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October 9, 2012

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: **DEPARTMENT OF CHILDREN AND FAMILY SERVICES YOUTH DEVELOPMENT SERVICES DIVISION – PHASE II REPORT (Board Agenda Item 51-B, June 14, 2011)**

On June 14, 2011, your Board directed the Auditor-Controller to review the Department of Children and Family Services' (DCFS) Youth Development Services Division (YDS). The Board request was based on the discovery that a deceased County employee had taken funds that belonged to some YDS program participants. Due to the number of programs administered by YDS, we completed our review in two phases. We issued our Phase I report, on YDS' Transitional Housing Programs (THP), on March 13, 2012.

This is the Phase II report of our review of YDS. It focused on YDS' Independent Living Program (ILP) and the Administrative Support (YDS Admin) sections. ILP provides financial and other assistance to current/former foster youth, who are 14 to 20 years old, to help them transition to independent living. YDS Admin handles donations, issues scholarships, and administers and monitors ILP Program contractors.

We evaluated controls over ILP assistance payments, donations, scholarships, and gift cards. We also reviewed a sample of ILP participant payment files at YDS, case files at contractor sites, and interviewed YDS and contractor staff and management.

Summary of Findings

Our Phase II review indicates that YDS was not always complying with ILP Program requirements, and that YDS needs to improve its controls over payments, scholarships, gift cards, and ensure that its contractors comply with Program requirements.

The following are examples of areas for improvement:

YDS needs to ensure ILP financial assistance payments are appropriate. For three (10%) of 30 ILP payments reviewed, it appears the participants received more financial assistance than they should have. For example, ILP provides up to $4,999 in tuition assistance, and its policy states that this assistance should be based on the amount of tuition not covered by other aid. We noted one participant received $4,999 as full tuition assistance from ILP, even though she received financial aid from other sources that covered all of her school-related expenses.

DCFS' response (attached) indicates they have provided training to YDS staff, and have revised a form to require staff to verify and justify financial assistance requests. YDS will also review a sample of forms monthly to ensure compliance.

YDS needs to improve its controls over its bookstore agreements. YDS has agreements with some college bookstores to allow ILP participants to purchase books and supplies "on account". However, YDS staff do not track the bookstore agreements, and do not verify that the purchases are appropriate before paying the bookstores.

DCFS' response indicates they will reconcile all past and current bookstore agreements, and discontinue the agreements. As an alternative, YDS will allow youth to request cash advances to purchase books, and require the youth to provide receipts for the purchases.

YDS needs to ensure ILP participant Living Plans are complete. ILP staff are required to complete "Living Plans" outlining each participant's needs, education and employment goals, etc. These Plans are the basis for funds the participants receive from ILP. We noted that five (17%) of 30 Living Plans reviewed were incomplete, and did not identify all of the participants' needs.

DCFS' response indicates they have trained their staff on how to complete Living Plans, and that management will review a sample of Living Plans and related documents monthly to ensure compliance.

YDS needs to ensure that ILP participants submit required documents. ILP participants are supposed to return a confirmation letter when they receive a check from DCFS, as well as receipts for purchases made with ILP funds. We noted that 15 (63%) of 24 participants reviewed did not submit confirmation letters, 15 (63%)

did not submit receipts, and that ILP staff did not follow up to obtain any of the missing documents.

DCFS' response indicates that they will maintain a list of participants who are sent checks, and will send reminder notices to participants who do not return the confirmation letters, and follow up as needed. In addition, YDS will confirm that receipts for prior payments are on file before issuing additional financial assistance payments.

YDS needs to ensure contractors comply with Program requirements and performance targets. ILP contractors can give participants incentive payments to attend training classes. We could not verify if five (25%) of 20 participant incentive payments were appropriate, because the contractors did not have attendance logs or did not require participants to sign the logs. We also noted that the contractors did not always meet required performance targets (e.g., 90% of participants improve their educational assessment performance after completing the tutoring program, etc.), and YDS staff did not follow up or initiate documented corrective action.

DCFS' response indicates that they will amend the contracts to require contractors to keep signed attendance logs. YDS also issued corrective action plans for the contractors, covering the past two fiscal years, and will ensure that the contractors address the issues.

