At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of Murrell’s Farm and Boys Home (Murrell’s or Agency) from January 1, 2012 through December 31, 2012. Because of some questionable accounting practices noted during our review, we expanded our scope to include a review of expenditures that occurred from January 1, 2011 through December 31, 2011, and October 1, 2013 through December 31, 2013. We completed our review on December 9, 2014, and discussed our report with Murrell’s and DCFS.

The issuance of this report was significantly delayed to provide the Agency with certain due process procedures required by State Law and the Agency’s contract. In August 2007, the State Legislature enacted Senate Bill 84 (SB 84), Overpayments Recovery for Foster Care Providers. SB 84 allows foster care providers to appeal overpayments identified through, “informal hearings” conducted by the County, “formal hearings” conducted by the California Department of Social Services (CDSS), or both. These statutory appeal procedures were also incorporated into the Agency’s contract with DCFS.

We do not issue reports until the Agency’s due process activities are complete. Currently, we have 18 Group Home and Foster Family Agency audit reports impacted by SB 84. We have received informal or formal hearing responses for 13 (72%) of the 18 reports. For four (31%) of the 13 reports (including Murrell’s), DCFS significantly reduced the questioned costs during the informal hearing process and we plan to issue those reports to the Board of Supervisors. Refer to “Review of Report” section for details specific to Murrell’s. Since the remaining nine (69%) of the 13 responses did not
note any material variances from the Auditor-Controller’s reviews, we will issue the nine reports to the DCFS Director, and issue a summary of findings report to the Board. The remaining five (28%) of the 18 reports are pending informal or formal hearing decisions from DCFS or the State.

Murrell’s is licensed to operate three group homes (GH) with a resident capacity of six children each. Murrell’s GHs are located in the Fifth Supervisorial District. DCFS contracts with Murrell’s to care for foster children placed in the Agency’s homes. DCFS paid Murrell’s between $7,388 and $7,959 per child per month in calendar years 2011 through 2013. These rates were determined by CDSS. DCFS paid Murrell’s a total of $3,493,163 during January 1, 2011 through December 31, 2013.

Results Summary

We identified $187,896 in total questioned costs, which included $16,283 in unallowable expenditures, and $171,613 in unsupported or inadequately supported expenditures. For example, Murrell’s withdrew $168,687 in cash from January 1, 2011 through December 31, 2012, and October 1, 2013 through December 31, 2013. Agency management indicated the cash was used for GH operations. However, the Agency did not provide appropriate documentation to support the expenditures. In addition, the practice of using cash is not allowed.

Murrell’s response, which is incorporated into DCFS’s attached response, indicates that Murrell’s will request a repayment plan with the County once the appeal process has been completed. As explained in the “Review of Report” section below, Murrell’s requested an informal hearing with DCFS to appeal our audit findings. During the informal hearing, DCFS reduced the amount of questioned costs to $65,803. Murrell’s entered into an agreement with the County on December 5, 2017 to repay the $65,803. As of April 16, 2018, Murrell’s has repaid $7,400.

DCFS conducted follow-up reviews of the Agency in January and November 2017 and confirmed that Murrell’s did not make cash withdrawals during DCFS’s period of review.

In addition, Murrell’s, did not:

- Have an equitable Cost Allocation Plan.

Murrell’s response, which is incorporated into DCFS's attached response, indicates the Agency will develop an appropriate Cost Allocation Plan and will re-allocate all shared expenditures for the period reviewed. DCFS conducted follow-up reviews of the Agency in January and November 2017 and determined that Murrell’s was no longer required to have a Cost Allocation Plan, as the County was the Agency’s single source of revenue.
• Maintain adequate internal controls over their accounting and disbursement processes, payroll and personnel, bank reconciliations, fixed assets, and Board of Directors’ meeting minutes.

Murrell’s response, which is incorporated into DCFS’s attached response, indicates the Agency has established procedures to improve the internal control issues noted during our review. DCFS conducted follow-up reviews of the Agency in January and November 2017 and noted most of the corrective actions for the internal control issues had been implemented. DCFS will continue to conduct on-site follow-up reviews of Murrell’s at 90-day intervals to ensure the Agency implements all corrective actions.

