



JOHN NAIMO
AUDITOR-CONTROLLER

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

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February 24, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: **BAYFRONT YOUTH & FAMILY SERVICES – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES PROVIDER – FISCAL COMPLIANCE REVIEW**

We completed a fiscal compliance review of Bayfront Youth & Family Services (Bayfront or Agency), which included a sample of transactions from Fiscal Years (FY) 2013-14 and 2014-15. The Department of Children and Family Services (DCFS) contracts with Bayfront to provide Wraparound Approach Services (Wraparound) and Group Home (GH) services.

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

During FYs 2013-14 and 2014-15, DCFS paid Bayfront approximately \$1.8 million (Wraparound \$682,000 and GH \$1.1 million) and \$2.1 million (Wraparound \$711,000 and GH \$1.4 million) on a fee-for-service basis, respectively. The Agency provides services in the Fourth Supervisorial District.

Results of Review

Bayfront prepared their Cost Allocation Plan in compliance with their County contracts. However, the Agency allocated their indirect and shared costs based on payroll expenditures charged at pre-determined rates, not actual hours worked.

Bayfront's attached response indicates that they will re-allocate indirect and shared costs based on actual hours worked by Program.

In addition, Bayfront inappropriately charged DCFS \$14,957. Specifically, Bayfront:

- Had 59 checks, totaling \$5,385, issued for clothing and general allowances that were outstanding more than a year. In addition, Bayfront did not have a policy in place for outstanding checks.

Bayfront's response, which is incorporated in DCFS' attached response, indicates that they will repay DCFS \$5,385 and will resolve all outstanding checks timely in accordance with their newly established policy.

- Charged the DCFS Programs \$4,323 in FY 2013-14 for duplicate expenditures and other unallowable expenditures.

Bayfront's response indicates that they will repay DCFS \$1,177 and reduce the Wraparound Cost Report by \$3,146.

- Charged the DCFS Programs \$5,249 in FY 2013-14 for furniture and equipment that also benefited other Programs.

Bayfront's response indicates that they will allocate the \$5,249 to all benefited Programs and reduce the Wraparound and GH Cost Reports.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with Bayfront and DCFS. Bayfront's Fiscal Corrective Action Plan (FCAP) that was approved by DCFS (Attachment II) indicates they agree with our findings and recommendations. DCFS management will conduct a review of the Agency's implementation of their FCAP within 90 days of the approved FCAP.

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

JN:AB:PH:DC:EB:sk

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Philip L. Browning, Director, Department of Children and Family Services
Dr. Craig Childress, Psy.D., Board Chair, Bayfront Youth & Family Services
Maryam Ribadu, President and CEO, Bayfront Youth & Family Services
Public Information Office
Audit Committee

**BAYFRONT YOUTH & FAMILY SERVICES
DEPARTMENT OF CHILDREN AND FAMILY SERVICES PROGRAMS
FISCAL COMPLIANCE REVIEW
FISCAL YEARS 2013-14 AND 2014-15**

CASH/REVENUE

Objective

Determine whether Bayfront Youth & Family Services (Bayfront or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed Bayfront's personnel, and reviewed their financial records and January 2015 bank reconciliations for seven bank accounts.

Results

Bayfront properly recorded revenue in their financial records, deposited the Department of Children and Family Services (DCFS) cash receipts timely, and bank reconciliations were reviewed and approved by Agency management timely. However, the Agency's bank reconciliations contained 59 outstanding checks totaling \$5,385. The checks were issued to the Group Home (GH) clients for clothing and general allowances that were outstanding more than a year. In addition, Bayfront did not have a policy in place for outstanding checks.

Recommendations

Bayfront Youth & Family Services management:

- 1. Repay the Department of Children and Family Services \$5,385.**
- 2. Ensure that reconciling items are resolved timely.**
- 3. Establish a policy regarding aged outstanding checks.**

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Bayfront developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to Wraparound

Approach Services (Wraparound) and GH Programs were allowable, properly documented, and appropriately allocated.

