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May 17, 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: **STAR VIEW CHILDREN AND FAMILY SERVICES – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES CONTRACT PROVIDER – FISCAL REVIEW**

We completed a fiscal review of Star View Children and Family Services (SVCFS or Agency), a Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) Program provider. DCFS contracts with SVCFS to provide Wraparound services to children and their families, including therapy, housing, education, and social assistance. The purpose of our review was to determine whether SVCFS appropriately accounted for and spent Wraparound funds providing the services in accordance with their County contract.

DCFS paid SVCFS approximately $6.3 million on a fee-for-service basis for Fiscal Year (FY) 2009-10. The Agency's offices are located in the Second and Fourth Supervisorial Districts.

Results of Review

SVCFS maintained documentation to support Program expenditures charged to the Wraparound Program. However, SVCFS allocated $44,252 in insurance expenditures to the Wraparound Program in FY 2009-10 that were related to another program.

Subsequent to our review, SVCFS reduced the expenditures allocated to the Wraparound Program by $44,252.

SVCFS also did not resolve reconciling items for their bank reconciliations in a timely manner.

SVCFS' attached response indicates that they will ensure that only allowable Program expenditures are charged to the Wraparound Program, and that they have begun resolving checks that have been outstanding for more than a year.

We noted similar findings in our December 4, 2007 contract monitoring report.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed the results of our review with SVCFS and DCFS. The Agency's attached response indicates agreement with our findings and recommendations. DCFS indicated that they will ensure that SVCFS implements the recommendations in our report.

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

WLW:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jackie Contreras, Ph.D., Interim Director, DCFS
Candy Tobias, Board President, SVCFS
Kent Dunlap, Executive Director, SVCFS
Public Information Office
Audit Committee

STAR VIEW CHILDREN AND FAMILY SERVICES
WRAPAROUND SERVICES PROGRAM
FISCAL YEAR 2009-10

CASH/REVENUE

Objective

Determine whether the Star View Children and Family Services' (SVCFS or Agency) had adequate controls to ensure cash receipts and revenue were recorded properly in financial records and deposited timely in the Agency's bank accounts.

Verification

We interviewed SVCFS' management and reviewed the Agency's financial records. We also reviewed the bank reconciliations for September 2010.

Results

SVCFS properly recorded and deposited cash receipts timely. However, the Agency did not resolve reconciling items for their bank reconciliations in a timely manner. Specifically, 127 (40%) of the 320 outstanding checks, totaling $17,150, had been outstanding for more than a year. A similar finding was noted in our December 4, 2007 monitoring report.

Recommendation

1. **SVCFS management resolve reconciling items on their bank reconciliations timely.**

COST ALLOCATION PLAN

Objective

Determine whether SVCFS' Cost Allocation Plan was prepared in compliance with the Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) Program contract, and used to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, and selected three shared expenditures, totaling $114,272, incurred during Fiscal Year (FY) 2009-10, to ensure the expenditures were allocated to the Wraparound Program appropriately.

Results

SVCFS prepared their Cost Allocation Plan in compliance with the Wraparound contract, and allocated their shared expenditures appropriately. However, SVCFS allocated $44,252 for insurance expenditures to the Wraparound Program in FY 2009-10 that were related to another program. Subsequent to our review, SVCFS provided documentation showing that they had reduced the amount allocated to Wraparound by the $44,252. A similar finding was noted in our previous contract monitoring report.

Recommendation

2. SVCFS management ensure that only allowable Program expenditures are charged to the Wraparound Program.

EXPENDITURES

Objective

Determine whether the Wraparound Program-related expenditures are allowable under the County contract, documented properly and billed accurately.

Verification

We interviewed Agency personnel, and reviewed financial records and documentation to support 15 Wraparound expenditures, totaling $19,099, incurred during FY 2009-10.

Results

SVCFS' expenditures were allowable, documented properly and billed accurately to the Wraparound Program.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether SVCFS charged payroll expenditures to the Wraparound Program appropriately. And whether the Agency maintains personnel files as required.

Verification

We reviewed payroll expenditures, totaling $21,584, for eight employees for June 2010, and reviewed personnel files for the eight employees.

Results

SVCFS charged payroll expenditures to the Wraparound Program appropriately, and maintained personnel files as required.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations from our prior monitoring review.

Verification

We verified whether SVCFS had implemented the outstanding recommendations from our December 4, 2007 monitoring report.

Results

Our prior monitoring report contained 11 recommendations. SVCFS implemented seven recommendations, did not implement two recommendations, and two recommendations are no longer applicable. The two outstanding recommendations are addressed in the recommendations contained in this report.

Recommendation

3. **SVCFS management implement the outstanding recommendations from the prior monitoring report.**

Star View Children & Family Services
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April 6, 2011

Wendy L. Watanabe
Audit Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California, 90012-3873

RE: FY 09-10 Review Plan of Correction

Dear Ms. Watanabe,

Attached you will find the Plan of Correction for your department's fiscal compliance review of Star View Children and Family Services (SVCFS) for Fiscal Year 2009-2010.

We believe that all recommendations have been addressed from both of your reviews. We request that your findings be modified to include our response or that our response be included in any dissemination of your report.

Please feel free to contact me if you require further information or have any further questions.

Sincerely,

Kent Dunlap
Executive Director

Finance Plan of Correction
Auditor-Controller Draft report on Star View Children & Family Services
March 2011

CASH/REVENUE

Result
SVCFS properly recorded and deposited cash receipts timely. However, the Agency did not resolve reconciling items on their bank reconciliations in a timely manner. Specifically, 127 (40%) of the 320 outstanding checks totaling $17,150 were outstanding more than a year.

Recommendation
1. *SVCFS management resolve reconciling items on their bank reconciliations timely.*

Corrective Action
The recommendation has been implemented. We now investigate and resolve all outstanding checks which are beyond one year of the issue date.

COST ALLOCATION PLAN

Result
Generally, SVCFS prepared the Cost Allocation in compliance with the County contract and appropriately allocated their shared expenditures. However, SVCFS allocated $44,252 in FY 09-10 to the Wraparound Program for insurance expenditures related to another program.

Recommendations
2. *Ensure that only allowable program expenditures are charged to the Wraparound Program.*

Corrective Action
Agreed. The charge was an error in our allocation process. Insurance was charged to Star View Community Services (SVCS) by Stars Behavioral Health Group (SBHG). Star View CS subsequently reallocated part of their charge to TEAMMATES. This was an error as TEAMMATES received a direct charge from SBHG. We have corrected the error by reducing the TEAMMATES allocated charges from SVCS by the $44,252 in FY 10-11. We will ensure going forward that only allowable expenditures are charged to the Wraparound Program.

PRIOR YEAR FOLLOW-UP

Results

The prior audit report included three recommendations which were not implemented. As previously indicated, the three outstanding recommendations related to Recommendations 1 and 2 contained in this report.

Recommendations

3. *Star View management implement the outstanding recommendations from the prior monitoring report.*

Corrective Action

Agreed. As reported above, we have corrected the deficiency noted in our procedure for bank reconciliations. Further more, we will ensure that only allowable program expenditures are charged to the Wraparound Program.

We appreciate the courteous and professional manner under which the audit was conducted by the Auditor Controller staff.