DCFS/YDS needs to separate ILP check handling functions, and track returned checks. In our 2003 audit report on ILP, we noted that ILP staff who input payments into the County's accounting system also mailed the checks to participants. This could allow an employee to enter a check, and then keep the check instead of mailing it. ILP has not corrected this issue. The same staff also receive and process checks that are returned as undeliverable, and ILP does not record or track returned checks. While we did not identify any improper transactions, these issues could allow a loss of funds to occur without being detected.

DCFS' response indicates they have separated staff duties to ensure that staff handling checks have no other payment responsibilities. YDS has also developed a log to track returned checks, which will be reviewed by the unit manager each month.

DCFS management should evaluate ILP staff productivity and workload. Our 2003 review noted that ILP staff processed three to ten payment requests per work shift, when they should have been processing at least 24. Our current review indicates that ILP staff were processing an average of five payments per day. We also noted that DCFS/YDS management does not track the number of payments staff process per day, and does not have staff productivity targets.

DCFS' response indicates that they will track staff's payment-related activities, and by December 1, 2012, determine if the current staffing level is appropriate.

DCFS/YDS management will also establish workload standards and address any staff productivity issues.

DCFS management needs to ensure uncashed checks are reviewed timely. ILP records showed there were 226 uncashed checks payable to participants, totaling approximately $91,000. Some of the checks had been outstanding for up to five years. These checks were unresolved because YDS staff did not regularly review or cancel uncashed checks. In addition, YDS staff could not tell us if any replacement checks had been issued to the participants. In November 2011, DCFS centralized ILP check processing under the Bureau of Finance and Administration, and began requiring staff to review uncashed checks every 30 days, and follow up on unresolved checks. DCFS should ensure staff are trained on and follow the new procedures.

DCFS' response indicates that they have assigned DCFS Administration to review uncashed checks monthly, and work with ILP coordinators to ensure that appropriate action is taken on uncashed checks. YDS management will monitor this review to ensure compliance.

Details of the results of our review and our recommendations for corrective action are discussed in Attachment I.

Review of Report

We discussed the results of our review with DCFS management on August 2, 2012. The Department's response (Attachment II) indicates general agreement with our findings and recommendations. DCFS' response also describes the corrective actions they have taken, or plan to take, to address the recommendations in our report.

We thank DCFS and YDS 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:YK

Attachments

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DCFS
Jerry E. Powers, Chief Probation Officer
John F. Krattli, County Counsel
Sachi A. Hamai, Executive Officer, Board of Supervisors
Public Information Office
Audit Committee

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
REVIEW OF YOUTH DEVELOPMENT SERVICES DIVISION – PHASE II
INDEPENDENT LIVING PROGRAM AND ADMINISTRATIVE SUPPORT

Background

On June 14, 2011, your Board directed us to review the Department of Children and Family Services' (DCFS) Youth Development Services Division (YDS). The Board request was based on the discovery that a deceased County employee had taken funds that belonged to some YDS program participants. Due to the number of programs administered by YDS, we completed our review in two phases. We issued our Phase I report, covering YDS' Transitional Housing Programs (THP), on March 13, 2012. Our Phase I review disclosed a number of weaknesses related to YDS' THP, including a $36,000 trust account balance that should have been returned to former program participants. YDS is actively searching for the former participants who are owed money, and will work with County Counsel to determine the feasibility of transferring the remaining funds to the Children's Trust Fund.

In Phase II of our review, we evaluated YDS' Independent Living Program (ILP) and Administrative Support (YDS Admin) sections. ILP provides financial assistance for tuition, clothing, rent, food, transportation, etc., to eligible youth. YDS Admin handles donations, issues scholarships, administers and monitors Program contractors. YDS Admin formerly included the Program Liaison Evaluation Assistance for Successful Emancipation (PLEASE) Unit, which processes ILP assistance payments to participants. DCFS management transferred oversight of the PLEASE Unit from YDS to DCFS' Bureau of Finance and Administration (DCFS Admin) in November 2011.

Scope

Our review included evaluating controls over ILP assistance payments, donations, scholarships, and gift cards. We also reviewed a sample of participant payment files at YDS and case files at contractor sites; and interviewed YDS and contractor management and staff.

