COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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December 6, 2011

TO: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **MOZELL PENNINGTON BOYS CENTER, INCORPORATED – A GROUP HOME FOSTER CARE CONTRACT PROVIDER - FISCAL REVIEW**

At the request of the Department of Children and Family Services (DCFS), we reviewed the fiscal operations of Mozell Pennington Boys Center, Incorporated (Mozell or Agency), from January 1 through December 31, 2009. Mozell is located in the Second Supervisorial District, and is licensed to operate one group home (GH) with a resident capacity of eight children.

DCFS and the Probation Department (Probation) contract with Mozell to care for foster children placed in the Agency's home. DCFS paid Mozell $3,862 per child per month, based on a rate determined by the California Department of Social Services, for a total of $285,337 during 2009.

The issuance of our report was delayed in part by changes in federal and State regulations regarding possible repayment of questioned costs from fiscal audits. To enable Mozell to begin taking corrective action as soon as possible, we discussed the findings and recommendations from our review with Agency management on February 10, 2011.

Summary of Findings

We identified $2,852 in unallowable expenditures and $10,914 in unsupported/ inadequately supported expenditures. Mozell also needs to strengthen its controls over

accounting and disbursements, deposits, payroll/personnel records, independent contractors, and fixed assets. In addition, Mozell needs to conduct quarterly Board of Directors' meetings, and prepare and submit Semi-Annual Expenditure Reports to DCFS as required by the GH 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 Mozell management takes action to address the recommendations in this report, and monitor to ensure that the actions result in permanent changes.

Review of Report

Mozell's management declined to formally discuss this report at an exit conference, but have agreed to repay the $13,766 ($2,852 + $10,914) in questioned costs. The Agency's response, which is incorporated into DCFS' Fiscal Corrective Action Plan (Attachment II), indicates 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 Mozell'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
Philip L. Browning, Interim Director, DCFS
Cal Remington, Acting Chief Probation Department
Reaver E. Bingham, Deputy Chief, Probation
Mozell Pennington, Executive Director, Mozell Pennington Boys Center, Inc.
Board of Directors, Mozell Pennington Boys Center, Inc.
Cora Dixon, Bureau Chief, Foster Care Audit Branch, CA Dept. of Social Services
Commission for Children and Families
Public Information Office
Audit Committee

Mozell Pennington Boys Center, Incorporated
Group Home Contract Provider
Fiscal Review

REVIEW OF EXPENDITURES/REVENUES

We identified $2,852 in unallowable expenditures, and $10,914 in unsupported/ inadequately supported expenditures. Details of these expenditures are discussed below.

Applicable Regulations and Guidelines

Mozell Pennington Boys Center, Incorporated (Mozell or Agency) is required to operate its group home (GH) in accordance with the following federal, State, and County regulations and guidelines:

- GH 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

Mozell incurred $2,852 in unallowable expenditures:

- $2,719 in delinquent federal payroll taxes, penalties, and interest paid to the Internal Revenue Service (IRS)
- $133 in interest and late fees paid to ExxonMobil, AICCO Insurance, and Pitney Bowes

OMB Circular A-122 Sections 16 and 23 indicate that penalties and interest are unallowable expenditures. In addition, County policy specifies that current period foster care funds cannot be used to pay a prior year's delinquent taxes.

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 documentation, and that unsupported expenditures will be disallowed upon audit. In addition, A-C Handbook Section B.2.3

states that petty cash disbursements must be supported by invoices, receipts, or other documents indicating the items purchased, and the employee making the purchases.

We identified $10,914 in unsupported or inadequately supported expenditures, including $3,701 in payments to ExxonMobil, $2,058 in cash withdrawals, $1,710 in credit card charges, $629 in petty cash expenditures, and $2,816 in payments to the Executive Director (ED), Agency staff, and utility companies. The Agency provided credit card statements, bank statements, and cancelled checks, but no receipts, or the receipts provided were inadequate to substantiate that the expenses were GH-related.

Recommendations

1. **DCFS management resolve the $13,766 ($2,852 + $10,914) in questioned costs and collect any disallowed amounts.**

Mozell management:

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

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

CONTRACT COMPLIANCE AND INTERNAL CONTROLS

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

Accounting and Disbursement Procedures

We noted the following issues in the Agency's accounting and disbursement procedures:

- Twenty checks, totaling $3,784, were payable to "cash". A-C Handbook Section B.2.1 states that checks should not be made payable to "cash".

