



JOHN NAIMO
AUDITOR-CONTROLLER

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

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May 6, 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: LOS ANGELES CENTER FOR LAW AND JUSTICE – A DEPARTMENT
OF PUBLIC SOCIAL SERVICES DOMESTIC VIOLENCE SUPPORTIVE
SERVICES AND COMMUNITY SERVICES BLOCK GRANT LEGAL
SERVICES PROGRAMS PROVIDER – CONTRACT COMPLIANCE
REVIEW**

We completed a contract compliance review of Los Angeles Center for Law and Justice (LACLJ or Agency), which included a sample of transactions from July 2013 through March 2015. The Department of Public Social Services (DPSS) contracts with LACLJ to provide Domestic Violence Supportive Services (DVSS) to eligible victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims. DPSS also contracts with LACLJ to operate the Community Services Block Grant Legal Services (CSBG-LS) Program to assist eligible low-income individuals and their families with immigration, child support, visitation or restraining orders, and other legal services.

The purpose of our review was to determine whether LACLJ appropriately accounted for and spent DVSS and CSBG-LS 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.

DPSS paid LACLJ approximately \$853,000 on a fee-for-service basis from July 2013 through March 2015. The County's Fiscal Year (FY) 2013-14 contracts with LACLJ required the Agency to reinvest or return any unspent revenues to DPSS. LACLJ provides services to residents of the First and Fourth Supervisorial Districts.

Results of Review

LACLJ provided services to eligible clients, recorded and deposited DPSS cash receipts timely, and Agency staff had the required qualifications to provide Program services. However, the Agency did not always comply with all of their County contract requirements. Specifically, LACLJ did not:

- Accurately record revenue in their financial records. Specifically, the Agency overstated their DVSS Program revenue by \$2,243 from October 2014 through March 2015.

LACLJ's attached response indicates that they have implemented a new procedure to ensure that their financial records reflect their actual fiscal activity.

- Report \$412 in unspent revenue to DPSS on their FY 2013-14 close-out expenditure report for the DVSS Program as required.

LACLJ's attached response indicates that they will submit a revised FY 2013-14 close-out expenditure report to DPSS, and will work with DPSS to return or reinvest any unspent revenues.

- Maintain a complete and accurate listing of fixed assets and equipment purchased with DVSS Program funds, and did not conduct semi-annual inventories as required.

LACLJ's attached response indicates that they have updated their inventory list and will ensure that they conduct quarterly inventories as required by the Agency's own internal policies.

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

Review of Report

We discussed our report with LACLJ and DPSS. LACLJ's attached response (Attachment II) indicates agreement with our findings and recommendations. DPSS will work with LACLJ to ensure that our recommendations are implemented.

We thank LACLJ management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:pn

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Sheryl L. Spiller, Director, DPSS
Damian Martinez, Board Chair, LACLJ
Matt Streiker, Executive Director, LACLJ
Public Information Office
Audit Committee

**LOS ANGELES CENTER FOR LAW AND JUSTICE
DOMESTIC VIOLENCE SUPPORTIVE SERVICES AND COMMUNITY SERVICES
BLOCK GRANT LEGAL SERVICES PROGRAMS
CONTRACT COMPLIANCE REVIEW
JULY 2013 THROUGH MARCH 2015**

ELIGIBILITY

Objective

Determine whether Los Angeles Center for Law and Justice (LACLJ or Agency) maintained documentation to support the eligibility of clients that the Agency claimed received Domestic Violence Supportive Services (DVSS) and Community Services Block Grant Legal Services (CSBG-LS) Program services.

Verification

We reviewed the documentation stored in the case files for nine (18%) of the 51 clients that the Agency claimed received DVSS Program services and for five (28%) of the 18 clients that the Agency claimed received CSBG-LS Program services during February 2015.

Results

LACLJ maintained documentation to support the eligibility of the 14 clients reviewed who received DVSS or CSBG-LS Program services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether LACLJ maintained documentation to support the services charged to the Department of Public Social Services (DPSS) and whether the clients received the billed services.

Verification

We reviewed the case files for nine (18%) of the 51 clients that the Agency claimed received DVSS Program services and for five (28%) of the 18 clients that the Agency claimed received CSBG-LS Program services during February 2015.