As part of our review, we also followed up on 20 recommendations from our April 8, 2008 audit of Murrell’s, and noted the Agency had not implemented 16 (80%) of the recommendations.

Given the significance of Murrell’s questionable fiscal and management practices, we recommend that DCFS require Murrell’s to correct the deficiencies noted in our report immediately. If the Agency has not corrected the deficiencies noted, DCFS should consider taking the action necessary to place the Agency in the County’s Contractor Alert Reporting Database (CARD) and consider whether to continue contracting with Murrell’s. If DCFS continues contracting with Murrell’s, DCFS should ensure that the quality of care provided to placed children is not affected by the Agency’s questionable fiscal practices.

Details of our findings and recommendations are discussed in Attachment I.

**Review of Report**

On January 16, 2015, Murrell’s requested an informal hearing with DCFS to appeal our audit findings. DCFS conducted the informal hearing on March 23, 2015. However, DCFS deferred issuing the informal hearing decision due to inconsistent guidance from CDSS regarding SB 84. During this time, CDSS dismissed several formal hearings requested by other foster care providers to appeal our audit findings. CDSS stated the County’s audit findings on misuse of funds were not within their administrative purview and thus not subject to review in a State formal hearing. Specifically, CDSS distinguished between “beneficiary specific” and “non-beneficiary specific” overpayments, and concluded that formal hearings are only for appeals of beneficiary specific overpayments. Beneficiary specific overpayments occur when a foster care provider is paid to care for a specific child when that child is not under the care of the provider. This audit report addresses non-beneficiary specific overpayments only. On October 9, 2017, we received a letter from CDSS confirming they do not have jurisdiction to hear appeals of County fiscal audit reviews and only hear overpayment appeals of beneficiary specific overpayments.
DCFS issued its informal hearing decision for Murrell’s on November 7, 2017. DCFS indicated that they conducted the hearing in accordance with the State’s initial SB 84 implementation instructions. After consulting with County Counsel, DCFS reduced the total questioned costs by $119,463, from $187,896 to $68,433.

For the remaining questioned costs totaling $68,433, Murrell’s provided documentation at the informal hearing to support some of the disputed costs. DCFS reviewed the documentation and reduced the questioned costs by an additional $2,630, resulting in only $65,803 ($187,896 - $119,463 - $2,630) in questioned costs. Murrell’s entered into a repayment agreement with the County on December 7, 2017.

The Auditor-Controller was not included in the informal hearing and was not given an opportunity to review DCFS’s decision or the documentation Murrell’s submitted to DCFS. As a result, we do not know whether the documentation appropriately supports DCFS’s decision to reduce the questioned costs identified in this audit report. Accordingly, we cannot confirm the accuracy of DCFS’s decision. Therefore, this report does not reflect the informal hearing decision.

Details of our review, along with recommendations for corrective action are included in Attachment I. Murrell’s Fiscal Corrective Action Plan (FCAP) was approved by DCFS (Attachment II) and indicates general agreement with our findings and recommendations. DCFS will continuously conduct on-site follow-ups of the Agency at 90-day intervals to ensure the Agency’s implementation of their FCAP.

We thank Murrell’s management and staff for their cooperation and assistance during our review. If you have any questions please contact me, or your staff may contact Agripino Alonso at (213) 253-0301.

JN:AB:PH:AA:EB:sgd

Attachments

c:  Sachi A. Hamai, Chief Executive Officer
    Bobby Cagel, Director, Department of Children and Family Services
    Joseph Kelly, Treasurer and Tax Collector
    Emmett Murrell, Executive Director, Murrell’s Farm and Boys Home
    Phil Deseriere, Board President, Murrell’s Farm and Boys Home
    Constance Rangel, Audit Manager, Program/Provisional Unit, CDSS
    Commission for Children and Families
    Audit Committee
    Countywide Communications
MURRELL’S FARM AND BOYS HOME
GROUP HOME FOSTER CARE CONTRACT PROVIDER
JANUARY 1, 2011 THROUGH DECEMBER 31, 2012 AND
OCTOBER 1 THROUGH DECEMBER 31, 2013

REVIEW OF EXPENDITURES/REVENUES

We identified $187,896 in total questioned costs, which included $16,283 in unallowable expenditures, and $171,613 in unsupported or inadequately supported expenditures.