COMMENTS AND RECOMMENDATIONS

Independent Living Program (ILP)

ILP provides financial and other assistance to current/former foster youth, 14 to 20 years old, to help them transition to independent living. ILP has three contractors who provide Life Skills training on topics such as career development, money management, etc. The contractors also conduct assessments, to determine if any clients are below educational standards, and provide tutoring to eligible 14 and 15 year olds. ILP has 59 staff, and a budget of approximately $21 million. According to YDS management, over 8,000 participants received ILP services in Fiscal Year (FY) 2010-11.

Excessive Financial Assistance

We reviewed a sample of 30 ILP payments, and noted that three (10%) participants may have received more financial assistance than they should have. One participant received aid (grants, loans, etc.) from other sources totaling $20,737, which covered all of her school-related expenses. ILP provided an additional $4,999, (the maximum ILP tuition assistance allowed). However, but ILP policy indicates that assistance should be based on the amount of tuition not covered by other aid. Another ILP participant, who lived with a non-ILP eligible roommate, received the full rental cost ($2,775) of their shared apartment for three months, when the rent should have been pro-rated between the roommates. In the third case, a participant received $1,730 to purchase a computer, when the Program limit is $700.

Recommendation

1. **YDS management ensure ILP assistance payments are justified, consistent with Program requirements, and based on documented needs.**

College Bookstore Purchases

YDS issued letters to some college bookstores authorizing some participants to purchase books and supplies "on account", so the participants did not have to wait for a check from the County. Under these arrangements, the bookstores bill YDS for books and supplies.

We noted a number of issues related to these YDS' agreements with the bookstores. For example, YDS could not tell us how many agreements they have entered into, because they do not track them. In addition, we reviewed purchases for four participants, totaling $2,119, and noted that YDS paid the bookstore invoices without reviewing the receipts and/or verifying that the participants had received the items. YDS also did not maintain required documentation (e.g., participant's written request, school enrollment verification, etc.) justifying the purchases. YDS staff indicated that the documentation had been lost.

YDS also did not always pay the bookstores timely. We noted a $2,119 invoice from December 2009 was not paid until June 2011, after numerous collection attempts by the bookstore. The bookstore manager indicated that YDS also owed the bookstore $742 for purchases made in 2007 and 2008. YDS was not aware of the outstanding balance until we brought it to their attention, when they paid it.

We also noted that YDS' letters to the bookstores did not specify when the agreements would end. Without an end date, participants who no longer met the ILP age requirement could make purchases.

Recommendations

YDS management:

2. **Determine and track the number of bookstore agreements, and ensure that the agreements have an end date.**

3. **Maintain documentation justifying participants' bookstore purchases.**

4. **Ensure bookstore invoices are paid timely, after YDS staff and participants verify the invoices.**

5. **Determine the amount currently owed to bookstores for prior purchases, if any, and make payments after verifying the purchases.**

Payment Documentation and Approvals

We noted a number of instances where ILP payments were not supported by required documentation and/or approvals.

- **Living Plans -** ILP staff are required to complete "Living Plans" for each ILP participant, outlining their needs, education and employment goals, etc. Living Plans must be updated every six months, or sooner if the participants' needs change. ILP payment requests are supposed to be based on the needs identified in the Plans. However, five (17%) of 30 Plans reviewed did not document all of the participants' needs, and we noted instances where the needs did not match the financial assistance requested. In addition, two (7%) Living Plans were not updated for nine and 14 months, respectively.

- **Purchase receipts -** Fifteen (63%) of 24 participants reviewed did not submit receipts for purchases made with ILP funds. Participants who do not submit receipts for purchases totaling more than $100 are supposed to submit a letter explaining why they could not submit the receipts, or they will not receive any future advances. We noted that YDS did not consistently enforce this policy. For example, three of the 15 participants who did not submit receipts or written explanations, continued to receive ILP payments totaling $4,700. In addition, we noted five instances where staff inaccurately indicated that receipts had been received in YDS' Emancipation Services/Independent Living Program (ESILP) tracking system, when they were not received.

- **Check receipt confirmation -** Fifteen (63%) of 24 participants did not submit the required letters verifying that they received their assistance checks. We confirmed that 11 (73%) of the participants received their checks, but were unable to contact the other four participants. We noted that YDS staff did not follow up on the missing check receipt confirmation letters.