Verification

We interviewed Bayfront's personnel, and reviewed their Plan and financial records for 62 (29 direct, and 19 shared, and 14 indirect) non-payroll expenditures, totaling \$504,798 (\$50,879 direct, \$71,218 shared, and \$382,701 indirect), that the Agency charged to the DCFS Programs from July 2013 through January 2015.

Results

Bayfront developed their Plan using an appropriate cost allocation methodology. However, the Agency allocated their indirect and shared costs based on payroll expenditures charged at pre-determined rates, not actual hours worked. The Office of Management and Budget Circular A-122 (OMB A-122) Attachment A Section A.4 and the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) Section C.2.0 requires agencies to allocate shared costs equitably with the relative benefits received. As a result, Bayfront inappropriately allocated \$481,963 (\$64,788 Wraparound and \$417,175 GH) in indirect costs and \$24,441 (\$5,931 Wraparound and \$18,510 GH) in shared program expenditures reviewed.

In addition, Bayfront charged \$9,572 to the DCFS Programs in questioned costs. Specifically, Bayfront:

- Charged \$4,020 (\$3,146 Wraparound and \$874 GH) in Fiscal Year (FY) 2013-14 to the DCFS Programs for duplicate expenditures. The OMB A-122 Attachment A Section A.3 requires that expenditures be reasonable for the performance of the award.
- Charged the GH Program \$303 in FY 2013-14 for mileage reimbursement applicable to their Department of Mental Health Program without documentation to support how the expenditures benefited the GH Program as required by the A-C Handbook Section A.3.2.
- Charged \$4,427 (\$2,337 Wraparound and \$2,090 GH) in FY 2013-14 to the DCFS Programs for furniture and equipment that also benefited other Programs instead of allocating the costs to all benefited Programs as required by A-C Handbook Section C.2.0.
- Charged the GH Program \$822 in FY 2013-14 for purchasing three laptops that also benefited other Programs instead of allocating the costs to all benefiting programs as required by the A-C Handbook Section C.2.0.

Recommendations

Bayfront Youth & Family Services management:

- 4. Re-allocate Fiscal Year 2014-15 indirect and shared costs allocated to the Wraparound Approach Services and Group Home Programs based on an allowable and equitable basis, reduce the Cost Reports by over allocated amounts, and repay the Department of Children and Family Services for any excess amounts received.**
- 5. Reduce the Fiscal Year 2013-14 Wraparound Approach Services Cost Report by \$3,146, and repay the Department of Children and Family Services for any excess amounts received.**
- 6. Re-allocate the \$5,249 (\$4,427 + \$822) to all benefited programs, and reduce the Fiscal Year 2013-14 Wraparound Approach Services and Group Home Cost Reports by over-allocated amounts.**
- 7. Repay the Department of Children and Family Services \$1,177 (\$874 + \$303) for unallowable expenditures charged to the Group Home Program in Fiscal Year 2013-14.**
- 8. Allocate indirect costs to all benefiting programs.**
- 9. Ensure that all expenditures are allowable and with adequate documentation.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Bayfront's fixed assets and equipment purchased with DCFS Program funds were used for the appropriate Programs and adequately safeguarded.

Verification

We interviewed Bayfront personnel, and reviewed their fixed assets and equipment inventory list. We also performed a physical inventory of nine items purchased with DCFS Program funds to verify the items exist and were being used for the Programs.

Results

Bayfront adequately safeguarded and used the items reviewed for the DCFS Programs.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether Bayfront charged payroll expenditures to the DCFS Programs appropriately, and maintained personnel files as required.

Verification

We compared the payroll expenditures for 18 (three direct, ten shared, and five administrative) employees, totaling \$33,824 (\$7,403 direct, \$20,193 shared, and \$6,228 administrative) for January 2015, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed personnel files for the 18 employees.