As a part of our review, we also followed-up on 20 recommendations from our April 8, 2008 audit of Murrell’s Farm and Boys Home (Murrell’s or Agency), and noted the Agency had not implemented 16 (80%) of the recommendations.

Details of these expenditures and findings are discussed below.

Unallowable Expenditures

Our review noted the following unallowable expenditures, totaling $16,283:

- $6,800 in payments to a former Board of Directors (Board) member and the Agency’s Executive Director (ED). Murrell’s indicated the payments related to loans made by the Agency to a former Board member and the Agency’s ED. Specifically, Murrell’s claimed they loaned the former Board member a total of $6,000 and the Agency’s ED a total of $5,000. However, the use of Program funds for this purpose is prohibited by Office of Management and Budget Circular A-122 (OMB Circular A-122) Attachment B Section 19, Attachment A Section 2(a), and the Group Home (GH) Contract Section 24.2.

  We verified that the ED reimbursed the Agency $2,500 of the $5,000 loaned to him, and that the former Board member passed away before repaying the amount the Agency reported loaning him. As a result, we questioned only the County’s portion ($6,800) of the remaining $8,500 ($11,000 - $2,500) in outstanding loans. The Agency also did not establish legally enforceable promissory notes that govern the repayment of the loaned funds, and the Agency’s accounting records did not include receivables for the loaned funds.

- $4,473 in legal fees for labor code violations, a California Care Licensing fine, and a late fee. OMB Circular A-122 Attachment B, Section 16 indicates that fines and penalties are unallowable. We also noted unallowable fines and late fees in our April 8, 2008 report.

- $1,516 in finance charges and interest payments, which are prohibited by OMB Circular A-122 Attachment B Section 23. We also noted unallowable interest payments in our April 8, 2008 report.
Murrell’s Farm and Boys Home – Fiscal Compliance Review

- $1,363 in payments to the ED for personal expenditures (e.g., reimbursement for the purchase of animal feed for the ED’s farm, gasoline for ED’s personal vehicle, etc.). Use of funds for personal expenditures is prohibited by OMB Circular A-122 Attachment B Section 19. We also noted unallowable payments for personal expenditures in our April 8, 2008 report.

- $1,300 in non-salary payments to two individuals. Agency management indicated the payments were reimbursements of loans the individuals made to the Agency. However, Murrell’s did not provide documentation showing that the $1,300 was ever loaned to the Agency and we were unable to determine if the funds were deposited into an Agency bank account, as required by the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) Section A.3.2. In addition, Murrell’s did not establish written loan agreements, and the Agency did not maintain records that the Agency’s Board approved each of the loans in advance, as required by A-C Handbook Section A.3.2. We also noted in our April 8, 2008 report that the Agency claimed unsupported payments to individuals were loan repayments.

- $831 in other unallowable expenditures for advertisement, entertainment, gratuities, and a medical bill that should have been covered by the Agency’s worker’s compensation insurance. These expenditures are unallowable by OMB Circular A-122 Attachment B, Sections 1, 14, and 22(a)(3).

Unsupported or Inadequately Supported Expenditures

A-C Handbook Section A.3.2 states that all expenditures must be supported by original vouchers, invoices, receipts, or other supporting documents. Unsupported expenditures will be disallowed on audit.

Our review noted the following unsupported or inadequately supported expenditures totaling $171,613:

- $168,687 in unsupported cash withdrawals and checks payable to “CASH”. Agency management indicated the cash was used for GH operations and provided some documentation in an effort to support the expenditures. However, we explained to Murrell’s why we did not accept their documentation. Specifically, expenditure receipts dated before and after the cash withdrawals could not be directly linked to the $168,687 reviewed. In addition, the documentation provided did not establish that the expenditures were applicable to their County Program. A-C Handbook Section B.2.1 requires that all disbursements, other than petty cash, be made by check. Checks should not be payable to “CASH”. Murrell’s use of cash to pay non-incidental expenditures was in violation of their County contract.

We also noted unsupported cash transactions in our April 8, 2008 report. Murrell’s fiscal corrective action plan the Agency submitted in response to the recommendations made in our 2008 report indicated they would discontinue making
checks payable to “CASH”. However, Murrell’s did not follow their fiscal corrective action plan and continued to make checks payable to “CASH” and make excessive cash withdrawals.

