COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

July 11, 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: **INNER CIRCLE FOSTER FAMILY AGENCY - A FOSTER FAMILY AGENCY FOSTER CARE CONTRACTOR - FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of Inner Circle Foster Family Agency (Inner Circle or Agency) from January 1, 2008 through December 31, 2008. DCFS contracts with Inner Circle to serve as a Foster Family Agency (FFA) to recruit, certify, train, and support foster family homes. Inner Circle has offices in the Third and Fifth Supervisorial Districts.

At the time of our review, Inner Circle had 60 children placed by Los Angeles County in 57 certified foster homes. DCFS paid the Agency between $1,589 and $1,865 per child per month, for a total of $1,280,065. Inner Circle paid $550,039 (43%) directly to the foster parents, which meets the State's minimum requirement.

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 Inner Circle to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management on February 1, 2010.

Summary of Findings

We identified $6,147 in unallowable costs, and $369 in unsupported/inadequately supported costs. In addition, DCFS and the Agency need to work together to resolve some potential overpayments. DCFS should recover any valid overpayments.

Inner Circle reported that a former employee embezzled over $700,000 from the Agency, and it appears that most of the embezzled funds were FFA funds from the County. The Agency has hired an accounting consultant who is working with the Los Angeles Police Department (LAPD). The LAPD plans to file criminal charges, and the Agency plans to pursue civil actions against the former employee. The Agency has also received $50,000 from an Employee Dishonesty (Theft) policy related to the embezzlement. We have recommended that DCFS consult with County Counsel to determine if the County has any rights to the proceeds from Inner Circle's Theft policy, or other insurance policies the Agency is required to have under its contract with the County.

We also noted that Inner Circle may have financial viability issues, including liabilities for unpaid federal payroll taxes. The Agency also needs to strengthen its controls over cost allocation, accounting and disbursements, payroll/personnel records, independent contractors, bank reconciliations, insurance, preparing and submitting Semi-Annual Expenditure Reports to DCFS, and maintaining a list of fixed assets as required by the FFA contract. 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 Inner Circle 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 findings and recommendations with Inner Circle's management on February 1, 2010. The Agency's response, which is incorporated into DCFS' 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 Inner Circle's 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
Pam Jordan, Executive Director, Inner Circle Foster Family Agency
Board of Directors, Inner Circle Foster Family Agency
Cora Dixon, Bureau Chief, Foster Care Audits Bureau, CA Dept of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

Inner Circle
Foster Family Agency Contract Provider
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified $6,147 in unallowable expenditures, and $369 in unsupported/inadequately supported expenditures. In addition, DCFS and the Agency need to work together to resolve some potential overpayments. Details of these expenditures/overpayments are discussed below.

Applicable Regulations and Guidelines

Inner Circle is required to operate its FFA in accordance with the following federal, State and County regulations and guidelines. We referred to these regulations and guidelines during our audit.

- FFA 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 A-122)
- California Department of Social Services Manual of Policies and Procedures (CDSS-MPP)
- California Code of Regulations, Title 22 (Title 22)

Unallowable Expenditures

Inner Circle incurred $6,147 in unallowable expenditures:

- $3,730 in penalties to the State's Community Care Licensing Division.
- $1,794 in penalties, late fees and interest payments to the State's Employment Development Department, Staples, Laser Top Fraud Blocker, and AT&T.
- $588 in non-sufficient funds (NSF) and overdraft fees.
- $35 in alcohol purchases.

Circular A-122 Sections 3, 16 and 23 state that penalties, interest and alcohol purchases are unallowable expenditures.

Unsupported/Inadequately Supported Expenditures

A-C Handbook Section A.3.2 states that all expenditures shall be supported by original vouchers, invoices, receipts, or other supporting documents, and that unsupported expenditures will be disallowed upon audit. We identified $369 in FFA expenditures that were either unsupported or inadequately supported.

Recommendations

1. **DCFS management resolve the $6,516 ($6,147 + $369) in questioned costs and collect any disallowed amounts.**

Inner Circle management:

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

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

Potential DCFS Overpayments

DCFS records show some potential overpayments to Inner Circle. DCFS and the Agency should work together to resolve the overpayments, and DCFS should collect any verified overpayments. Inner Circle management should also ensure that any future payment discrepancies are immediately reported to DCFS, and any excess amounts are repaid promptly.