Results

Bayfront charged DCFS \$10,517 in questioned costs and did not always maintain required documentation in personnel files. Specifically, Bayfront:

- Allocated \$10,402 (\$1,372 Wraparound and \$9,030 GH) for 12 shared staff's payroll and/or employee benefits expenditures based on pre-determined rates not based on actual conditions. The OMB A-122 Attachment A Section D.3 requires that actual conditions should be taken into account when selecting the allocation bases. After our review, Bayfront re-allocated their shared staff's payroll and employee benefits expenditures appropriately.
- Eight (23%) of the 36 timecards reviewed were not signed by the employees. The A-C Handbook A.3.2 requires that timecards are signed by the employee and the employee's supervisor to certify the accuracy of reported time.
- Over paid three GH and three shared employees \$115 using incorrect payroll rates in January 2015. The A-C Handbook B.3.3 requires agencies not to pay any salaries higher than those authorized.

Recommendations**Bayfront Youth & Family Services management:**

10. **Review the Fiscal Years 2013-14 and 2014-15 payroll expenditures and reduce the Fiscal Years 2013-14 and 2014-15 Cost Reports by the amount over paid and repay the Department of Children and Family Services for any excess amounts paid.**

11. **Ensure that employees record actual hours worked each day for each program, and timecards are signed by the employee.**
12. **Ensure employees are paid the correct pay rates.**

COST REPORTS

Objective

Determine whether Bayfront's FY 2013-14 Wraparound and GH Cost Reports reconciled to their financial records.

Verification

We compared the Agency's FY 2013-14 Wraparound and GH Cost Reports to their financial records.

Results

Bayfront's FY 2013-14 Wraparound and GH Cost Reports reconciled to their financial records.

Recommendation

None.



PHILIP L. BROWNING
Director

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

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

Board of Supervisors
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First District
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Third District
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Fourth District
MICHAEL D. ANTONOVICH
Fifth District

December 18, 2015

Maryam Ribadu, President and CEO
Bayfront Youth and Family Services
324 East Bixby Road
Long Beach, CA 90807

Dear Ms. Ribadu:

**BAYFRONT YOUTH AND FAMILY SERVICES – A DEPARTMENT OF CHILDREN
AND FAMILY SERVICES PROVIDER – FISCAL COMPLIANCE REVIEW**

We have reviewed your revised fiscal corrective action plan (FCAP) received on December 14, 2015 in response to the Auditor-Controller's final draft fiscal audit. With regard to the \$6,562 in questioned costs, Bayfront Youth and Family Services agreed that the total of \$6,562 was disallowed and must be repaid to the Department.

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

Please make your check payable to DCFS Cashier in the amount of \$6,562 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, Ca. 90020

I trust the attached documents will facilitate the audit resolution process for you. If you have any questions, please contact Ali Gomaa-Mersal, Financial Specialist IV, at (213) 351-0182.

Sincerely,

Ali Gomaa – Mersal for

Kristine Ovsepyan, ASM II
Fiscal Compliance Unit

Attachments

c: Elaine Boyd, Chief Accountant-Auditor (via electronic mail only)
Rhonda David-Shirley, CSA III (via electronic mail only)

"To Enrich Lives Through Effective and Caring Service"

ATTACHMENT III

**BAYFRONT YOUTH AND FAMILY SERVICES – A DEPARTMENT OF CHILDREN
AND FAMILY SERVICES PROVIDER – FISCAL COMPLIANCE REVIEW**

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 revised FCAP received on 12/14/15, submitted by Bayfront Youth and Family Services, status of each recommendation is summarized as follows:

- 12 Recommendations (1-12) were fully addressed.
- ___ Recommendations (_____) were partially addressed.
- ___ Recommendations (_____) directed to the Department were addressed.

Recommendation Status

1. **Bayfront Youth and Family Services management repay the Department of Children and Family Services \$5,385.**

Agency Proposed FCAP: Bayfront Youth & Family Services management agrees with the recommendation to repay the \$5,385, but has the following comments:

Upon discharge from the organization each client is provided all clothing allowance and trust allowance earned while client was in the program. If and when at all possible the organization has provided these funds to the client in the form of a cash payment. There are times when a client discharges before their monies can be cashed out. When this occurs a check is issued to the location of the child's next placement or to the social worker. At the time the audit was conducted checks that were outstanding were related to clients trust funds which were issued and sent to the clients but were never cashed. Bayfront attempted many times to locate the clients and their social workers to reissue the checks. The monies related to the 59 outstanding checks will be returned to DCFS. Going forward checks found to be not cashed by clients and that are outstanding 180 days will be sent to the California State Controller Unclaimed Money division in the name of each client.