- $2,926 in unsupported or inadequately supported payments for repairs, telephone charges, hotels, and recreational activities. The Agency did not provide itemized invoices or receipts, or the documentation provided did not support that the expenditures were applicable to their County Program.

Recommendations

Murrell’s Farm and Boys Home management:

1. Repay the Department of Children and Family Services $187,896 ($16,283 + $171,613) in questioned expenditures.
2. Immediately discontinue the practice of loaning foster care funds and ensure foster care funds are only used for allowable expenditures.
3. Immediately prepare a valid, legally enforceable promissory note that shall govern the repayment of the loaned funds.
4. Ensure all funds lent to the Agency are deposited into an Agency bank account.
5. Obtain Board of Directors approval prior to the Agency borrowing funds, and establish written loan agreements for existing loans and for any future loans indicating the amounts borrowed and the repayment terms.
6. Immediately discontinue making cash withdrawals or making checks payable to “CASH”, and ensure all expenditures are paid by check to specific persons or vendors.
7. Maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.

Cost Allocation

Murrell’s did not maintain an appropriate written Cost Allocation Plan (Plan) as required by the GH Contract Section 24.2. Murrell’s received funding from multiple non-County sources for their GH Program. However, Murrell’s allocated expenditures to the County based on revenue received, which is not an acceptable allocation method. Murrell’s needs to develop an appropriate Plan, and use the Plan to re-allocate all shared expenditures charged to the County.
Recommendation

8. Murrell’s Farm and Boys Home management develop an appropriate Cost Allocation Plan and use the Cost Allocation Plan to re-allocate all shared expenditures during the periods reviewed.

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

Our review noted several contract compliance issues and internal control weaknesses that impact the Agency’s ability to appropriately safeguard Program funds. The areas impacted include accounting and disbursements, payroll and personnel, bank reconciliations, fixed assets, and semi-annual expenditure reporting. We also noted that Murrell’s did not always appropriately certify Board meeting minutes as required. Specifically, we noted the following:

Accounting and Disbursements

- Murrell’s did not post all transactions in their accounting records. As discussed above, the Agency’s accounting records did not include receivables for the payments made to the former Board member and the ED that the Agency claimed were loans. In addition, in January 2012 the Agency withdrew and spent $11,900 in cash but only recorded $8,000 in expenditures. We also noted similar deficiencies in our April 8, 2008 report.

- For 28 (85%) of the 33 expenditures reviewed, the supporting documentation did not reference the check numbers, and for 26 (79%) of the 33 expenditures reviewed, the documentation was not marked “PAID” or otherwise cancelled, as required by A-C Handbook Section B.2.1. We also noted supporting documentation was not referenced to check numbers or marked “PAID” in our April 8, 2008 report.

- For all five checks reviewed over $1,000, the checks did not have a second signature, as required by A-C Handbook Section B.2.1. In addition, the ED signed all checks payable to himself. Proper disbursements procedures require a second signature from someone independent of the transaction and at a higher level (e.g., Board member) to verify the appropriateness of the expense. We also noted checks requiring a second signature, and checks where the payee was also the check signer in our April 8, 2008 report.

Recommendations

Murrell’s Farm and Boys Home management:

9. Ensure all Agency related expenditures are reflected in the accounting records.
10. Ensure all supporting documentation is referenced to check numbers and marked “PAID” or otherwise cancelled to prevent reuse.

11. Require a second signature on all checks from someone independent of the transaction, and at a higher level.

Payroll/Personnel Records

We reviewed the payroll and personnel records of ten employees and noted the following:

- Five (50%) employees did not sign their timesheets. In addition, one (10%) employee’s timesheet was not signed by her supervisor and two (20%) employees' timesheets had a rubber stamp signature instead of their supervisor’s original signature. As a result, we question whether the supervisors reviewed the timesheets. We also noted missing employee and supervisor signatures on timesheets in our April 8, 2008 report.

- Three (30%) employee personnel files did not contain documentation authorizing the employee’s current salary rate. We also noted this issue in our April 8, 2008 report.