- **Payment approval -** Three (60%) of five ILP payments that required Division Chief approval (e.g., auto insurance, payments exceeding limits, etc.) were issued without the required approval. For example, a participant received $1,487 for auto insurance without the required approval.

- **Incomplete supporting documentation -** Seven (23%) of 30 ILP payments did not have all required supporting documentation, such as a written assistance request letter, rental agreement, driver's permit, etc.

Recommendations

YDS management ensure:

6. **Living Plans are complete, identify participants' needs, and are updated every six months, or sooner if participants' needs change.**

7. **ILP participants' payment requests are consistent with the needs identified on their Living Plans.**

8. **ILP participants submit receipts, and require staff to follow up and consistently apply ILP policy to stop future advances if participants do not comply.**

9. **Staff accurately document purchase receipts in ESILP.**

10. **ILP participants submit the check receipt confirmation letters, and require ILP staff to follow up on missing letters.**

11. **ILP payments are properly approved, and maintain appropriate documentation for each ILP payment.**

Recordkeeping/Data Input Errors

We reviewed database entries for 14 participants who received ILP services, and noted that data for nine (64%) of them was entered incorrectly in various systems and/or forms, including the Child Welfare Services/Case Management System (CWS/CMS), ESILP, etc. For example, in three (21%) cases, ILP payments were recorded under the wrong participants' names in ESILP. It appears these were undetected data input errors, which YDS staff corrected after we brought them to staff's attention.

Recommendation

12. **YDS management ensure participant information is entered correctly in databases and forms.**

Staff Attendance Verification

YDS has Transition Coordinators (TC) and Community Workers (CW) located at ten Transition Resource Centers (TRC) and 18 regional offices throughout the County. TCs and CWs meet with ILP participants to assess their needs and provide employment, education, and housing related resources; meet with Children's Social Workers (CSWs) to obtain referrals for youth to attend Life Skills training and tutoring; and attend community events (e.g., job fairs) to share information with youth, etc.

During our Phase I review, several youth we interviewed indicated they had difficulty contacting their TC. During Phase II, we made unannounced visits to four locations (one TRC and three regional offices), and noted that three (50%) of the six TCs and CWs we attempted to visit were not at their assigned work locations. We learned that two of the TCs had reported to alternate work locations, one without notifying her supervisor. To ensure staff are available to assist ILP participants, YDS needs to ensure that staff report to their assigned work locations, and that supervisors approve work schedule/location changes in advance.

The remaining employee's supervisor told us that the employee was out sick on the day of our visit. However, we noted the employee claimed to be working that day on her official timecard. CWs' timecards are reviewed by their immediate supervisor, and submitted to a Children's Services Administrator (CSA) II at YDS Headquarters for approval. In this case, the CSA II who approved the timecard told us that neither the employee nor her supervisor reported the absence, and she learned about it from our audit. DCFS subsequently required the CW to correct her timecard.

YDS needs to ensure staff work hours are accurately reported, tracked, and verified by a supervisor who can attest to the accuracy of the reported time. DCFS also needs to remind staff that they must accurately report their time, and take appropriate administrative action if staff do not comply.

Recommendations

YDS management:

13. **Ensure staff report to their assigned work locations, and that a supervisor approves any changes to staff schedules/work locations in advance.**

14. **Ensure staff work hours are accurately reported, tracked, and verified by their supervisors, and timecards are approved by a supervisor who can attest to their accuracy.**

15. **Remind staff of the requirement to accurately report their time, and take appropriate administrative action if staff do not comply.**

Administrative Support (YDS Admin)

YDS Admin administers and monitors Program contracts, handles donations, issues scholarships, etc. YDS Admin has 14 staff.

Life Skills Training and Tutoring Contractor Program Compliance

YDS contracts with three providers for Life Skills training and tutoring. Eligible ILP participants can receive training on topics such as career development, money management, etc. If participants complete ten three-hour classes, they receive a $100 incentive from the contractor. The contractors also provide educational assessments, and up to 50 hours of tutoring.

We reviewed a sample of 20 Life Skills training and five tutoring case files, and noted the following:

- **Participant attendance** – For five (25%) of 20 case files reviewed, we were unable to verify if the participants attended all Life Skills training classes because the contractors could not provide all attendance logs, or did not have participants sign the logs. Without proper attendance records, YDS cannot ensure that contractor billings are accurate. We noted that the Life Skills Training and Tutoring contract does not specifically require contractors to maintain attendance logs or have the participants sign them. YDS should consider revising the contract to improve the documentation.

