COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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July 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

SUBJECT: **FLEMING AND BARNES, INCORPORATED (dba DIMONDALE ADOLESCENT CARE) - A GROUP HOME FOSTER CARE CONTRACT PROVIDER - FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of Fleming and Barnes, Incorporated, also known as Dimondale Adolescent Care (Dimondale or Agency), from January 1 through December 31, 2009. Dimondale is licensed to operate four group homes (GH), each with a resident capacity of six children. Dimondale is located in the Fourth Supervisorial District.

DCFS and the Probation Department contract with Dimondale to care for foster children placed in the Agency's homes. DCFS paid Dimondale $5,891 per child per month, based on a rate determined by the California Department of Social Services, for a total of $1,638,647 in 2009.

The issuance of our report to your Board was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal audits. To enable Dimondale to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management on August 24, 2010.

Summary of Findings

We identified $100 in unallowable costs, and $3,263 in unsupported/inadequately supported costs. Dimondale also needs to strengthen controls over its

payroll/personnel records, bank deposits and fixed assets. 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 Dimondale management takes action to address the recommendations in this report and monitor to ensure that the actions result in permanent changes.

Review of Report

We discussed our report with Dimondale management and DCFS on February 8, 2011. 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 necessarily 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 Dimondale 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
Jackie Contreras, Ph.D., Acting Director, DCFS
Donald H. Blevins, Chief Probation Officer
Reaver E. Bingham, Deputy Chief Probation Officer
Kenneth Fleming, Director, Fleming and Barnes, Incorporated
Board of Directors, Fleming and Barnes, Incorporated
Cora Dixon, Bureau Chief, Foster Care Audits Bureau, CA Dept of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

Fleming and Barnes, Incorporated dba Dimondale Adolescent Care Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified $100 in unallowable expenditures and $3,263 in unsupported/ inadequately supported expenditures. Details of these expenditures are discussed below.

Applicable Regulations and Guidelines

Dimondale 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)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unallowable Expenditures

Dimondale incurred a $100 civil penalty assessed by the California Department of Social Services. Circular A-122 Section 16 states that penalties are unallowable expenditures.

Unsupported/Inadequately Supported Expenditures

A-C Handbook Section A.3.2 states that all expenditures must be supported by original vouchers, invoices, receipts, canceled checks or other documentation. Unsupported expenditures will be disallowed upon audit. A-C Handbook Section C.1.5 states that only expenditures that are necessary, proper and reasonable to carry out the purposes and activities of the program are allowable.

We indentified $3,263 in expenditures that were either unsupported or inadequately supported. Specifically:

- $3,093 in inadequately supported credit card–expenditures. The Agency did not provide sufficient documentation, such as original itemized receipts or invoices, to show how these expenditures benefitted the GH program.

- $170 in inadequately supported cell phone expenditures. The cell phone bills indicate that many of the calls originated in and were made to phone numbers in the Oakland area. We noted that one agency cell phone was issued to an independent contractor, who is a relative of the Assistant Executive Director. The contractor had worked for the Agency in the past, but resided in Oakland when the calls were made. Dimondale management indicated that these calls were not GH-related.

Recommendations

1. **DCFS management resolve the $3,363 ($100 + $3,263) in unallowable and unsupported/inadequately supported expenditures, and collect any disallowed amounts.**

Dimondale management:

2. **Ensure that foster care monies are used for allowable expenditures to carry out the purpose and activities of the Agency.**

3. **Maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted some contract compliance issues and internal control weaknesses. DCFS should ensure that Dimondale 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.

Untimely Deposits

Twenty-two County warrants issued to the Agency, totaling $21,972, were deposited into the Agency's bank account an average of 23 days after the warrants were issued. One warrant was deposited 141 days after it was issued. A-C Handbook Section B.1.2 states that collections totaling $500 or more should be deposited within one day of receipt. Collections of less than $500 may be held and deposited weekly, or when the total reaches $500, whichever occurs first.

To ensure that receipts are not lost or stolen, and to improve cash flow, Dimondale should ensure that County warrants are deposited timely, and consider having the payments electronically deposited directly into the Agency's bank account.