Recommendations

4. **DCFS management work with Inner Circle to resolve the overpayments, and collect any verified overpayments.**

5. **Inner Circle management ensure that any future payment discrepancies are immediately reported to DCFS and any overpaid amounts are repaid promptly.**

Embezzlement

Inner Circle reported that a former employee, who worked as the Accountant and Office Manager from April 22, 2002 through February 13, 2009, embezzled over $700,000 from the Agency. For calendar years 2007 and 2008, the County FFA contract accounted for 91% and 86% of the Agency's total revenues, respectively. Therefore, it appears that almost all of the stolen funds were County FFA payments.

The Agency discovered the embezzlement in February 2009, while the employee was on vacation. Inner Circle hired an accounting consultant who has met with detectives from the LAPD to review the substantial evidence gathered by the Agency. The accounting consultant indicated that the LAPD will pursue criminal charges against the former employee. In addition, the Agency's Executive Director stated that the Agency plans to pursue civil action against the former employee, and has an attorney to handle the case.

The Agency had Employee Dishonesty and Forgery & Alteration (Theft) insurance coverage, and received $50,000 from this policy related to the embezzlement. The Theft policy was not required under the FFA contract between the County and the Agency. However, DCFS should confer with County Counsel to determine whether the County has any rights to the proceeds from Inner Circle's Theft policy, or other insurance maintained by the Agency.

Recommendations

6. **Inner Circle management keep DCFS informed on the status of the criminal investigation by the LAPD and the Agency's civil case.**

7. **DCFS consult with County Counsel to determine if the County has any rights to the proceeds from Inner Circle's Theft policy, or other insurance maintained by the Agency.**

Financial Viability

The Agency's 2007 and 2008 audited financial statements indicated that the Agency was operating at a loss and had negative net assets, which raised substantial doubt about Inner Circle's ability to continue as a going concern. For 2007, the Agency reported a net loss of $265,516 and had negative net assets of $24,775. For 2008, the loss was $183,444 and negative net assets had increased to $208,219. In addition, the Agency has a substantial liability for unpaid federal payroll taxes, and related penalties and interest. These losses and liabilities may be related to the embezzlement discussed above.

Inner Circle, in consultation with its accountant, needs to develop a plan demonstrating how it will continue to provide an adequate quality level of care while addressing its ongoing operating losses. We advised DCFS of Inner Circle's financial difficulties on March 24, 2010, and recommended that they closely monitor the Agency to ensure that service quality was maintained at an acceptable level.

Recommendations

8. **Inner Circle management, in consultation with its accountant, develop a plan demonstrating how it will provide an adequate quality level of care while addressing its ongoing operating losses.**

9. **DCFS management closely monitor Inner Circle to ensure that service quality is maintained at an acceptable level.**

Payroll Tax Liabilities

Based on a federal tax lien notice, as of September 22, 2009, the Agency owed $226,018 in delinquent payroll taxes, and $51,720 in penalties and interest from September 2007 through December 2008. Circular A-122 Sections 16 and 23, state that penalties and interest are unallowable expenditures. DCFS needs to ensure that Inner Circle does not use foster care funds to pay the penalties and interest. In addition, since the delinquent payroll taxes originated in a previous contract year, Inner Circle may not use current period foster care funds to pay this liability.

Because Inner Circle had operating losses in 2007 and 2008, it is unclear how the Agency will be able to pay its delinquent tax liability. Inner Circle's management should submit a plan to DCFS showing how the Agency will repay its payroll tax liability without using current period foster care funds.

Recommendations

10. **DCFS management ensure that foster care funds are not used to pay for penalties and interest.**

11. **Inner Circle management submit a plan to DCFS showing how they will repay its delinquent tax liability without using current period foster care funds.**

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

We noted several contract compliance issues and internal control weaknesses. DCFS should ensure that Inner Circle management takes action to address the recommendations in this report. DCFS should also monitor to ensure the actions result in permanent changes.

Cost Allocation Plan

Inner Circle provided a cost allocation plan that identified direct costs that were allocated to the FFA and Adoptions programs. However, the Agency did not have a plan to allocate the administrative payroll and personnel costs among the Agency's programs. A-C Handbook Section C.2.0 states that an agency must allocate expenditures that benefit various programs or funding sources on an equitable basis.

Recommendation

12. Inner Circle management develop a plan to allocate administrative payroll and personnel costs to the Agency's programs on an equitable basis.

Accounting and Disbursement Procedures

Proper disbursement procedures require a second signature on a check from someone independent of the transaction to verify the appropriateness of each payment. In addition, A-C Handbook Section B.2.1 indicates that a second signature should be required on all checks. We noted that the payee and the check signer were the same employee on four checks, totaling $368.

Recommendation

13. Inner Circle management require two signatures on all checks where the payee and the check signer are the same employee.

