COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

December 23, 2002

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **2001-2002 DEPARTMENT OF CHILDREN AND FAMILY SERVICES CALIFORNIA DEPARTMENT OF EDUCATION CHILD CARE GRANT AUDIT**

The Department of Children and Family Services (DCFS) requested the annual audit of their Child Care Grant Agreement with the State of California Department of Education (CDE). Simpson & Simpson, CPA's, conducted the audit.

The County of Los Angeles uses CDE funds in the Children's Protective Services Program (CPSP), which provides child care services to children who are subject to abuse, neglect or exploitation. Simpson & Simpson verified that DCFS maintained accounting and management systems and related internal controls to ensure that CPSP funds were controlled and expended in compliance with applicable federal and State laws, regulations and contract provisions. A copy of that report is enclosed.

If you have any questions, please contact me or have your staff contact Dewitt Roberts at (213) 974-0301.

JTM:DR:DC

Enclosure

c: David E. Janssen, Chief Administrative Officer
Violet Varona-Lukens, Executive Officer
Department of Children and Family Services
Marjorie Kelly, Interim Director
Maryam Fatemi, Bureau Chief, Bureau of Children and Family Services
Gene Gilden, Chief, Quality Assurance Division
Department of Public Social Services
Bryce Yokomizo, Director
Gail Dershewitz, Director, Management Information and Evaluation Section
Audit Committee
Public Information Office

AUDIT REPORT ON

COUNTY OF LOS ANGELES

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAMS

FINANCIAL STATEMENTS

JUNE 30, 2002

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

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Simpson & Simpson
CERTIFIED PUBLIC ACCOUNTANTS

3600 WILSHIRE BOULEVARD, SUITE 1710
LOS ANGELES, CALIFORNIA 90010
TELEPHONE (213) 736-6664
FAX (213) 736-6692

INDEPENDENT AUDITOR'S REPORT

Ms. Marjorie Kelly, Director
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

We have audited the financial statements of the child development programs, Contract Numbers GAPP 1030 and FAPP 1029, of the County of Los Angeles Department of Children and Family Services (DCFS) as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of DCFS child development programs' management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the expenditures of DCFS child development programs' subrecipients as listed in Note 5, which amounted to $3,362,000 or 26% of the expenditures of Contract Number FAPP 1029. The financial statements of these subrecipients were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 1029, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards of the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 3, pursuant to the Welfare Reform Act of 1971, Los Angeles County is required to support the expansion of child care services by maintaining its fiscal year 1970-71 expenditures level of $170,019. We determined that DCFS did meet this requirement.

As explained in Note 4, we have not audited DCFS child development programs' claimed other related child care costs and administrative costs. Therefore, we do not express an opinion on the claimed other related child care costs and administrative costs.

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In our opinion, except for DCFS child development programs' claimed other related child care costs and administrative costs as noted above, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of DCFS child development programs, Contract Numbers GAPP 1030 and FAPP 1029, as of June 30, 2002, and the results of its operations and the changes in its fund balances for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2002 on our consideration of DCFS child development programs' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information contained on pages 14 through 22 are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* issued by the California Department of Education and are not a required part of the financial statements of DCFS child development programs. Such supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements of DCFS child development programs and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Simpson & Simpson

Los Angeles, California
December 12, 2002

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAMS

BALANCE SHEET
June 30, 2002

	GAPP 1030	FAPP 1029
Assets:		
Grants Receivable	$ 219,063	$ 468,860
Total Assets	$ 219,063	$ 468,860
Liabilities:		
Accounts Payable	$ 219,063	$ 468,860
Due to DCFS	259,312	184,642
Total Liabilities	478,375	653,502
Fund Balance:		
Deficit	(259,312)	(184,642)
Total Fund Balance	(259,312)	(184,642)
Total Liabilities and Fund Balance	$ 219,063	$ 468,860

See accompanying notes to the financial statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

CHILD DEVELOPMENT PROGRAMS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
For the Fiscal Year Ended June 30, 2002