- Eight cash withdrawals, totaling $2,058, from the Agency's bank account. A-C Handbook Section B.2.1 states that all disbursements, other than petty cash, should be made by check.

- For thirteen (26%) of 50 expenditures reviewed, the supporting documents (e.g., invoices, receipts, etc.) were not referenced to check numbers, and were not marked "paid". A-C Handbook Section B.2.1 states that all supporting documents

should be referenced to check numbers, and marked "paid", or otherwise cancelled, to prevent duplicate payments.

- The Agency did not provide vehicle mileage logs for the period of our review. The Agency's ED indicated that she could only locate vehicle mileage logs from 2005. The Agency needs to maintain mileage logs for each vehicle, identifying travel dates, purpose of each trip, beginning and ending odometer readings, and the resulting mileage, as required by the A-C Handbook.

Recommendations

Mozell management:

4. **Ensure checks are not made payable to "cash".**

5. **Discontinue cash withdrawals, and establish a policy that all disbursements should be made by check.**

6. **Ensure supporting documents are referenced to check numbers, and marked "paid" to prevent duplicate payments.**

7. **Consistently prepare and maintain mileage logs for each Agency vehicle identifying travel dates, purpose of the trip, beginning and ending odometer readings, and the resulting mileage.**

Untimely Deposits

A-C Handbook Section B.1.2 states that cash receipts totaling $500 or more shall be deposited within one day of receipt. Collections of less than $500 may be held and secured, and deposited weekly, or when the total reaches $500, whichever occurs first.

We noted that the Agency received four Los Angeles County warrants, totaling $8,019, that were deposited into the Agency's bank account more than ten days after the issue date. To improve cash flow, and ensure warrants are not lost or stolen, Mozell should deposit County warrants timely, and consider having County payments deposited electronically directly into the Agency's bank account.

Recommendation

8. **Mozell management ensure that Los Angeles County warrants are deposited timely, and consider having its County payments deposited directly into the Agency's bank account.**

Loan Agreement

A-C Handbook Section A.3.2 states that loans to the Agency should be supported by a written loan agreement. Mozell wrote five checks, totaling $4,000, to the ED that were recorded on Mozell's general ledger as loan repayments. We verified that the money loaned to the Agency by the ED was deposited into the Agency's bank account. However, the Agency did not have written loan agreements. In addition, there is no record that the Agency's Board of Directors approved these loans. Mozell management needs to establish written agreements for all loans, indicating the amounts borrowed and the repayment terms, and obtain approval from the Board of Directors for all loans.

Recommendation

9. **Mozell management establish written agreements for all loans, indicating the amounts borrowed and the repayment terms, and obtain approval from the Board of Directors for all loans.**

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 timecards and time reports must be signed by the employee and supervisor to certify the accuracy of the reported time. We reviewed 12 employee personnel and salary records and noted the following:

- Ten (83%) employee timecards were not signed by a supervisor.
- Seven (58%) employee personnel files did not contain the employees' current authorized salary rates. However, we determined the employees' salaries were reasonable based on the Child Welfare League of America (CWLA) Salary Study.
- Two (17%) employees did not prepare timecards.
- One (8%) employee's personnel file was missing and not available for our review.

Recommendations

Mozell management ensure:

10. **Timecards are signed by a supervisor to certify the accuracy of the reported time.**
11. **Personnel files contain current salary rates approved by management.**
12. **Timecards are prepared by each employee for each pay period.**

13. Personnel files are maintained for each employee.

Independent Contractors

A-C Handbook Section A.3.2 requires an agency to have a contract, time and attendance records, billing rates, and other supporting documentation for contract services. We noted that Mozell did not have written contracts for three (60%) of five independent contractors reviewed. Although the Agency provided attendance records and detailed invoices that clearly identified the services provided and the billing rates, Mozell needs to establish written contracts to ensure services are provided at the agreed price, etc.

Recommendation

14. Mozell management establish contracts, that include billing rates and services to be provided, with all independent contractors to ensure services are provided at the agreed price.