Payroll / Personnel Records

CDSS-MPP Section 11-402 requires that supporting documentation be maintained for all program expenditures, including employee salary rates. In addition, A-C Handbook Section B.3.1 states that all timecards must be signed in ink by the employees and employee's supervisor to certify the accuracy of the reported time.

We reviewed the personnel files and payroll records of 12 employees and noted the following:

- Seven (58%) employee timecards were not available for our review. However, we were able to determine that the employees did work at the Agency through alternative procedures, such as reviewing personnel files and memos.
- Five (42%) timecards were not signed by the employees.
- One (8%) timecard was not signed by the supervisor.

Recommendations

Inner Circle management ensure that:

14. Timecards are maintained for each Agency employee.

15. All employees sign their timecards.

16. A supervisor reviews and signs all employee timecards.

Independent Contractors

A-C Handbook Section A.2.6 requires that the Agency must comply with all applicable federal and State requirements for reporting and filing 1099 Forms. In addition, A-C Handbook Section A.3.2 requires an agency to have a written contract, time and attendance records, billing rates, and other supporting documentation for contract services.

Our review of the Agency's independent contractors revealed the following:

- The Agency did not issue a Form 1099 for one contractor.
- The Agency did not have a contract for one contractor.

Recommendations

Inner Circle management:

17. Ensure that all income paid to independent contractors is properly reported to the federal and State taxing agencies.

18. Establish written agreements with all contractors that indicate the billing rates and nature of the service to be provided.

Bank Reconciliations

A-C Handbook Section B.1.4 requires bank reconciliations be prepared within 30 days of the bank statement date, and reviewed by management for appropriateness and accuracy. The bank reconciliations should be signed and dated by both the preparer and the reviewer. After reviewing the monthly bank reconciliations, we noted the following:

- The bank reconciliations for calendar year 2008 were not prepared within 30 days of the statement date. All the reconciliations were performed on February 27, 2009 or later.
- The bank reconciliations were not signed and dated by the reviewer.

Recommendation

19. Inner Circle management ensure that bank reconciliations are prepared within 30 days of the bank statement date, and signed and dated by the reviewer.

Insurance

FFA Contract Section 5.0 requires that auto insurance include coverage for all "owned", "hired" and "non-owned" vehicles, or coverage for "any auto". Inner Circle did not maintain the proper auto insurance coverage. Specifically, the Agency's auto insurance only covers hired and non-owned autos.

Recommendation

20. Inner Circle maintain insurance coverage as required by the FFA contract.

Semi-Annual Expenditure Reports

The FFA contract Section 17 requires agencies to prepare and submit Semi-Annual Expenditure Reports to DCFS within 60 days after the end of each semi-annual reporting period. Inner Circle only submitted one Semi-Annual Expenditure Report to DCFS for Fiscal Year 2008-09. Inner Circle should prepare and submit Semi-Annual Expenditure Reports for each semi-annual period as required by the FFA contract.

Recommendation

21. Inner Circle management prepare and submit Semi-Annual Expenditure Reports for each semi-annual period to DCFS, including reports that were not filed in prior years, as required by the FFA contract.

Fixed Assets

A-C Handbook Section B.4.2 requires the Agency to keep a list of fixed assets, including the item description, serial number, date of purchase, acquisition cost, and source(s) of funding. The A-C Handbook also states that an inventory of all assets should be conducted at least once each year to ensure that all fixed assets are accounted for and maintained in proper working order.

Inner Circle provided a fixed asset list that was mainly used for depreciation purposes. The assets were grouped into categories such as Computer Equipment or Furniture, and did not include the required detail. In addition, the Agency does not conduct an inventory of fixed assets at least once each year.

Recommendation

22. Inner Circle management prepare a fixed assets listing that includes item description, serial number, date of purchase, acquisition costs, and source(s) of funding, and conduct an inventory of fixed assets at least once each year.

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

April 7, 2011

Pam Jordan, Executive Director
Inner Circle Foster Family Agency
7120 Hayvenhurst Ave
Van Nuys, CA 91406

Dear Ms. Jordan:

AUDITOR-CONTROLLER'S FISCAL AUDIT REPORT ON INNER CIRCLE – A FOSTER FAMILY AGENCY FOSTER CARE CONTRACTOR

We have reviewed your fiscal corrective action plan (FCAP) received on April 4, 2011 in response to the Auditor-Controller's final draft fiscal audit.

With regard to the $6,516 in questioned costs, Inner Circle Foster Family Agency and DCFS agreed that the total of $6,516 was disallowed and must be repaid to the Department.