	GAPP 1030	FAPP 1029
Revenues:		
Government Grants	$ 2,001,236	$ 12,584,114
Funds Used to Satisfy Maintenance of Effort Requirement (Note 3)	170,019	-
Parent Fees	-	1,462
Interest Income	-	1,382
Total Revenues	2,171,255	12,586,958
Expenditures:		
Direct Payments to Providers (Note 2)	2,160,968	11,567,085
Direct Payments to Satisfy Maintenance of Effort Requirement (Note 3)	170,019	-
Other Related Child Care Costs (Note 4)	24,119	595,748
Administrative Costs (Note 4)	75,461	608,767
Total Expenditures	2,430,567	12,771,600
Excess (Deficit) of Revenues Over Expenditures	(259,312)	(184,642)
Fund balance at July 1, 2001	-	-
Fund balance at June 30, 2002	$ (259,312)	$ (184,642)

See accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Information

The financial statements present only the child development programs, Contract Numbers GAPP 1030 and FAPP 1029, of the County of Los Angeles Department of Children and Family Services (DCFS).

Pursuant to Chapter 324, Item 6100-196-001, of the State Budget Act of 1983, the California Department of Education (CDE) made funds available to Los Angeles County to provide child day care services for families qualifying under the State's Child Development Guidelines. The maximum reimbursable amount (MRA) in the Standard Agreement between CDE and DCFS for the fiscal year 2001/02 is $2,001,236 for Project No. 19-Y196-00-1/Contract No. GAPP 1030 and $12,584,114 for Project No. 19-Y196-00-1/Contract No. FAPP 1029. DCFS uses CDE funds in the Children's Protective Services Program. The Children's Protective Services Program provides child care services to children who are subject to abuse, neglect or exploitation.

During the fiscal year 2001/02, a net total of $2,160,968 for Project No. 19-Y196-00-1/Contract No. GAPP 1030, and $11,567,085 for Project No. 19-Y196-00-1/Contract No. FAPP 1029, in direct provider payments were made by DCFS. The child care services were provided by individual child care providers or by private day care centers. (Also see Note 5.)

Fund Accounting

To ensure observance of limitations and restrictions placed on the use of resources available to DCFS, the accounts are maintained in accordance with the principles of fund accounting. Fund accounting is the procedure by which resources of various purposes are classified for accounting and reporting purposes into funds established in accordance with their nature and purpose.

The following governmental fund type is used for the child development programs:

Special Revenue Fund – Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

The financial statements of DCFS child development programs have been prepared on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. DCFS considers revenues to be available if they are collected within 60 days after year-end to be available to finance the expenditures accrued for the reporting period. Expenditures are generally recognized when the related fund liability is incurred.

Grant funds are considered earned to the extent of expenditures made under the provisions of the grant.

NOTE 2 - DIRECT PAYMENTS TO CHILD CARE PROVIDERS

Direct provider payments are reported in the contract year the services are authorized and provided, in accordance with CDE's "Funding Terms and Conditions for Child Development Programs." Direct provider payments to eligible families/child care providers represent vendor payments made to individual providers and private day care centers for child care services. Under the child care payment system, invoices can be submitted by child care providers up to 60 days from the original due date.

Project No. 19-Y196-00-1/Contract GAPP 1030

On June 30, 2002, "Fiscal Report For Alternative Payment or Family Child Care Home Programs" for Contract Number GAPP 1030, DCFS reported direct provider payments of $2,330,987. However, included in this amount was $170,019 related to payments made by the County of Los Angeles, Department of Children and Family Services (DCFS) to meet its Maintenance of Effort (MOE). Therefore, direct provider payments are $2,160,968 ($2,330,987 less $170,019), which exceeded the MRA of $2,001,236. (Also see Note 6.)

Project No. 19-Y196-00-1/Contract FAPP 1029

On June 30, 2002, "Fiscal Report for Alternative Payment or Family Child Care Home Programs" for Contract Number FAPP 1029, DCFS reported direct provider payments of $11,567,085. The Maximum Reimbursable Amount (MRA) for the project is $12,584,114; therefore, the direct provider payments did not exceed the MRA.