DCFS Response: Please make your check payable to DCFS Cashier in the amount of \$5,385 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, Ca. 90020

- 2. Bayfront Youth and Family Services management ensure that reconciling items are resolved timely.**

Agency Proposed FCAP: Bayfront Youth & Family Services management agrees with the recommendation and recognizes that the outstanding items were not reconciled timely and strives to implement all policies and procedures required by DCFS. Bayfront Youth & Family Services reconciles all bank accounts on a monthly basis and will identify all checks that are outstanding more than 180 days upon reconciliation. All checks will be reconciled, reversed and reissued to the appropriate payee or held in a liability account. All bank and check reconciliations will be reviewed and approved by the CEO.

Completion Date: The recommendation has been implemented and management will investigate and reconcile all outstanding checks over 180 days.

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

- 3. Bayfront Youth and Family Services management establish a policy regarding aged outstanding checks.**

Agency Proposed FCAP: Bayfront Youth & Family Services management agrees with the recommendation and has created and implemented a policy that will be strictly adhered to going forward.

Policy No. B108.2 Outstanding Checks
Policy Date: 7/1/2015

Completion Date: Implemented July 2015

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

- 4. Bayfront Youth and Family Services management re-allocate Fiscal Year 2014-15 indirect and shared costs allocated to the Wraparound Approach Services and Group Home Programs based on allowable and equitable basis, reduce the Cost Reports by over allocated amounts, and repay the Department of Children and Family Services by excess amounts received).**

Agency Proposed FCAP: Bayfront Youth & Family Services management acknowledges that an unallowable methodology was used and thus agrees with the recommendation. Bayfront Youth & Family Services has since revised their methodology to a basis that is both equitable and allowable and is reflected in the 4th quarter allocation of costs for FY 14.15. Bayfront will reallocate the first (3) quarters of FY 14.15 indirect and shared costs on the basis of the revised methodology. Cost reports for the Wraparound Service Approach and the Group Home Semi-Annual expenditure reports will be revised and submitted after our Audited Financial Statements are issued which is scheduled to be completed by

March 2016. Over allocated amounts to the DCFS Wraparound Services report will be returned less the allowable 10% to be retained by the Agency.

Completion Date: All corrections to indirect and shared costs for Quarters 1-3 for the Fiscal Year 2014-2015 will be completed by December 31, 2015.

We expect to have the DCFS cost reports revised no later March 31, 2016.

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

- 5. Bayfront Youth and Family Services management reduce the Fiscal Year 2013-14 Wraparound Approach Services Cost Report by \$3,146, and repay the Department of Children and Family Services for any excess amounts received.**

Agency Proposed FCAP: Bayfront Youth & Family Services management agrees with the recommendation to reduce the Wraparound Services Report and has the following comments:

Bayfront acknowledges that an entry booked in error and will reduce the Wraparound Approach Service report for Fiscal Year 2013-14. So that all reports submitted will reconcile to the financial records, Bayfront will make the reduction in an adjusting journal entry during our internal audit scheduled to be completed by March 2016. The annual report that was submitted to DCFS in 2014 shows that no excess amount was received but will repay the department if the reduction to the report shows any excess amounts received.

Completion Date: The Wraparound Service Report for FY 2013-14 will be reduced and completed no later March 31, 2016.

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

- 6. Bayfront Youth and Family Services management re-allocate the \$5,249 (\$4,427 + \$822) to all benefitted programs, and reduce the Fiscal Year 2013-14 Wraparound Approach Services and Group Home Cost Reports by over-allocated amounts.**

Agency Proposed FCAP: Bayfront Youth & Family Services recognizes that these expenses were not properly allocated to all benefitting programs and will reallocate the costs to all programs that benefitted from the expenditures as an adjusting journal entry during our next internal audit scheduled to be completed by March 2016. The respective cost reports will be reduced by any over allocated amount. Going forward, Bayfront will insure that all expenditures charged to the programs benefit the program and provide supporting documentation.