Please contact the Los Angeles County Treasurer and Tax Collector (TTC), by April 12, 2011 to schedule a date and time to sign a repayment agreement for the amount of $6,516. The terms of the repayment agreement would be determined and negotiated with TTC. Please contact:

Fernando Rubio Jr., Operations Chief
Los Angeles County Treasurer and Tax Collector Revenue and Enforcement
225 N. Hill Street Room 122
Los Angeles, CA 90012
(213) 893-7968
frubio@ttc.lacounty.gov

If you have any questions, please contact Ali Gomaa-Mersal, Financial Specialist IV, at (213) 351-3209.

Sincerely,

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 III

FISCAL REVIEW OF
INNER CIRCLE – A FOSTER FAMILY AGENCY 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 April 4, 2011, submitted by Inner Circle, status of each recommendation is summarized as follows:

- 22 Recommendations (1-22) were fully addressed.
- __ Recommendations (_____) were partially addressed.
- 5 Recommendations (1, 4, 7, 9 &10) directed to the Department were addressed.

Recommendation Status

1. **DCFS management resolves the $6,516 ($6,147 + $369) in questioned costs and collect any disallowed amounts.**

   Agency Proposed FCAP: *Inner Circle will pay the questioned costs to the County and requests a payment plan in which Inner Circle sends $100.00 per month to the county beginning June 1, 2011 until the entire amount is completely paid*

   DCFS Response: Please contact the Los Angeles County Treasurer and Tax Collector (TTC), as soon as possible to schedule a date and time to sign a repayment agreement for the amount of $6,516. The terms of the repayment agreement would be determined and negotiated with the TTC. Please contact:

   Fernando Rubio Jr., Operations Chief
   Los Angeles County Treasurer and Tax Collector Revenue and Enforcement
   225 N. Hill Street Room 122
   Los Angeles, CA 90012
   (213) 893-7968
   frubio@ttc.lacounty.gov

2. **Inner Circle management ensure that foster care funds are used for allowable expenditures to carry out the purpose and activities of the FFA program.**

Agency Proposed FCAP: *Inner Circle management maintains accounting procedures and records to ensure that foster care funds are used for allowable expenditures to carry out the purpose and activities of the FFA program. Only funds from solicitations, donors, grants, and unrestricted sources can be used for activities and expenses to cover penalties or other items unrelated to the services that are directed to children and families in the FFA program.*

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

3. **Inner Circle management maintain adequate supporting documentation for all Agency expenditures, including itemized invoices and receipts.**

   Agency Proposed FCAP: *Consistent with Board approval, Inner Circle maintains adequate supporting documentation for all Agency expenditures, including itemized invoices and receipts.*

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

4. **DCFS management work with Inner Circle to resolve the overpayments and collect any verified overpayments.**

   Agency Proposed FCAP: *Inner Circle will respond to identified overpayments by returning checks to the county upon identification of overpayment. Inner Circle will sign a repayment agreement for the 2008 verified overpayment.*

   DCFS Response: DCFS accepts the agency's response. Please contact Luis Castaneda, Eligibility Supervisor at (213) 351-3212 to make arrangements to sign a repayment agreement.

5. **Inner Circle management ensures that any future payment discrepancies are immediately reported to DCFS and any overpaid amounts are repaid promptly.**

   Agency Proposed FCAP: *Inner Circle ensures that any future payment discrepancies are immediately reported to DCFS and any overpayment amounts are repaid promptly. Inner Circle returns checks to the County immediately upon recognition of an overpayment.*

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

6. **Inner Circle management keeps DCFS informed on the status of the criminal investigation by the LAPD and the Agency's civil case.**

   Agency Proposed FCAP: *Inner Circle will continue to keep DCFS informed on the status of the criminal investigation by the LAPD, the FBI, and any civil case in process.*

   DCFS Response: DCFS accepts the agency's response. Please continue to provide Fiscal Monitoring & Special Payments with the current status of the investigation.

7. **DCFS consult with County Counsel to determine if the County would have any rights to the proceeds from Inner Circle's Theft policy and or other insurance policies maintained by the Agency.**

   Agency Proposed FCAP: *Because of the extent of the theft, Inner Circle respectfully requests that DCFS not impose any rights to the proceeds of the Theft policy that is maintained by the agency.*

   DCFS Response: DCFS will consult with County Counsel to determine if the County would have any rights to the proceeds from Inner Circle's theft policy and or other insurance policies maintained by the agency. Please submit any documents regarding the case that may assist the county to reach a determination regarding this issue.