- Three (30%) employees’ benefit balances were not properly tracked. Specifically, two employees did not accrue compensatory time even though they earned it, and one employee was inappropriately paid sick time.

- The ED’s timesheet was not approved by an independent member of the Agency’s Board.

A-C Handbook Section B.3.1 states that timesheets or time reports must be prepared for each pay period, and must be signed by the employee and supervisor to certify the accuracy of the reported time. In addition, the CDSS Manual of Policy and Procedures Section 11-402 requires that supporting documentation be maintained for all program expenditures, including employee salary rates. A-C Handbook Section B.3.2 requires that employee benefit balances (e.g., sick time, vacation, compensatory time, personal time, etc.) be maintained on at least a monthly basis. Benefit balances should be increased when benefit hours are earned and decreased as hours are used.

Recommendations

Murrell’s Farm and Boys Home management ensure:

12. Timesheets are signed by the employee and supervisor to certify the accuracy of the reported time.

13. Personnel files contain proper documentation authorizing the employee’s current salary.
14. Employee benefits are recorded and updated accurately, benefit overpayments are recouped, and benefit logs are adjusted accordingly.

15. The Executive Director's timesheets are approved by an independent Board member.

Bank Reconciliations

Murrell's maintains seven bank accounts, consisting of an operating account for each of its three homes, a main operating account, a payroll account, a savings account, and an expenditure account for the ED. We reviewed the processes used by the Agency to complete bank reconciliations and noted the following:

- Murrell's did not reconcile five (71%) of their seven bank accounts.
- Murrell's prepared their December 2012 bank reconciliations for two accounts (main operating and payroll accounts) 31 days late. Also, the reconciliations were not signed or dated by the preparer and reviewer. In addition, we noted 27 checks totaling $18,877 that were outstanding for over six months.

A-C Handbook Section B.1.4 states that monthly bank reconciliations should be prepared within 30 days of the bank statement date and be reviewed by management for appropriateness and accuracy. Both the preparer and the reviewer should sign and date the bank reconciliations, and reconciling items should be resolved timely.

We also noted in our April 8, 2008 report, that Murrell's did not complete bank reconciliations for all their bank accounts and the completed reconciliations were not signed by the preparer or reviewer.

Recommendation

16. Murrell's Farm and Boys Home management ensure bank reconciliations are prepared within 30 days of the bank statement date, are signed and dated by both the preparer and the reviewer, and reconciling items are resolved timely.

Fixed Assets

The Agency does not tag its fixed assets and its fixed asset listing did not include the serial numbers, date of purchase, and source(s) of funding. A-C Handbook Section B.4.2 requires agencies to tag all fixed assets, and keep a current fixed assets listing, including the item description, serial number, date of purchase, acquisition cost and source(s) of funding.

We also noted the Agency’s fixed assets were not tagged and the fixed asset listing did not include all the required information in our April 8, 2008 report.
Recommendation

17. Murrell’s Farm and Boys Home management ensure all assets are tagged and ensure the fixed assets listing also includes the items’ serial numbers, date of purchase, acquisition cost, and the source(s) of funding.

Board Meeting Minutes

We reviewed the Board meeting minutes for calendar year 2012 and noted that the secretary did not certify the minutes by signing them, as required. California Corporations Code Section 5215 requires the secretary to certify the Board meeting minutes by signing them.

Recommendation

18. Murrell's Farm and Boys Home management ensure the Board meeting minutes are signed by the Board Secretary.

Semi-Annual Expenditure Reports

Murrell’s submitted their June 2011 and June 2012 Semi-Annual Expenditure Reports (SAER) up to seven months late. In addition, as of October 15, 2014 Murrell's had not submitted their 2013 SAERs. GH Contract Section 16.2 requires agencies to submit the SAER to DCFS within 60 days after the end of each semi-annual reporting period.

Furthermore, as indicated above, Murrell's did not properly allocate expenditures to the County and did not always appropriately record transactions in their accounting records. As a result, Murrell’s needs to revise their accounting records and provide DCFS with revised SAERs for 2011 and 2012.

Recommendations

Murrell’s Farm and Boys Home management:

19. Ensure Semi-Annual Expenditure Reports are accurate, and submitted in accordance with the requirements of the Group Home Contract.