Results

LACLJ maintained documentation to support the services provided to the 14 clients reviewed.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether LACLJ's staff had the required qualifications to provide Program services.

Verification

We reviewed the personnel files for seven (88%) of the eight LACLJ staff who provided services to DVSS and CSBG-LS clients during February 2015.

Results

LACLJ's seven staff reviewed had the required qualifications to provide Program services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether LACLJ properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if bank account reconciliations were prepared timely, and reviewed and approved by Agency management.

Verification

We interviewed LACLJ's management, and reviewed their financial records and March 2015 bank account reconciliation for one bank account.

Results

LACLJ deposited DPSS cash receipts into their bank account timely, and bank account reconciliations were prepared timely, and reviewed and approved by Agency management. However, LACLJ did not accurately record revenue in their financial records. Specifically, the Agency overstated their DVSS Program revenue by \$2,243 from October 2014 through March 2015.

Recommendation

1. Los Angeles Center for Law and Justice management ensure that their accounting records reflect their actual fiscal activity.

COST ALLOCATION PLAN/EXPENDITURES**Objective**

Determine whether LACLJ developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the DVSS and CSBG-LS Programs were allowable, properly documented, and appropriately allocated.

Verification

We interviewed LACLJ personnel, and reviewed their Plan and financial records for 15 non-payroll expenditures, totaling \$15,937, that the Agency charged to the DVSS and CSBG-LS Programs from July 2014 through February 2015.

Results

LACLJ developed their Plan using an appropriate cost allocation methodology, and their expenditures were allowable, properly documented, and appropriately allocated.

Recommendation

None.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LACLJ's fixed assets and equipment purchased with DVSS and CSBG-LS Program funds were used for the appropriate Programs and adequately safeguarded.

Verification

We interviewed Agency personnel, and reviewed their fixed assets and equipment inventory list. We also performed a physical inventory of five items purchased with DVSS and CSBG-LS Program funds to verify the items exist and were being used for the Programs.

Results

We noted significant weaknesses in LACLJ's controls over fixed assets and equipment. Specifically, LACLJ did not:

- Maintain a complete and accurate listing of fixed assets and equipment. Specifically, three (60%) items that were purchased 100% with DVSS Program funds in February and June 2014 were not included in the Agency's inventory list.
- Conduct semi-annual inventories as required. LACLJ management indicated that they had never conducted a physical inventory of fixed assets and equipment.

Recommendation

2. **Los Angeles Center for Law and Justice management develop and maintain a complete and accurate listing of fixed assets and equipment purchased with Domestic Violence Supportive Services and Community Services Block Grant Legal Services Program funds and conduct semi-annual inventories of fixed assets and equipment.**

PAYROLL AND PERSONNEL

Objective

Determine whether LACLJ maintained personnel files as required and charged payroll expenditures to the DVSS and CSBG-LS Programs that were allowable, properly documented, and appropriately allocated.

Verification

We compared the payroll expenditures for seven employees, totaling \$27,842 for February 2015, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed personnel files for seven employees.

Results

LACLJ maintained personnel files as required and charged payroll expenditures to the DVSS and CSBG-LS Programs that were allowable, properly documented, and appropriately allocated.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether LACLJ's close-out expenditure reports reconciled to their financial records and whether the Agency had any unspent revenue for Fiscal Year (FY) 2013-14.

Verification

We compared the total revenues and expenditures from LACLJ's FY 2013-14 close-out expenditure reports to their accounting records, and to DPSS payment records.

Results

LACLJ's close-out expenditure reports for FY 2013-14 indicated that they did not have any unspent revenue for FY 2013-14. However, LACLJ's accounting records and DPSS payment records indicated that they had \$412 in unspent revenues for the DVSS Program that they did not report to DPSS. LACLJ needs to provide DPSS with a revised close-out expenditure report for the DVSS Program for FY 2013-14, and work with DPSS to return or reinvest any unspent revenues.