NOTE 3 - MAINTENANCE OF EFFORT

Pursuant to the Welfare Reform Act of 1971, Los Angeles County's "Maintenance of Effort" (MOE) amount is $170,019. During our audit, we verified that DCFS satisfied its MOE requirement.

NOTE 4 – ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS

Other Related Child Care Costs (ORCCC) consist of the costs of providing direct services which include the position responsible for recruitment, site inspection, license verification, eligibility determination, review and supervision of placement and the costs related to these positions.

The California Department of Social Services (CDSS) audits DCFS' administrative costs and ORCCC. Our examination of the claimed DCFS' administrative costs and ORCCC was limited to a verification of the cost allocation percentages which were used as a basis for determining DCFS' administrative costs and ORCCC allocable to the Child Care Program for each quarter. Because the total DCFS' administrative costs and ORCCC are unaudited, we do not express an opinion on them.

Project No. 19-Y196-00-1/Contract GAPP 1030

The *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* indicates that DCFS' administrative costs and ORCCC should not exceed $565,137, 25% of the net reimbursable cost of $2,260,548, or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-1, DCFS incurred a total of $99,580 in administrative costs and ORCCC associated with the Child Care Program. Therefore, DCFS can claim as much as $99,580 for administrative costs and ORCCC.

Furthermore, the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* indicates that administrative costs alone should not exceed $339,082, 15% of the net reimbursable cost of $2,260,548, or actual administrative costs, whichever is less. For Project No. 19-Y196-00-1, DCFS incurred a total of $75,461 in administrative costs associated with the Child Care Program. DCFS also incurred $2,960 in audit fees for the performance of the fiscal year 2001/02 program audit. We have included these costs within the total administrative costs shown in the fiscal year 2001/02 statements. Therefore, DCFS can claim as much as $75,461 for administrative costs.

NOTE 4 – ADMINISTRATIVE AND OTHER RELATED CHILD CARE COSTS (Continued)

Project No. 19-Y196-00-1/Contract FAPP 1030

The *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* indicates that DCFS' administrative costs and ORCCC should not exceed $3,192,900, 25% of the net reimbursable cost of $12,771,600, or actual administrative costs and ORCCC, whichever is less. For Project No. 19-Y196-00-1, DCFS incurred a total of $1,204,515 in administrative costs and ORCCC associated with the Child Care Program. Therefore, DCFS can claim as much as $1,204,515 for administrative costs and ORCCC.

Furthermore, the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* indicates that administrative costs alone should not exceed $1,915,740 15% of the net reimbursable cost of $12,771,600, or actual administrative costs, whichever is less. For Project No. 19-Y196-00-1, DCFS incurred a total of $608,767 in administrative costs associated with the Child Care Program. DCFS also incurred $15,540 in audit fees for the performance of the fiscal year 2001/02 program audit. We have included these costs within the total administrative costs shown in the fiscal year 2001/02 statements. Therefore, DCFS can claim as much as $608,767 for administrative costs.

NOTE 5 – SUBRECIPIENTS' EXPENDITURES

The expenditures claimed by the subrecipients for Contract Number FAPP 1029 are summarized below.

Obtained Audited Financial Statements:		
Child Care Information Service	$	112,755
Child Care Resource Center, Inc.		596,802
Child & Family Services		244,110
Children's Home Society		482,714
City of Norwalk		14,762
Community & Family Services		44,118
Connections for Children		158,726
Crystal Stairs, Inc.		1,257,940
Drew Child Development Corporation		27,035
International Institute of Los Angeles		40,842
Mexican American Foundation		147,288
Options		234,908
Subtotal (26% of Total Expenditures)		3,362,000
Did Not Obtained Audited Financial Statements:		
Pomona Unified School District		201,257
Total (28% of Total Expenditures)	$	3,563,257

The expenditures of the subrecipients amounted to $3,362,000, which represent 26% of the total expenditures of Contract Number FAPP 1029, were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Contract Number FAPP 1029, is based solely on the reports of the other auditors.