20. Revise their accounting records and provide the Department of Children and Family Services revised Semi-Annual Expenditure Reports for 2011 and 2012.
January 12, 2018

Emmett Murrell, Chief Executive Officer
Murrell’s Farm and Boys Home
823 E. Pillsbury Street
Lancaster, CA 93535

Dear Mr. Murrell:

AUDITOR-CONTROLLER’S CONTRACT COMPLIANCE REVIEW OF MURRELL’S FARM AND BOYS HOME – A GROUP HOME FOSTER CARE CONTRACT PROVIDER

We have reviewed your fiscal corrective action plan (FCAP) in response to the Auditor Controller’s fiscal audit report for the periods of January 1, 2011 to December 31, 2011, January 1, 2012 through December 31, 2012 and October 1, 2013 to December 31, 2013. The FCAP fully addresses the audit report 20 recommendations.

The informal hearing decision is based on a review of supporting documentation provided by Murrell’s Farm and Boys Home. The review of the documents led us to find that some of the A-C’s recommendations as to overpayments are confirmed. The amount of $65,803.24 remains disallowed and must be repaid to DCFS. Murrell’s executed a repayment agreement with the Los Angeles County Treasurer and Tax Collector (TTC) on 12/5/17. DCFS Fiscal will continue to follow-up with TTC to ensure Murrell’s completes its scheduled repayments.

Fiscal Compliance staff will continue to conduct on-site follow-ups at 90-day intervals to ensure Murrell’s implementation of the recommendations.

If you have any questions, please contact Ali Gomaa-Mersal, Financial Specialist IV, at (213) 351-0182 or at (213) 925-4684.

Sincerely,

Ali Gomaa-Mersal
Diana Flaggs, Section Manager
Administrative Support Bureau Contracts Administration Division
Contract Compliance

Attachments

To Enrich Lives Through Effective and Caring Service*
AUDITOR-CONTROLLER’S CONTRACT COMPLIANCE REVIEW OF MURRELL’S FARM AND BOYS HOME – A GROUP HOME FOSTER CARE CONTRACT PROVIDER

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 dated 1/6/15, submitted by Murrell’s Farm and Boys Home, status of each recommendation is summarized as follows:

• 17 Recommendations (1-13, 16-19) were fully addressed.
• 3 Recommendations (14, 15, and 20) were partially addressed.
• __ Recommendations (_____) directed to the Department were addressed.

Recommendation Status

1. Murrell’s Farm and Boy’s Home management repay the Department of Children and Family Services $187,896 ($16,282 + $171,613) in questioned expenditures.

Agency Proposed FCAP: MFBH will request a payment plan with the Los Angeles Treasurer Department to repay the amount in question after the appeal process have been completed.

DCFS Response: The informal hearing decision is based on a review of supporting documentation provided by Murrell’s Farm and Boys Home. The amount of $65,803.24 is disallowed and must be repaid to DCFS. Murrell’s executed a repayment agreement with the Los Angeles County Treasurer and Tax Collector (TTC) on 12/5/17 and made their first payment of $1,850 on 12/20/17. DCFS Fiscal will continue to follow-up with TTC to ensure Murrell’s completes its scheduled repayments.

2. Murrell’s Farm and Boy’s Home management immediately discontinue the practice of loaning foster care funds and ensure foster care funds are only used for allowable expenditures.

Agency Proposed FCAP: MFBH management has discontinued loaning foster care funds and will ensure that foster care funds are used only for allowable expenditures.

DCFS Response: Implemented. There were no outstanding loans noted during the Fiscal Compliance Assessments performed in January 2017 (2016-17) and in November 2017 (Fiscal Year 2017-18).
3. Murrell’s Farm and Boy’s Home management immediately prepare a valid, legally enforceable promissory note that shall govern the repayment of the loaned funds.

Agency Proposed FCAP: MFBH will be prepared a valid legally promissory note to repay the loaned amount.

DCFS Response: Implemented. There were no outstanding loans noted during the Fiscal Compliance Assessments performed in January 2017 (2016-17) and in November 2017 (Fiscal Year 2017-18).

4. Murrell’s Farm and Boy’s Home management ensure that all funds lent to the Agency are deposited into an Agency bank account.