- **Maximum tutoring hours** – For one (20%) of five tutoring case files reviewed, a contractor billed for 53 hours of tutoring to a single participant, which exceeded the 50-hour maximum. The contractor did not obtain YDS approval for the overage, and it was not questioned by YDS staff. Since contractors bill YDS for actual services provided, this overage would have resulted in additional costs to the Department. YDS should ensure that contract monitoring staff review supporting documents before paying invoices, and that contractors do not exceed service limits without prior approval.

Recommendations

YDS management:

16. **Consider amending the Life Skills Training and Tutoring contracts to require contractors to keep signed attendance sheets.**

17. **Ensure contractors do not exceed the maximum of 50 tutoring hours for each participant, without prior YDS approval.**

Contract Monitoring

YDS' County Contract Manager (CCM) is responsible for communicating contract requirements to the contractors; reviewing/approving contractor invoices; and monitoring performance, including an annual review of contractors' case files and personnel files. The CCM's annual review ensures that contractors are providing the required services (e.g., education assessments, tutoring, Life Skills training, etc.), maintaining required documentation, etc.

- **Performance targets** - The Life Skills Training and Tutoring contract requires contractors to meet certain targets (e.g., 90% of the participants will complete Life Skills training classes). We reviewed the contractors' annual performance reports for FY 2010-11, and noted that seven (54%) of 13 performance targets were not met by all contractors, including three targets (23%) that were not met by any of the contractors. For example, none of the contractors met the target requiring 90% of participants to improve their educational assessment performance after completing the Tutoring program.

  The CCM indicated she verbally discusses performance shortfalls with contractors during monthly meetings and/or teleconferences, but does not prepare formal corrective action plans. YDS should revise the contract to require contractors to submit formal corrective action plans, and require the CCM to conduct documented follow-up reviews.

- **Billing reviews** - Life Skills Training and Tutoring contractors bill YDS for actual training costs (e.g., staff salaries, indirect costs, such as office space, etc.). Although the CCM and her staff conduct documented monitoring reviews of the contractors' personnel and participant case files annually, they do not review supporting documentation (e.g., general ledger, receipts, etc.) for the costs billed. We reviewed a sample of one contractor's supporting documentation, and did not find any discrepancies. However, YDS should revise the contract monitoring process to review contractors' costs, to ensure accurate billing.

Recommendations

YDS management:

18. **Require Life Skills Training and Tutoring contractors to submit corrective action plans for performance shortfalls, and require the CCM to conduct documented follow-up reviews.**

19. **Revise the contract monitoring process to require a review of contractors' supporting documentation to ensure accurate billing.**

Scholarships

In May 1995, DCFS established a Scholarship Program to help pay for educational expenses for current/former foster youth between 17 and 24 years old. The scholarships, funded by ILP and private donors, vary between $500 and $15,000 per recipient, and include both one-time and on-going awards, up to a specified amount.

The YDS Scholarship Unit (Scholarship Unit), consisting of a Children Services Administrator II and an Administrative Assistant II, administers the Scholarship Program. The Scholarship Unit verifies participant eligibility requirements; receives, deposits, and issues receipts for donations; receives and processes scholarship requests from TCs; issues scholarship checks to participants; and reconciles the scholarship trust funds. During FY 2010-2011, the Scholarship Unit issued approximately $264,000 to 222 participants.

We noted a number of areas where the Scholarship Unit did not comply with County Fiscal Manual (CFM) controls over cash handling, disbursements, and separation of duties. For example, one Scholarship Unit employee receives donations, issues receipts, issues scholarship checks, and reconciles the trust funds. While we did not find any inappropriate transactions, this lack of separation of duties could allow a loss of funds to occur without being detected.

We also noted that staff also do not secure or account for donations received through the mail. We noted checks were left unattended in the mailroom, which is accessible by all YDS staff. After we brought these issues to management's attention, DCFS transferred responsibility for receiving, receipting, and depositing scholarship donations to DCFS Admin.

