

DAC provided services to eligible participants, recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. However, the Agency did not always comply with all of the County contract requirements. For example, DAC:

- Did not ensure that loans from the Executive Director totaling $225,825 were supported by formal loan agreements identifying the terms and purpose of the loans including the loan amounts, dates of the loans, and loan repayment plans. After our review, the Agency developed a written loan agreement that contained all of the required information.

  DAC's attached response indicates that they will ensure loans and loan repayments are properly documented.

- Inappropriately charged $88,443 in payroll costs to the DVSS Program using employees' monthly budgeted salary rates, instead of using the employees' hourly pay rates and actual hours worked, resulting in overpayments to employees and overbillings to DPSS.

  DAC's response indicates that they are now allocating payroll costs based on the employees' hourly pay rates and actual hours worked. In addition, DAC indicated that they will review and reallocate all payroll costs charged to the DVSS Program during Fiscal Year 2011-12, provide DPSS with supporting documentation, and repay any overbilled amounts.

- Inappropriately allocated $18,346 to the DVSS Program for the Executive Director's salary based on an estimated rate, instead of using an allowable method based on actual conditions as required.

  DAC's response indicates that they will reallocate the Executive Director's salary using an allowable method, provide DPSS with supporting documentation, and repay any overbilled amounts.

- Did not have a Cost Allocation Plan (Plan) that complied with the County contract.

  DAC's response indicates that they will develop a Plan that complies with the County contract.

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

Review of Report

We discussed our report with DAC and DPSS in June 2013. DAC's attached response indicates agreement with our findings and recommendations. DPSS will work with DAC to ensure that our recommendations are implemented.

We thank DAC management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Sheryl L. Spiller, Director, DPSS
Claudia Cuevas, Board Chair, DAC
Gail Pincus, Executive Director, DAC
Public Information Office
Audit Committee

DOMESTIC ABUSE CENTER
DOMESTIC VIOLENCE SUPPORTIVE SERVICES PROGRAM
JULY 2011 THROUGH DECEMBER 2012

ELIGIBILITY

Objective

Determine whether the Domestic Abuse Center (DAC or Agency) provided services to individuals who met the Domestic Violence Supportive Services (DVSS) Program eligibility requirements.

Verification

We reviewed the case files for 12 (18%) of the 67 participants who received services during April and May 2012 for documentation to confirm their eligibility for DVSS Program services.

Results

DAC had documentation to support all 12 participants' eligibility for DVSS Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether DAC provided the services required by their County contract and DVSS Program guidelines, and whether the Program participants received the billed services.

Verification

We visited DAC's service site, and reviewed the case files for 12 (18%) of the 67 participants who received services during April and May 2012.

Results

DAC provided services in accordance with their County contract.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether DAC's staff had the qualifications required by their County contract.

Verification

We reviewed the personnel files for three (60%) of the five DAC employees who worked on the DVSS Program.

Results

DAC's staff had the qualifications required by their County contract.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether DAC recorded revenue in the Agency's financial records properly, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed DAC management, and reviewed the Agency's financial records and June and December 2012 bank reconciliations.

Results

DAC recorded revenue in their financial records properly, deposited Department of Public Social Services (DPSS) payments into the Agency's bank account timely, and Agency management reviewed and approved monthly bank reconciliations. However, the Agency's accounting records indicated that the Agency had borrowed $225,825 from its Executive Director to cover its operating expenses. The loans from the Executive Director were not supported by formal loan agreements identifying the terms and purpose of the loans including the loan amounts, dates of the loans, and loan repayment plans.

After our review, the Agency developed a written loan agreement. We reviewed the loan agreement and noted it contained all of the required information.

Recommendation

1. **DAC management ensure all loans from the Executive Director and the loan repayments are properly documented.**

EXPENDITURES

Objective

Determine whether expenditures charged to the DVSS Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed DAC personnel, and reviewed financial records for five non-payroll expenditures, totaling $9,071, that the Agency charged to the DVSS Program during Fiscal Year (FY) 2011-12.

Results

DAC's expenditures were allowable, properly documented, and accurately billed.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether DAC charged payroll costs to the DVSS Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for three employees, totaling $3,620, for April and May 2012 to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for three DAC DVSS Program staff.