Agency Proposed FCAP: MFBH management will ensure that any lent funds to the Agency will be deposited immediately into the Agency bank account.

DCFS Response: Implemented. There were no outstanding loans noted during the Fiscal Compliance Assessments performed in January 2017 (2016-17) and in November 2017 (Fiscal Year 2017-18).

5. Murrell’s Farm and Boy’s Home management obtain Board of Directors approval prior to the Agency borrowing funds, and establish written loan agreements for existing loans and for any future loans indicating the amounts borrowed and the repayment terms.

Agency Proposed FCAP: MFBH will obtain approval from the Board of Directors agency prior to borrowing any funds. And any borrowed funds will be documented with board resolutions and written loan agreements for any existing loans and any future loans. In addition the board resolutions and loan agreements will indicate the loan amount and the term of the payments.

DCFS Response: Implemented. There were no outstanding loans noted during the Fiscal Compliance Assessments performed in January 2017 (2016-17) and in November 2017 (Fiscal Year 2017-18).

6. Murrell’s Farm and Boy’s Home management immediately discontinue making cash withdrawals or making checks payable to “CASH”, and ensure all expenditures are paid by check to specific persons or vendors.

Agency Proposed FCAP: MFBH has discontinued making cash withdrawals or writing checks payable to “CASH”. MFBH has established procedures for all expenditures are paid by check or credit cards and specifically to vendors or persons.
DCFS Response: Implemented. There were no cash withdrawals or checks written payable to “CASH” noted during the Fiscal Compliance Assessments performed in January 2017 (2016-17) and in November 2017 (Fiscal Year 2017-18).

7. Murrell’s Farm and Boy’s Home management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.

Agency Proposed FCAP: MFBH management has established procedures to maintain supporting documentation for all Agency expenditures. This includes original itemized receipts and invoices.

DCFS Response: Implemented. There were findings related to inadequate supporting documentation for two petty cash disbursements noted during the Fiscal Compliance Assessment performed in January 2017 (2016-17). However, none were noted during the Fiscal Compliance Assessment conducted in November 2017 (Fiscal Year 2017-18).

8. Murrell’s Farm and Boy’s Home management develop an appropriate Cost Allocation Plan and use the Cost Allocation Plan to reallocate all shared expenditures during the periods reviewed.

Agency Proposed FCAP: MFBH will develop a cost allocation plan to allocate all shared expenditures between programs (if applicable) and counties during the periods reviewed.

DCFS Response: Implemented. A Cost Allocation Plan was not required as of the date of the Fiscal Compliance Assessments conducted in January 2017 (2016-17) and November 2017 (Fiscal Year 2017-18). Los Angeles County, Department of Children and Family Services is the single source of funding for MFBH.

9. Murrell’s Farm and Boy’s Home management ensure all Agency related expenditures are reflected in the accounting records.

Agency Proposed FCAP: MFBH has established procedures to ensure that all agencies expenditures are recorded in the agencies accounting records.

DCFS Response: Implemented.

10. Murrell’s Farm and Boy’s Home management ensure all supporting documentation is referenced to check numbers and marked “PAID” or otherwise cancelled to prevent reuse.

Agency Proposed FCAP: MFBH management has established procedures to ensure that all receipts and invoices documentation is referenced to a check number and are marked “PAID” to eliminate double payment. A new voucher
checks system is in use that allows attaching a check stub to the original receipt/invoices that shows the date, amount and check number.

DCFS Response: Implemented. All the samples reviewed during the Fiscal Compliance Assessments conducted in January 2017 (2016-17) and November 2017 (Fiscal Year 2017-18) had supporting documentation that were referenced with check numbers and marked "PAID."

11. Murrell's Farm and Boy's Home management require a second signature on all checks from someone independent of the transaction, and at a higher level.

Agency Proposed FCAP: MFBH management has added two signees to the checking account to ensure that checks are not sign by the payee and that they are independent of the transactions.

DCFS Response: Implemented.

12. Murrell's Farm and Boy's Home management ensure timesheets are signed by the employee and supervisor to certify the accuracy of the reported time.

Agency Proposed FCAP: MFBH management has established procedures to ensure timecards are review and approved by the employee's supervisor to verify accuracy for the time reported.

