County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

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Director

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April 26, 2016

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

From: Philip L. Browning
Director

FRED JEFFERSON MEMORIAL HOME FOR BOYS FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Fred Jefferson Memorial Home for Boys (the Contractor) in September 2015. The Contractor has three licensed Foster Family Agency offices: one located in the Second Supervisorial District; one located in Riverside County, and the third is located in San Bernardino County. The Contractor also has two licensed Group Home sites located in the Second Supervisorial District and provides services to the County of Los Angeles DCFS placed children and children from other counties. According to the Contractor's Program Statement, its stated purpose is, "to provide adolescents in need of out of home placement with a safe and secure home to live, and to maintain minors placed in homes within their existing support system."

At the time of the review, the Contractor supervised 224 DCFS placed children in 75 Certified Foster Homes. The placed children's overall average length of placement was one month and their average age was nine. The Group Home served 12 DCFS placed children. The placed children's overall average length of placement was one month and their average age was 16.

SUMMARY

CAD conducted a Fiscal Compliance Assessment which included an agency-wide review of the Contractor's financial records, such as financial statements, bank statements, check register, and personnel files to determine their compliance with the terms, conditions and requirements of the Foster Family Agency and Group Home Contracts, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The Contractor was in full compliance with 4 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influence; Cash/Expenditures; and Payroll and Personnel.

CAD noted deficiencies in the area of: Financial Overview, related to negative net assets and unpaid payroll taxes.

Attached are the details of CAD's review.

REVIEW OF REPORT

On October 27, 2015, Helga Kiaian, DCFS CAD, held the Fiscal exit conference with Kimberly Weldon, Chief Financial Officer and Dr. Cecilia Jefferson-Freeman, Chief Executive Officer. The representatives were in agreement with the review findings and recommendations; were receptive to implementing systemic changes to improve compliance with its DCFS contracts and to resolve the noted deficiencies in a Fiscal Corrective Action Plan (FCAP).

The Contractor provided the attached approved FCAP addressing the recommendations noted in this report.

A copy of this compliance report has been sent to the Auditor-Controller and Community Care Licensing.

If you have any questions, your staff may contact me or Aldo Marin, Board Relations Manager, at (213) 351-5530.

PLB:KR
LTI:hk

Attachments

c: Sachi A. Hamai, Chief Executive Officer
John Naimo, Auditor-Controller
Calvin C. Remington, Interim Chief Probation Officer
Dr. Cecilia Jefferson-Freeman, Chief Executive Officer
Fred Jefferson Memorial Home for Boys
Public Information Office
Audit Committee
Sybil Brand Commission
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

FRED JEFFERSON MEMORIAL HOME FOR BOYS
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2015 - 2016

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of Fred Jefferson Memorial Home for Boys' (the Contractor's) financial records for the period of January 1, 2014 through June 30, 2015. Contracts Administration Division (CAD) reviewed the financial statements, bank statements, check register, and personnel files to determine the Contractor's compliance with the terms, conditions, and requirements of the Foster Family Agency and Group Home Contracts, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State and County regulations and guidelines.

The on-site Fiscal Compliance Assessment review focused on five key areas of internal controls:

- Financial Overview,
- Loans, Advances and Investments,
- Board of Directors and Business Influence,
- Cash/Expenditures, and
- Payroll and Personnel.

The Contractor was in full compliance with 4 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influence; Cash/Expenditures; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following one area out of compliance:

Financial Overview

- According to the Audited Financial Statements, as of December 31, 2014, the Contractor had a net assets deficit of $618,064, due to unpaid Payroll taxes of $925,665 for January 1, 2008 through December 31, 2011.

The Executive Director assumed responsibility for the trust fund taxes which are no longer the responsibility of the Contractor.

The Contractor is in negotiations with the Internal Revenue Service (IRS) for an installment payment plan. The Contractor began this negotiation with their offer in a compromise submitted to the IRS in 2012. The Contractor continues to submit its quarterly Financial Statements to the California Department of Social Services, Community Care Licensing Division and to DCFS CAD and continues to timely pay its current payroll taxes. Regular status updates are provided by the Contractor to DCFS CAD.

Recommendation:

The Contractor's management shall ensure that:

1. A financial operation plan is developed and implemented which completely resolves the outstanding payroll taxes with the IRS.

NEXT FISCAL COMPLIANCE ASSESSMENT

The next Fiscal Compliance Assessment of the Contractor will be conducted in County Fiscal Year 2016-2017.

Fred Jefferson Memorial Homes
152 West Walnut Street Suite 150
Gardena, CA. 90248

Phone (310) 763-1660 ***Fax(310) 763-0357***

January 22, 2016

Department of Children and Family Services

Fiscal Compliance Internal Control

Attention Helga Kiaian

FCAT Section I – Financial Overview

Question No. 4 and 10

County Finding: Operating loss and a net deficiency in net assets of $1,221,474 largely attributed to unpaid payroll taxes of $1,543,729 for salaries (including penalties and interest) paid during FYs 12/31/2008 - 12/31/2011.

Agency Response: Fred Jefferson currently has an Offer in Compromise pending with the Internal Revenue Service (IRS). As of the last communication with the IRS dated October 28, 2015, the case is under review and a response has not yet been received.

Fred Jefferson has remained current with all payroll taxes due. Although the agency has remained current with payroll taxes since 2012, until the Offer In Compromise has been accepted by the Internal Revenue Service, penalties and interest will continuing to accrue currently in excess of $100,000 per year.

[redacted] After a final determination has been made, the agency anticipates paying the balance in full within a five year period. This estimate may need to be extended depending on the repayment amount.

In an effort to mitigate the impact this past debt has on the Agency, in May 2015, the Executive Director agreed to assume the sole responsibility to repay the taxes. This action will result in an improvement of $618,064 in the net assets of Fred Jefferson in 2015. Executive Director anticipates resolving this issue over the next three fiscal years.

The agency also continues to pursue various fund raising and grant opportunities. Fred Jefferson has planned two fundraising events in 2016. One event is scheduled for the spring and the second event is scheduled for the fall. The agency anticipates raising $25,000 at each event. Proceeds from these fundraising events will be used 65% toward past due taxes and 35% for chapter operations.

Sincerely,

Cecilia Jefferson Freeman

CEO

Fred Jefferson memorial Homes for Boys