Results

DAC inappropriately charged $2,711 (75%) of the $3,620 in payroll costs reviewed to the DVSS Program. As a result, we expanded our review, and noted an additional

$104,078 in payroll costs that were inappropriately allocated to the DVSS Program for FY 2011-12. Specifically, the Agency:

- Used employees' monthly budgeted salary rates to charge $88,443 in payroll costs to the DVSS Program, instead of using the employees' hourly pay rates and actual hours worked, resulting in overpayments to employees and overbillings to DPSS.

- Inappropriately allocated $18,346 to the DVSS Program for the Executive Director's salary based on an estimated rate, instead of using an allowable method based on actual conditions as required.

Recommendations

DAC management:

2. **Review and reallocate all payroll costs charged to the DVSS Program during FY 2011-12, provide DPSS with supporting documentation, and repay any overbilled amounts.**

3. **Ensure that all payroll costs charged to the DVSS Program are allowable, properly documented, and accurately billed.**

COST ALLOCATION PLAN

Objective

Determine whether DAC prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed DAC's Plan, and a sample of expenditures from FY 2011-12.

Results

DAC's Plan was not prepared in compliance with their County contract. Specifically, the Agency's Plan did not include the method used to allocate shared costs. In addition, DAC inappropriately allocated payroll costs to the DVSS Program as discussed earlier.

Recommendations

Refer to Recommendations 2 and 3.

4. **DAC management develop a Plan that complies with the County contract.**

CLOSE-OUT REVIEW

Objective

Determine whether DAC had any unspent revenue for the DVSS Program for FY 2011-12.

Verification

We traced the total revenues and expenditures from DAC's FY 2011-12 close-out report to the Agency's accounting records, and to DPSS' payment records.

Results

DAC's close-out report indicated that they did not have any unspent revenue for FY 2011-12. However, the Agency needs to revise their accounting records based on our recommendations above, provide DPSS with a revised close-out report for FY 2011-12, and repay any unspent revenue.

Recommendation

5. **DAC management revise their accounting records based on the recommendation above, provide DPSS with revised close-out reports for FY 2011-12, and repay any unspent revenue.**

DOMESTIC ABUSE CENTER
14402 HAYNES STREET, SUITE 204
VAN NUYS CA. 91401
(818) 904 1700
FAX" (818) 904 1750
EMAIL: DAC999@SBCGLOBAL.NET

County of Los Angeles Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, Ca. 90012- 8301

Dear Wendy L. Watanabe, Auditor controller

We have read the DPSS Domestic Violence Supportive Services Contract Compliance Review and have commented on the following recommendations.

Cash /Revenue
A loan and repayment plan agreement has been produced and accepted by the Auditor Controller's representatives on site. All future transactions of this type or any type will be properly documented and agreed upon by the Board of Directors for review by DPSS and the Auditor Controller.

Payroll and Expenses
We were using a cost averaging system for payroll and not an hourly billing system. That was brought to our attention with the audit in August 2012. We immediately corrected that error and went back to July 1, 2012 and corrected payroll to reflect hourly time sheets and have continued that method in our accounting practices since that time. At the end of each fiscal year, or grant period, we have not charged DPSS in excess of the budgeted salaries and have made up the difference out of our unrestricted funds.

We showed the program auditor from DPSS what we had done to correct our error when she was here this April.

We will cooperate with DPSS to review and correct our records for fiscal 2011/2012 and formulate a plan to resolve this issue. We will recalculate the payroll and reconcile with time sheets and make plans to repay if there is a finding of overpayment.

The Executive Directors payroll amounts require a cost allocation plan to allocate the hours or percentages of time spent on the grant in an acceptable and allowable manner and repay any overpayments. This plan will be reviewed with DPSS and done with their input and recommendations.

Cost Allocation Plan

DOMESTIC ABUSE CENTER
14402 HAYNES STREET, SUITE 204
VAN NUYS CA. 91401
(818) 904 1700
FAX" (818) 904 1750
EMAIL: DAC999@SBCGLOBAL.NET

We are working to resolve this issue to produce a cost allocation plan that is acceptable and allowable that will include indirect and direct costs including the Executive Director's salary allocated to Cal Works.

Close Out Review

We will cooperate with DPSS to review records and correct records and resolve and repay any overpayments to resolve this issue for 2011/2012. This review and correction of records will be done with the oversight and approval of DPSS.

Gail J. Pincus, LCSW
Executive Director
Domestic Abuse Center
14402 Haynes Street, Suite 204
Van Nuys, Ca. 91401
June 12, 2013