DCFS Response: Implemented. Timesheets reviewed during the Fiscal Compliance Assessments conducted in January 2017 (2016-17) and November 2017 (Fiscal Year 2017-18) were signed by the employee and supervisor.

13. Murrell's Farm and Boy's Home management personnel files contain proper documentation authorizing the employee's current salary.

Agency Proposed FCAP: MFBH management has developed a salary authorization form to be completed by the employee's supervisor approving any salary changes and to be file on the employees' personnel file.

DCFS Response: Implemented. Personnel files reviewed during the Fiscal Compliance Assessments conducted in January 2017 (2016-17) and November 2017 (Fiscal Year 2017-18) contained proper documentation authorizing the employees' current salaries.

14. Murrell's Farm and Boy's Home management employee benefits are recorded and updated accurately, benefit overpayments are recouped, and benefit logs are adjusted accordingly.

Agency Proposed FCAP: MFBH management will ensure that any employee's benefits are recorded and updated accurately. In addition any overpayments benefits are recouped and benefits log adjusted accordingly.
DCFS Response: Fiscal Compliance staff will continue to follow-up at 90-day intervals to ensure Murrell’s compliance with implementation of the required corrective action.

15. Murrell’s Farm and Boy’s Home management the Executive Director’s timesheets are approved by an independent Board member.

Agency Proposed FCAP: MFBH management will ensure that the Executive Directors’ timecards are approved by a Board member.

DCFS Response: Fiscal Compliance staff will continue to conduct an on-site follow-ups at 90-day intervals to ensure Murrell’s implementation of this required corrective action.

16. Murrell’s Farm and Boy’s Home management ensure bank reconciliations are prepared within 30 days of the bank statement date, are signed and dated by both the preparer and the reviewer, and reconciling items are resolved timely.

Agency Proposed FCAP: MFBH has established procedures to ensure bank reconciliations are prepared on a timely manner and that they are signed and dated by the preparer and the reviewer. In addition that any reconcile items are resolved on a timely manner.

DCFS Response: Implemented. Bank reconciliation reports reviewed during the Fiscal Compliance Assessments conducted in January 2017 (2016-17) and November 2017 (Fiscal Year 2017-18) were prepared within 30 days of the bank statement date, were signed and dated by both the preparer and the reviewer, and reconciling items were resolved timely.

17. Murrell’s Farm and Boy’s Home management ensure all assets are tagged and ensure the fixed assets listing also includes the items’ serial numbers, date of purchase, acquisition cost, and the source(s) of funding.

Agency Proposed FCAP: MFBH management will establish procedures to ensure all assets are tagged. In addition it will create a listing of all fixed assets which will include serial numbers, date of purchase, acquisition cost and funding source.

DCFS Response: Implemented.

18. Murrell’s Farm and Boy’s Home management ensure that the Board meeting minutes are signed by the Board Secretary.

Agency Proposed FCAP: MFBH management will ensure that all board meeting minutes are signed and approved by the Board Secretary.
DCFS Response: Implemented. The Board meeting minutes reviewed during the Fiscal Compliance Assessments conducted in January 2017 (Fiscal Year 2016-17) and November 2017 (Fiscal Year 2017-18) were signed by the Board Secretary.

19. Murrell’s Farm and Boy’s Home management ensure Semi-Annual Expenditure Reports are accurate, and submitted in accordance with the requirements of the Group Home Contract.

Agency Proposed FCAP: MFGH management will ensure that SAR’s are accurate and submitted in accordance with Group Home contract requirements.

DCFS Response: Implemented. The Semi-Annual Expenditure Report submitted during the Fiscal Compliance Assessments conducted in January 2017 (Fiscal Year 2016-17) and November 2017 (Fiscal Year 2017-18) were in accordance with the requirements of the Group Home Contract.

20. Murrell’s Farm and Boy’s Home management ensure revise their accounting records and provide the Department of Children and Family Services revised Semi-Annual Expenditure Reports for 2011 and 2012.

Agency Proposed FCAP: MFBH will revise the SAR’s for the years 2011 and 2012.

DCFS Response: Fiscal Compliance staff will conduct an on-site review within 90 days to ensure compliance with implementation of the corrective actions.