Recommendations

Los Angeles Center for Law and Justice management:

- 3. Ensure that their close-out expenditure reports are based on actual expenditures as required.**
- 4. Provide the Department of Public Social Services with a revised close-out expenditure report for the Domestic Violence Supportive Services Program for Fiscal Year 2013-14, and work with the Department of Public Social Services to return or reinvest any unspent revenues.**



Los Angeles
Center for
Law and Justice

March 17, 2016

John Naimo, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071

Re: Response Letter to DPSS Domestic Violence Supportive Services and Community
Service Block Grant Contract Compliance Review

Dear Mr. Naimo:

The Los Angeles Center for Law and Justice (LACLJ) submits this response letter to detail the corrective action plan we have implemented for each of the five recommendations you made in the audit report for July 2013 to March 2015.

Recommendation #1: Los Angeles Center for Law and Justice Management ensure that their accounting records reflect their actual fiscal activity.

The overstatement of \$2,243 occurred as a result of a disallowed amount in our July 2014 invoice by DPSS which render our accounting record over what we anticipated LACLJ would receive. Generally invoices that have been submitted to DPSS are recorded in LACLJ accounting records by the Director of Finance and disallowed amounts were not duly recorded until a payment was received.

As of the date of the audit review, LACLJ has included an extra step to prevent further discrepancies in its revenue reports. Discrepancies in the monthly invoices are usually resolved by LACLJ's Program Manager and DPSS's Contract Management Division soon after submission of the invoice. If the invoice is modified due to any disallowed amount, the Program Manager will immediately send the modification to LACLJ's Director of Finance who will then reconcile the modification with LACLJ's accounting record to ensure that it reflects LACLJ's actual fiscal activity.

Recommendation #2: Los Angeles Center for Law and Justice Management develop and maintain a complete and accurate listing of fixed assets and equipment purchased with Domestic Violence Supportive Services and Community Services Block Grant Legal Services Program funds and conduct semiannual inventories of fixed assets and equipment.

Los Angeles Center for Law and Justice has a policy for tracking fixed assets and equipment purchased with Domestic Violence Supportive Services Program Funds. This policy and process is outlined in LACLJ's Accounting Manual and is overseen by the Director of Administration. According to our policy, the Office Manager is required to conduct a quarterly equipment inventory. Due to recent staff turnover, the equipment inventory process was neglected. We also

Response Letter to DVSS & CSBG Audit Report
Los Angeles Center for Law & Justice
March 17, 2016
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noticed that we were not recording the serial numbers for every computer purchased. Since the Auditor-Controller's visit, LACLJ has conducted an inventory audit and located the three items that were purchased with DVSS & CSBG Program money. These items have been added to our inventory list and it was verified that all items were being used to deliver DPSS funded services. LACLJ has resumed its quarterly equipment inventories. Our next quarterly inventory will take place between July 11 and July 15, 2016.

Recommendation #3: Ensure that LACLJ's close-out reports are based on actual expenditures as required.

Los Angeles Center for Law and Justice reviewed its books and determined that the reason that the close out report of FY13-14 did not accurately match the actual income was due to a staff transition change and a change in the way that program revenue and expenditures were controlled internally. Prior to May 2014, and her departure September 2013, the Director of Administration recorded each invoice in the monthly accrual register and entered the account posting instruction with appropriate cost allocation. The register was then forwarded to an outsourced accountant who recorded the invoice into their accounting system. The Director of Administration conducted monthly bank reconciliations but these happened in house and not always in collaboration with the outside accountant. In May 2014, a new Director of Finance, now an in-house employee, transitioned LACLJ to QuickBooks. This has greatly enhanced the accuracy of our accounting practices in relation to the recording of revenue and expenditures. Furthermore, the Director of Finance and the Director of Legal Services (the DVSS and CSBG program manager) work closely together to reconcile contract expenditures on a monthly basis.

Recommendation #4: Provide the Department of Public Social Services (DPSS) with a revised close-out expenditure report for the Domestic Violence Supportive Services Program for Fiscal Year 2013-14, and work with DPSS to return or reinvest the unspent revenue.

LACLJ has revised the FY 2013-2014 close-out expenditure report to indicate the \$412 in unspent funds. LACLJ's Director of Legal Services will submit the revised FY 2013-2014 close-out expenditure report to DPSS and will work with DPSS to return or reinvest the unspent revenue.

Should you have any questions to our response letter, please contact our Director of Legal Services Gladys La Torre at (323) 980-3500 ext. 20 or gladys@laclj.org.

Sincerely,



Gladys La Torre, Esq.
Director of Legal Services