We reviewed five donation deposits, and noted that four (80%), ranging from $600 to $20,000, were not deposited timely. For example, one $20,000 donation was deposited three workdays late, and a $600 donation was deposited eight workdays late.

Recommendations

YDS management:

20. Ensure the functions of receiving, depositing, accounting, and reconciling donations are properly separated.

21. Ensure donations are deposited timely.

Controls over Gift Cards

YDS ILP purchased $3,550 of gift cards in FY 2010-11 as incentives for youth participating in DCFS events. We noted similar issues with controls over gift cards as noted in our Phase I review. Specifically, ILP's gift card inventory logs were either

missing or incomplete/inaccurate, not reconciled to inventory and disbursement records, and not reviewed by management, etc. ILP also did not always require recipients to sign for the gift cards they received, and did not return unused gift cards, purchased in 2009, to DCFS headquarters, as required. As a result, we could not determine if all gift cards were used appropriately.

Based on the incomplete inventory information available, it appears that six gift cards, totaling $150, were unaccounted for. We also noted that the safe used to store gift cards had not been inventoried in over two years. The CFM indicates that safes should be inventoried every six months.

Recommendations

DCFS management:

22. **Ensure unneeded gift cards are returned to DCFS headquarters.**

23. **Ensure gift card logs are accurate and complete, reconciled to inventory and disbursement records, and reviewed periodically.**

24. **Require gift card recipients sign the gift card log to document receipt.**

25. **Inventory safe contents every six months.**

PLEASE Unit

PLEASE Unit staff process payments to ILP participants, which includes entering approved payment requests in eCAPS; copying/filing payment documents; distributing warrants, and researching uncashed checks; etc. The PLEASE Unit has three DCFS employees and one Probation staff, who processes payments to current/former Probation juveniles. As indicated earlier, DCFS management transferred oversight of the PLEASE Unit from YDS to DCFS Admin in November 2011.

We reviewed the PLEASE Unit's operations and ILP payments, and noted the following:

ILP Check Handling

Our 2003 audit indicated that the ILP staff who input payments into the County's accounting system also mailed checks to participants, which is a serious internal control weakness. In our current review, we noted that DCFS has not corrected the issue; the same staff continue to perform both functions. Most County checks are mailed directly to the payee by the Auditor-Controller's Disbursements Division (Disbursements). However, DCFS requested that the PLEASE Unit receive the ILP checks from Disbursements, so the Unit can include the check receipt confirmation letters before mailing the checks. While this is allowable, staff with no other check issuing responsibilities should receive and mail the checks.

In addition, the PLEASE Unit receives and processes undeliverable checks returned by the Post Office, and ILP does not log or track returned checks. These issues, combined with the other control weaknesses noted earlier (e.g., the lack of follow up on missing check receipt confirmation letters, failure to obtain purchase receipts, etc.), could allow ILP payments to be misappropriated without being detected. DCFS needs to take immediate action to separate check handling duties.

Recommendations

DCFS management:

26. **Ensure that staff with no other check issuing responsibilities receive and mail ILP checks.**

27. **Ensure undeliverable checks are returned to, and investigated by, staff with no other payment responsibilities.**

28. **Ensure staff log undeliverable checks, and document the follow up.**

ILP Payment Processing Productivity

Our 2003 review also noted payment delays due to low staff productivity. Specifically, we noted that each staff person only processed between three to ten payment requests per day, when they should have been processing at least 24 requests per day. We recommended the Department establish minimum daily production targets.

Our current review disclosed that DCFS management does not track the number of payments processed, and does not have minimum daily production targets. We reviewed the number of payments processed in 2011 and noted that, on average, staff only processed five payments per day.

During our review, we observed a PLEASE Unit employee using a County computer and Internet for personal use on several occasions. We referred this matter to the Office of County Investigations for review. DCFS/Probation management should evaluate the PLEASE Unit workload to determine if the current staffing level is justified.

Recommendations

DCFS/Probation management:

29. **Track the number of ILP payments processed, set minimum daily production targets, and evaluate staff productivity to determine if the current staffing level is appropriate.**

30. **Remind employees that County IT resources should only be used for official business.**

Uncashed Checks

We noted that PLEASE Unit staff do not regularly review, follow up, and/or cancel uncashed checks. As a result, the Unit has 226 uncashed ILP checks, totaling approximately $91,000, some of which have been outstanding for up to five years. In addition, staff could not tell us why the checks were outstanding, or if they had been re-issued to participants.