The audited financial statements of Pomona Unified School District (Agency) were not available. However, audit procedures were performed by the auditor on the expenditures incurred by Pomona Unified School district

NOTE 6 – FUND BALANCE-DEFICIT

The deficit resulted from expenditures in excess of grant revenue. The deficit is funded by DCFS's general fund.

NOTE 7 – CONTINGENCIES

DCFS child development programs receive state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could result in disallowed expenditures under terms of the grants, it is believed that any repayment resulting from disallowances will not be material.

SUPPLEMENTARY INFORMATION

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

GENERAL INFORMATION

Full Official Name of Agency
Los Angeles County Department of Children and Family Services

Project Numbers
19-Y196-00-1 (GAPP 1030)
19-Y196-00-1 (FAPP 1029)

Type of Agency
County Welfare Department

Address of Agency
425 Shatto Place
Los Angeles, CA 90020

Name and Address of Chief Executive Officer
Marjorie Kelly, Director
425 Shatto Place
Los Angeles, CA 90020
(213) 351-5600

Name and Address of Accountant
Ed Jewik, Finance Officer
425 Shatto Place
Los Angeles, CA 90020
(213) 351-5560

Period Covered by the Examination
July 1, 2001 to June 30, 2002 (19-Y196-00-1)/GAPP 1030
July 1, 2001 to June 30, 2002 (19-Y196-00-1)/FAPP 1029

Number of Days of Operation of Agency
246

Scheduled Hours of Operation Each Day

Opening Time:	8:00 a.m.
Closing Time:	5:00 p.m.
Hours Open:	9

See Independent Auditor's Report.

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of Los Angeles Department of Children and Family Services Vendor No. Y196

Fiscal Year End: June 30, 2002 Contract No. GAPP 1030

Independent Auditor's Name: Simpson and Simpson, CPAs

SECTION I - REVENUE	EDP NO.	Column A CUMULATIVE FISCAL YEAR PER AGENCY	Column B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	Column C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	$0	$0	$0
Restricted income for operating costs	306			0
Cal Learn Program	308			0
Maintenance of Effort	339	170,019		170,019
Other:	312			0
SUBTOTAL	311	170,019	0	170,019
TRANSFER FROM RESERVE FUND	310			0
FAMILY FEES FOR CERTIFIED CHILDREN	329			0
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349			0
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			0
Other:	362			0
TOTAL REVENUE	390	$170,019	$0	$170,019

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	$2,330,987	$0	$2,330,987
1000 Certificated Salaries	402			0
2000 Classified Salaries	404	65,272		65,272
3000 Employee Benefits	406	20,266		20,266
4000 Books and Supplies	408			0
5000 Services and Other Operating Expenses	412	14,042		14,042
6100/6200 Other Approved Capital Outlay	413			0
6400 New Equipment (*program-related*)	414			0
6500 Equipment Replacement (*program-related*)	416			0
Depreciation or Use Allowance	439			0
Start-Up Expenses (service level exemption)	447			0
Indirect Costs -- Rate: 0.00%	459			0
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other:	489			0
TOTAL EXPENSES	490	$2,430,567	$0	$2,430,567
TOTAL ADMINISTRATIVE COST (included above)	690	$75,461	$0	$75,461
DAYS OF OPERATION	169	246		246

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUD 9500-AP Page 1 of 1 (5/2002)

AUDITED FINAL FISCAL REPORT
for Alternative Payment or Family Child Care Home Programs

Agency Name: County of Los Angeles Department of Children and Family Services Vendor No. Y196