Completion Date: We expect to have the reallocations and cost reports completed no later March 31, 2016.

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

7. **Bayfront Youth and Family Services management repay the Department of Children and Family Services \$1,177 (\$874+\$303) for unallowable expenditures charged to the Group Home Program in Fiscal Year 2013-14.**

Agency Proposed FCAP: Bayfront Youth & Family Services agrees with the recommendation of repayment and acknowledges that the error stemmed from journal entry posted incorrectly charging the Group Home program for expenditures supporting another program. Bayfront Management will insure that all expenditures charged to the programs are accurately stated, allowable and have proper documentation supporting how the expenditure supported the program.

DCFS Response: Please make your check payable to DCFS Cashier in the amount of \$1,177 and mail to:

Bing Bing Wu
Fiscal Operation-Accounting Services
Department of Children and Family Services
425 Shatto Place Rm. 204
Los Angeles, Ca. 90020

8. **Bayfront Youth and Family Services management allocate indirect costs to all benefitting programs.**

Agency Proposed FCAP: Bayfront Youth & Family Services agrees with the recommendation and maintains that the agency utilizes a cost allocation methodology that is both equitable and allowable. We will review and modify the allocation on a quarterly basis so that all allocations are true and correct throughout the fiscal year and will continue to allocate indirect costs to all programs.

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

9. **Bayfront Youth and Family Services management ensure that all expenditures are allowable and with adequate documentation.**

Agency Proposed FCAP: Bayfront Youth & Family Services management will consistently review all expenditures charged to the programs to make sure they are allowable under the OMB Circular A-122, the Auditor - Controller Contract Accounting Handbook (A-C Handbook) and the County contract.

Bayfront Youth & Family Services will always maintain proper documentation supporting how the expenditure benefitted the program. Bayfront Youth & Family Services views this finding as an opportunity to focus on improving our documentation methods.

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

10. **Bayfront Youth and Family Services management review the Fiscal Years 2013-14 and 2014-15 payroll expenditures for shift differential pay, and reduce the Fiscal Years 2013-14 and 2014-15 Cost Reports by the amount paid for ineligible employees or employees who worked a daytime shift, and repay the Department of Children and Family Services for excess amounts paid.**

Agency Proposed FCAP: Bayfront Youth & Family Services management will comply with the recommendation to review the payroll for FY 13.14 and FY14.15 that was charged to the Group Home Program and reduce the respective cost reports by the amounts paid for the employees that were ineligible to receive the shift differential. The adjusting journal entries for FY13.14 and 14.15 will be completed as part our next internal audit scheduled to be completed by March 2016.

Bayfront would also like to note the following comments:

The shift differential pay was grandfathered in at the time of Bayfront's inception and separation from Harbor View and was processed for all employees at the 3pm mark. Bayfront acknowledges that no supporting documentation was in place at the time of the audit; however, the new Bayfront shift differential policy in effect is clearly defined to specific employees that work a certain shift and will be adhered to.

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

11. **Bayfront Youth and Family Services management ensure that employees' record actual hours worked each day for each program, and timecards are signed by the employee.**

Agency Proposed FCAP: Bayfront Youth & Family Services agrees and has implemented this recommendation. Furthermore, Bayfront Youth & Family Services acknowledges that at the time the audit was conducted actual hours worked were not properly recorded. We have corrected this allocation of hours and direct hours that benefit the program or other allowable methodology is now used and all timecards are supported by a time study, a direct hours billing report or other supporting documentation. All timecards are signed by employee, immediate supervisor, department manager and the Director of Finance or Operations before being accepted and processed.

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

- 12. Bayfront Youth and Family Services management ensure to reinforce their shift differential pay policy and pay only to those who are eligible and work in the afternoon and night shifts.**

Agency Proposed FCAP: Bayfront Youth & Family Services acknowledges that there was no written shift differential policy at the time of audit and a new policy has since been created and enforced. The new shift differential policy is clearly defined to specific employees that work a certain shift and will be adhered to, policy name and date are referenced below.

Policy No. 236
Policy Date: 7/1/2015

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