8. **Inner Circle management, in consultation with its accountant, develops a plan demonstrating how it will provide an adequate quality level of care while addressing its ongoing operating losses.**

   Agency Proposed FCAP: *Inner Circle management in conjunction with its accountant will ensure that the quality of care of its clients and constituents meet best practice standards. All payments to foster families are solvent. Funds for the care and well being of foster children remain the priority of the agency. DCFS has conducted routine program audits and has seen that the quality of care provided meets requirements and exceeds performance in certain areas.*

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

9. **DCFS management closely monitors Inner Circle to ensure that service quality is maintained at an acceptable level.**

   Agency Proposed FCAP: *Inner Circle will ensure high levels of quality service and will respond to recommendations from DCFS to ensure the level of care is acceptable.*

   DCFS Response: DCFS accepts the agency's response. DCFS management will closely monitor Inner Circle to ensure that service quality is maintained at an acceptable level.

10. **DCFS management ensures that foster care funds are not used to pay for penalties and interest.**

    Agency Proposed FCAP: *Inner Circle management ensures that foster care funds are not used to pay penalties and interest.*

    DCFS Response: DCFS accepts the agency's response. DCFS management will monitor Inner Circle to ensure that foster care funds are not used to pay for penalties and interest.

11. **Inner Circle management submit a plan to DCFS showing how they will repay its prior years' taxes without using current period foster care funds.**

    Agency Proposed FCAP: *Inner Circle has developed a strategic plan to have four annual events that produce revenue to pay for prior years' taxes and not use current period foster care funds. Inner Circle is involved with negotiations with the IRS to establish a plan for repayment that does not jeopardize the continuing operations of the agency.*

    DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation and a copy of IRS repayment agreement.

12. **Inner Circle management develop a plan to allocate administrative payroll and personnel costs to the Agency's programs on an equitable basis.**

    Agency Proposed FCAP: *Inner Circle management has developed a plan to allocate administrative payroll and personnel costs to the agency's programs on an equitable basis.*

    DCFS Response: DCFS accepts the agency's response. Please submit Board-approved policies/procedures that ensure compliance with the recommendation and a copy of cost allocation plan.

13. **Inner Circle management require two signatures on all checks where the payee and the check signer are the same employee.**

    Agency Proposed FCAP: *Inner Circle requires two signatures on all checks including any checks where the signer and payee is the same employee.*

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

14. **Inner Circle management ensure that timecards are maintained for each Agency employee.**

    Agency Proposed FCAP: *Inner Circle management ensures that timecards are maintained for each Agency employee and kept on file for auditing purposes.*

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

15. **Inner Circle management ensure that all employees sign their timecards.**

    Agency Proposed FCAP: *Inner Circle management ensures that all employees sign their timecards. This was implemented in 2009.*

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

16. **Inner Circle management ensure that a supervisor reviews and signs all employee timecards.**

    Agency Proposed FCAP: *Inner Circle management ensures that a supervisor reviews and signs all employee timecards. This has been implemented in 2009.*

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

17. **Inner Circle management ensure that all income paid to independent contractors are properly reported to the federal and State taxing agencies.**

Agency Proposed FCAP: *Inner Circle management ensures that all income paid to independent contractors are properly reported to the federal and State taxing agencies.*

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

18. **Inner Circle management establish written agreements or contracts with contractors that indicate the billing rates and nature of service provided by contractors.**

    Agency Proposed FCAP: *Inner Circle management has written agreements or contracts with contractors that indicate billing rates and nature of service provided by contractor since 2009.*

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

19. **Inner Circle management ensure that bank reconciliations are prepared within 30 days of the bank statement date, and signed and dated by the reviewer.**

    Agency Proposed FCAP: *Inner Circle management ensure that bank reconciliations are prepared within 30 days of the bank statement date and signed and dated by the reviewer. Implemented in 2009.*

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

20. **Inner Circle maintain insurance coverage as required by the FFA Contract.**

    Agency Proposed FCAP: *Inner Circle maintains insurance coverage required by the FFA contract.*

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

21. **Inner Circle management prepare and submit two Semi-Annual Expenditure Reports for each semi-annual period to DCFS, including reports that were not filed in prior years, as required by the FFA Contract.**

Agency Proposed FCAP: *Inner Circle current management prepares and submits two Semi-Annual Expenditure Reports for each semi-annual period to DCFS. Efforts to include reports that were not filed in prior years have been made.*

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

22. **Inner Circle management prepare a fixed assets listing that includes item description, serial number, date of purchase, and acquisition costs and conduct an inventory of fixed assets at least once each year.**

Agency Proposed FCAP: *Inner Circle management prepares a fixed assets listing that includes item description, serial number, date of purchase and acquisition costs and conducts an inventory of fixed assets at least once a year.*

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