Fiscal Year End: June 30, 2002 Contract No. FAPP 1029

Independent Auditor's Name: Simpson and Simpson, CPAs

SECTION I - REVENUE	EDP NO.	Column A CUMULATIVE FISCAL YEAR PER AGENCY	Column B AUDIT ADJUSTMENT INCREASE OR (DECREASE)	Column C CUMULATIVE FISCAL YEAR PER AUDIT
RESTRICTED PROGRAM INCOME				
Child Care Food/National School Lunch Program	302	$0	$0	$0
Restricted income for operating costs	306			0
Cal Learn Program	308			0
Maintenance of Effort	339			0
Other:	312			0
SUBTOTAL	311	0	0	0
TRANSFER FROM RESERVE FUND	310			0
FAMILY FEES FOR CERTIFIED CHILDREN	329	1,462		1,462
INTEREST EARNED ON CHILD DEVELOPMENT CONTRACT PAYMENTS	349	1,382		1,382
NON-RESTRICTED INCOME				
Parent fees for noncertified children	356			0
Other:	362			0
TOTAL REVENUE	390	$2,844	$0	$2,844

SECTION II - EXPENSES

REIMBURSABLE EXPENSES				
Direct Payments to Providers	401	$11,567,085	$0	$11,567,085
1000 Certificated Salaries	402	19,358		19,358
2000 Classified Salaries	404	643,031		643,031
3000 Employee Benefits	406	183,112		183,112
4000 Books and Supplies	408	33,566		33,566
5000 Services and Other Operating Expenses	412	275,471		275,471
6100/6200 Other Approved Capital Outlay	413			0
6400 New Equipment (*program-related*)	414	11,208		11,208
6500 Equipment Replacement (*program-related*)	416	2,762		2,762
Depreciation or Use Allowance	439	96		96
Start-Up Expenses (service level exemption)	447			0
Indirect Costs -- Rate: 0.28%	459	35,911		35,911
NONREIMBURSABLE EXPENSES				
6100-6500 Nonreimbursable capital outlay	479			0
Other:	489			0
TOTAL EXPENSES	490	$12,771,600	$0	$12,771,600
TOTAL ADMINISTRATIVE COST (included above)	690	$608,767	$0	$608,767
DAYS OF OPERATION	169	246		246

COMMENTS - If necessary, attach additional sheet(s) to explain information contained in this report:

AUD 9500-AP Page 1 of 1 (5/2002)

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

2001-2002 CDD CONTRACT SUMMARY

Agency Name: County of Los Angeles Department of Children and Family Services
Auditor: Simpson and Simpson, CPAs
Fiscal Year Ended: June 30, 2002

Audited Final Attendance and Fiscal Report	Project Name	Contract No.	MRA	Due From State	% of MRA
AUD 9500-AP	General – Alternative Payment	GAPP 1030	$ 2,001,236	$2,592	0.1295%
AUD 9500-AP	Federal Block Grant	FAPP 1029	12,584,114	-	0%
	Total		$14,585,350	$2,592	

See Independent Auditor's Report.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF EXPENDITURES BY STATE CATEGORIES

For the Fiscal Year Ended June 30, 2002

State Categories	GAPP 1030	FAPP 1029
Direct Payments to Providers	$ 2,330,987	$ 11,567,085
Certified Salaries	-	19,358
Classified Salaries	65,272	643,031
Employee Benefits	20,266	183,112
Books and Supplies	-	33,566
Services and Other Operating Expenses	14,042	275,471
New Equipment	-	11,208
Equipment Replacement	-	2,762
Depreciation	-	96
Indirect Cost	-	35,911
Total Expenditures by State Categories	$ 2,430,567	$ 12,771,600

See Independent Auditor's Report.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF RENOVATION AND REPAIR EXPENDITURES UTILIZING CONTRACT FUNDS

For the Fiscal Year Ended June 30, 2002

No repair or renovation expenditures were incurred by DCFS child development programs in the fiscal year ended June 30, 2002.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF EQUIPMENT EXPENDITURES UTILIZING CONTRACT FUNDS

For the Fiscal Year Ended June 30, 2001

Program	Contract No.	Expenditures Under $7,500 Unit Cost		Expenditures Over $7,500 Unit Cost with CDD Approval		Expenditures Over $7,500 Unit Cost without CDD Approval	
		Cost	Item	Cost	Item	Cost	Item
Federal Block Grant	FAPP 1029	$ 13,970	17	$ -	-	$ -	-
General- Alternative Payment	GAPP 1030	-	-	-	-	-	-
		$ 13,970	17	$ -	-	$ -	-