Fixed Assets

A-C Handbook Section B.4.2 requires agencies to maintain a current listing of fixed assets, including the item description, serial number, date of purchase, acquisition cost, and source(s) of funding. In addition, agencies should conduct an inventory of all fixed assets at least once a year to ensure that all fixed assets are accounted for, and maintained in proper working order.

The Agency's fixed asset listing identified assets in general categories, such as "Equipment" or "Furniture and Fixtures", but did not include required details. In addition, the Agency did not conduct an annual inventory of its fixed assets.

Recommendation

15. Mozell management maintain a fixed asset listing that includes detailed item descriptions, serial numbers, dates of purchase, acquisition costs, and source(s) of funding, and conduct an inventory of all fixed assets at least once a year to ensure that all fixed assets are accounted for, and maintained in proper working order.

Board Minutes

CDSS-MPP Section 84063 and California Health and Safety Code Section 1520.1(e) require non-profit corporations to hold Board of Directors' meetings at least quarterly. We noted that the Agency only conducted one Board meeting during the 12-month period covered by our audit. The Agency should conduct Board meetings at least quarterly as required.

Recommendation

16. Mozell management conduct Board of Directors meetings at least quarterly as required.

Semi-Annual Expenditure Reports

The GH Contract requires agencies to prepare and submit Semi-Annual Expenditure Reports to DCFS within 60 days after the end of each semi-annual reporting period. DCFS informed us that the Agency did not submit a Semi-Annual Expenditure Report for the period of July 1 through December 31, 2009.

Recommendations

Mozell management:

17. Prepare and submit to DCFS the Semi-Annual Expenditure Report for the period of July 1 through December 31, 2009.

18. Ensure that required reports are submitted to DCFS timely.

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

PHILIP L. BROWNING
Interim 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

September 23, 2011

Mozell Pennington, Executive Director
Mozell Pennington Boys Center, Inc.
16952 South ROA Drive
Carson, CA 90746

Dear Ms. Pennington:

AUDITOR-CONTROLLER'S FISCAL REVIEW OF MOZELL PENNINGTON BOYS CENTER, INCORPORATED – A GROUP HOME FOSTER CARE CONTRACT PROVIDER

We have reviewed your fiscal corrective action plan (FCAP) received on September 22, 2011 in response to the Auditor-Controller's final draft fiscal audit.

With regard to the $13,766 in questioned costs, Mozell Pennington Boys Center, Inc. and DCFS agreed that the total of $13,766 was disallowed and must be repaid to the Department.

Please contact the Los Angeles County Treasurer and Tax Collector (TTC), by September 29, 2011 to schedule a date and time to sign a repayment agreement for the amount of $13,766. 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

Sincerely,

, For Latisha Thompson

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 MOZELL PENNINGTON BOYS CENTER, INCORPORATED – A GROUP HOME FOSTER CARE CONTRACT PROVIDER

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 September 22, 2011, submitted by Mozell Pennington Boys Center, Incorporated, status of each recommendation is summarized as follows:

- 18 Recommendations (1-18) were fully addressed.
- __ Recommendations (_____) were partially addressed.
- 1 Recommendation (1) directed to the Department was addressed.

Recommendation Status

1. **DCFS management resolve the $13,766 ($2,852 + $10,914) in questioned costs and collect any disallowed amounts.**

   Agency Proposed FCAP: Mozell Pennington Boys Center would like to begin on October 1, 2011 repayment of the questioned costs and disallowed amounts, Five-hundred dollars per month will be submitted to DCFS until overpayment is paid in full.

   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 $13,766. 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. **Mozell management ensure that foster care funds are used for allowable expenditures to carry out the purpose and activities of the GH program.**

   Agency Proposed FCAP: Mozell Pennington Boys Center Executive Director and Administrator will ensure that all foster care funds be documented and maintained to carry out the purpose and activities of the GH program.

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

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

   Agency Proposed FCAP: Mozell Pennington Boys Center management will purchase a device that will scan all original receipts and invoices and put items in an expenditure report to better maintain the supporting documentation of expenses.

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

4. **Mozell management ensure checks are not made payable to "cash".**

   Agency Proposed FCAP: Mozell Pennington Boys Center management will no longer make any checks made payable to cash, all checks will be made payable to custodian (GH Administrator) to distribute funds for GH program.