Recommendation

4. **Dimondale management ensure that warrants are deposited timely, and consider having the payments electronically deposited directly into the Agency's bank account.**

Payroll/Personnel Records

CDSS MPP Section 11-402 requires that supporting documentation be maintained for all program expenditures, including employee pay rates. In addition, A-C Handbook Section B.3.2 indicates that personnel records should include employee pay rates.

We reviewed the personnel files and payroll records of 14 employees and noted that nine (64%) employee personnel files did not contain current authorized pay rates. However, we determined that the employees' pay rates were reasonable based on the Child Welfare League of America (CWLA) Salary Study.

Recommendation

5. **Dimondale management ensure personnel files contain current pay rates approved by management.**

Fixed Assets Inventory

A-C Handbook Section B.4.2 states that an inventory of all fixed assets should be conducted at least once each year to ensure that fixed assets are accounted for and maintained in proper working order. The Agency had not conducted an inventory of fixed assets since 2006.

Recommendation

6. **Dimondale management conduct an inventory of fixed assets at least once a year to ensure that all assets are accounted for and maintained in proper working order.**

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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

ANTONIA JIMÉNEZ
Acting Director

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

March 25, 2011

Kenneth Fleming, Director
Fleming and Barnes, Incorporated,
P.O. BOX 4446
Palos Verdes Peninsula, CA 90274

Dear Mr. Fleming:

AUDITOR-CONTROLLER'S FISCAL AUDIT REPORT ON FLEMING AND BARNES, INCORPORATED (dba DIMONDALE ADOLESCENT CARE) - 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, 2009 through December 31, 2009. The FCAP fully addresses the audit report six (6) recommendations (see Attachment I). In addition, the one recommendation directed to DCFS was fully addressed.

DCFS requires that Fleming and Barnes, Incorporated, as agreed, submit a check drawn on non-foster care funds in the total amount of **$3,363.00**. The Department requires that you identify the source of the funds from which payment will be made. Please make your checks 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

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

Sincerely,

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)

ATTACHMENT I

FISCAL REVIEW OF
FLEMING AND BARNES, INCORPORATED (dba DIMONDALE ADOLESCENT CARE) - 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 dated March 24, 2011, submitted by Fleming and Barnes, Incorporated, status of each recommendation is summarized as follows:

- 6 Recommendations (1-6) were fully addressed.
- ___ Recommendations (____) were partially addressed.
- 1 Recommendation (1) directed to the Department was addressed.

Recommendation Status

1. **DCFS management resolves the $3,363 ($100 + $3,263) in unallowable and unsupported/inadequately supported expenditures and collect any disallowed amounts.**

   Agency Proposed FCAP: *Dimondale's management has agreed to pay the $3,363 in unallowable and unsupported/inadequately supported expenditures.*

   DCFS Response: DCFS accepts the agency's response. DCFS requires that Fleming and Barnes, Incorporated, as agreed to submit a check drawn on non-foster care funds **in the amount of $3,363.00.** The Department requires that you identify the source of the funds from which payments will be made. Please make your checks 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. **Dimondale's management ensures that foster care monies are used for allowable expenditures to carry out the purpose and activities of the agency.**

Agency Proposed FCAP: *Dimondale's management will ensure that foster care monies will be used strictly for allowable expenses to carry out the purpose and activities of the agency according with the LA County contract.*

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

3. **Dimondale's management maintain adequate supporting documentation for all Agency expenditures, including original itemized invoices and receipts.**

   Agency Proposed FCAP: *Dimondale's 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.

4. **Dimondale's management ensure that cash receipts are deposited timely, and consider having County payments electronically deposited directly into the Agency's bank account.**

   Agency Proposed FCAP: *Dimondale's management will ensure that cash/warrants receipts will be deposited on timely manners no later that two days from the date it was received. Management will also investigate and consider having County payments electronically deposited into the Agency's bank account.*

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

5. **Dimondale's management ensures personnel files contain current salaries/hourly wage levels approved by management.**

   Agency Proposed FCAP: *Dimondale's management will ensures that all personnel files will contain updated salaries/hourly wage information and they will review and approved by management.*

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

6. **Dimondale's management conduct an inventory of fixed assets at least once a year to ensure that all assets are accounted for and maintained in proper working order.**

   Agency Proposed FCAP: *Dimondale management will ensure that all fixed assets purchased with a cost value of $500.00 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.