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF ADMINISTRATIVE COSTS
For the Fiscal Year Ended June 30, 2002

	GAPP 1030	FAPP 1029
Certified Salaries	$ -	$ 5,893
Classified Salaries	49,463	359,770
Employee Benefits	15,357	105,376
Books and Supplies	-	8,970
Services and Other Operating Expenses	10,641	102,349
New Equipment	-	4,872
Equipment Replacement	-	472
Depreciation	-	17
Indirect Cost	-	21,048
Total Administrative Costs	$ 75,461	$ 608,767

See Independent Auditor's Report.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF EXPENDITURES OF FEDERAL AND NONFEDERAL AWARDS
For the Fiscal Year Ended June 30, 2002

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal:			
Department of Health and Human Services			
Passed through State of California			
Alternative Payment CCDBG	93.575	FAPP 1029	$12,584,114
Total Federal Expenditures			$12,584,114

Nonfederal Grantor/Pass-Through Grantor/Program	Grantor Identifying Number	Nonfederal Expenditures
State of California:		
Child Development Services		
Alternative Payment – General	GAPP 1030	$2,001,236
Total State Expenditures		$2,001,236

Notes to the Schedule of Expenditures of Federal and Nonfederal Awards
For the Fiscal Year Ended June 30, 2002

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and Nonfederal Awards includes the federal and state grant activity of the County of Los Angeles Department of Children and Family Services (DCFS) child development programs, Contract Nos. GAPP 1030 and FAPP 1029. The reporting entity of DCFS child development programs is described in Note 1 of DCFS child development programs' financial statements.

COUNTY OF LOS ANGELES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
CHILD DEVELOPMENT PROGRAMS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2002

A. SUMMARY OF AUDIT RESULTS

1. Type of auditor's report issued:	Qualified
2. Internal control over financial reporting:	
a. Material weakness(es) identified?	None
b. Reportable condition(s) identified that are not considered to be material weakness(es)?	None
3. Noncompliance material to financial statements noted?	None
4. Internal control over major programs:	
a. Material weakness(es) identified?	None
b. Reportable condition(s) identified that are not considered to be material weakness(es)?	None
5. Type of auditor's report issued on compliance for major programs:	Unqualified
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	No
7. Identification of major programs:	

CFDA No.	Program Title
93.575	HHS- Community Development Block Grant

8. Dollar threshold used to distinguish between type A and type B programs:	$377,523
9. Auditee qualified as low-risk auditee?	Yes

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2002
(Continued)

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

D. STATUS OF FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

There were no findings in the prior year.

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Ms. Marjorie Kelly, Director
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

We have audited the financial statements of the child development programs (Contract Nos. GAPP 1030 and FAPP 1029) of the County of Los Angeles Department of Children and Family Services (DCFS) as of and for the year ended June 30, 2002, and have issued our report thereon dated December 12, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the above mentioned DCFS child development programs' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered DCFS child development programs' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course

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of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management, the California Department of Education and federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

Simpson & Simpson

December 12, 2002
Los Angeles, California

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Ms. Marjorie Kelly, Director
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

Compliance

We have audited the compliance of the child development programs (Contract Nos. GAPP 1030 and FAPP 1029) of the County of Los Angeles Department of Children and Family Services (DCFS) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended June 30, 2002. Major federal program of DCFS child development programs is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Recommendations. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of DCFS child development programs' management. Our responsibility is to express an opinion on DCFS child development programs' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about DCFS child development programs' compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on DCFS child development programs' compliance with those requirements.

In our opinion, DCFS child development programs complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended June 30, 2002.

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Internal Control Over Compliance

The management of DCFS child development programs is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal program. In planning and performing our audit, we considered DCFS child development programs' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of DCFS child development programs as of and for the year ended June 30, 2002, and have issued our report thereon dated December 12, 2002. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information and use of the management, the California Department of Education and federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

Simpson & Simpson

December 12, 2002
Los Angeles, California