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

5. **Mozell management discontinue cash withdrawals and establish a policy that all disbursements should be made by check.**

   Agency Proposed FCAP: Mozell Pennington Boys Center management has discontinued to make any cash withdrawals and all disbursements has and will be made by check or business debit card.

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

6. **Mozell management ensure all expenditure supporting documents are referenced to check numbers and marked "paid" to prevent duplicate payments.**

   Agency Proposed FCAP: Mozell Pennington Boys Center management has implanted that all supporting documentation has referenced check numbers on receipts and invoices to prevent any duplicated payments.

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

7. **Mozell management consistently prepare and maintain vehicle mileage logs for each agency vehicle identifying travel dates, purpose of the trip, beginning and ending odometer readings, and the resulting mileage.**

   Agency Proposed FCAP: Mozell Pennington Boys Center Administrator has implemented a revised mileage log to document travel dates, purpose of destination, beginning and ending odometer readings and the resulting mileage with staff's signature to certify travel.

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

8. **Mozell management ensure that Los Angeles County warrants are deposited timely, and consider having its County payments electronically deposited directly into the Agency's bank account.**

   Agency Proposed FCAP: Mozell Pennington Boys Center management has begun to deposit Los Angeles County warrants on same day of receipt, unless it's a holiday then warrants will be deposited the next business day.

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

9. **Mozell management establish written agreements for all loans indicating the amounts borrowed and the repayment terms, and obtain approval from the Board of Directors for all loans.**

   Agency Proposed FCAP: Mozell Pennington Boys Center Executive Director & Owner Mozell Pennington has arranged to meet with Board Members to establish a repayment date and the terms to that agreement for GH program to repay her for loans made to the GH program.

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

10. **Mozell management ensure timecards are signed by a supervisor to certify the accuracy of the reported time.**

    Agency Proposed FCAP: Mozell Pennington Boys Center management has implemented timecards to be signed by supervisor to certify the accuracy of reported time.

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

11. **Mozell management ensure personnel files contain current salary rates approved by management.**

    Agency Proposed FCAP: Mozell Pennington Boys Center management has since fiscal audit implemented in every employee's file a salary rate form approved by Executive Director.

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

12. **Mozell management ensure timecards are prepared by each employee for each pay period.**

    Agency Proposed FCAP: Mozell Pennington Boys Center management has implemented that each employee signs there timecard at the end of each pay period to certify the hours that each employee has worked.

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

13. **Mozell management ensure personnel files are maintained for each employees.**

    Agency Proposed FCAP: Mozell Pennington Boys Center Administrator will ensure that all personnel files are maintained for each employee.

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

14. **Mozell management establish contracts, that include billing rates and services to be provided, with all independent contractors to ensure services are provided at the agreed price.**

    Agency Proposed FCAP: Mozell Pennington Boys Center management has implemented independent service contracts with all independent contractors at the agreed price.

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

15. **Mozell management maintain a fixed asset listing that includes detailed item descriptions, serial numbers, dates of purchase, acquisition costs, and source(s) of funding, and conduct an inventory of all fixed assets at least once a year to ensure that all fixed assets are accounted for and maintained in proper working order.**

    Agency Proposed FCAP: Mozell Pennington Boys Center management has implemented a fixed asset list including item descriptions, serial numbers, date of purchase, acquisition costs and the source of funding. Also implemented every six months quality assurance inventory will be made by GH Administrator.

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

16. **Mozell management conduct Board of Directors meetings at least quarterly as required by State regulations.**

    Agency Proposed FCAP: Mozell Pennington Boys Center Executive Director will ensure that quarterly meetings will be conducted with Board of Directors to comply with State Regulations.

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

17. **Mozell management prepare and submit to DCFS the Semi-Annual Expenditure Report for the period of July 1 through December 31, 2009.**

    Agency Proposed FCAP: Mozell Pennington Boys Center management has submitted the Expenditure Report for the period of July 1 through December 31, 2009 to DCFS.

    DCFS Response: DCFS accepts the agency's response.

18. **Mozell management ensure that required reports are submitted to DCFS timely.**

    Agency Proposed FCAP: Mozell Pennington Boys Center management will ensure that required reports are submitted to DCFS in a timely manner.

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