In November 2011, DCFS centralized the PLEASE Unit functions under DCFS Admin, and implemented procedures requiring staff to review uncashed checks every 30 days, and follow up on unresolved checks. DCFS should ensure staff comply with the new procedures, and cancel uncashed checks timely.

Recommendation

31. DCFS management ensure staff review uncashed checks each month and take appropriate action (e.g., re-issue, cancel, etc.), as necessary.

PHILIP L. BROWNING
Director

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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August 31, 2012

To: Wendy L. Watanabe
Auditor-Controller

From: Philip L. Browning
Director

RESPONSE TO THE AUDITOR-CONTROLLER'S REVIEW OF YOUTH DEVELOPMENT SERVICES DIVISION - PHASE II REPORT

Attached you will find our responses to the findings and recommendations contained in your draft report regarding the Department of Children and Family Services (DCFS) Youth Development Services (YDS) Division. We appreciate the audit staff's professionalism and objectivity during the Phase II review process.

If you have any questions, please call me or your staff may contact Rhelda Shabazz, Deputy Director, Bureau of Strategic Management, at (213) 351-5858.

PLB:RRS
HK:lj

Attachment

DEPARTMENT OF CHILDREN AND FAMILY SERVICES
REVIEW OF YOUTH DEVELOPMENT SERVICES DIVISION – PHASE II
INDEPENDENT LIVING PROGRAM AND ADMINISTRATIVE SUPPORT

Department Responses

Recommendation #1: YDS management ensure ILP assistance payments are justified, consistent with Program requirements, and based on documented needs.

DCFS Response

We concur.

On August 16, 2012, YDS management has trained all Independent Living Placement Transition Coordinators (ILP TCs) and their supervisors on meeting the ILP Policy requirements regarding documented justification of unmet needs. The required Request for Funds (RFF) form has been revised so that staff will be required to both verify and submit all documentation justifying the submitted request. Without such verification and upon review by the supervisory/management level, the request shall be denied and sent back to the ILP TC for resubmittal. YDS management will do a monthly audit of randomly selected RFFs to monitor compliance of all levels of staff.

Target date: Completed.

Recommendation #2: YDS management determine and track the number of bookstore agreements, and ensure that the agreements have an end date.

DCFS response

We concur.

YDS management will reconcile all past and current bookstore agreements and provide a written notification of an agreement end date to the bookstore.

Target date: October 15, 2012

Recommendation #3: YDS management maintain documentation justifying participants' bookstore purchases.

DCFS Response

We concur.

This will be part of YDS' reconciliation of all past bookstore agreements, as effective August 7, 2012, all ILP TC were informed in writing that bookstore agreements were no longer allowed as an ILP Policy practice and that any past or current bookstore agreement invoices must justify the youth need. As an alternative, youth will be allowed to request book advances per semester or quarter and must provide the receipts for any additional book advances.

Target date: October 15, 2012

Recommendation #4: YDS management ensure bookstore invoices are paid timely, after YDS staff and participants verify the invoices.

DCFS Response

We concur.

This recommendation will apply to YDS' reconciliation of past bookstore agreements. As of August 7, 2012, bookstore agreements will no longer be an ILP Policy practice.

Target date: October 15, 2012

Recommendation #5: YDS management determine the amount currently owed to bookstores for prior purchases, if any, and make payments after verifying the purchases.

DCFS Response

We concur.

YDS management will reconcile all past and current bookstore agreements to determine and provide payment on any past due amounts owed to them.

Target date: October 15, 2012

Recommendation #6: YDS management ensure Living Plans are complete, identify participants' needs, and are updated every six months, or sooner if participants' needs change.

DCFS Response

We concur.

The required Request for Funds (RFF) forms has been revised to include verification by the ILP TC that the RFF services/supports are reflected in an updated Living Plan. If

the RFF does not have this designation, the RFF will not be approved and sent back to the ILP TC to complete properly. This was covered in the August 16, 2012 mandatory training for all ILP TCs and their supervisors. YDS management will do a monthly audit of randomly selected RFFs to monitor compliance of all levels of staff.

Target date: Completed.

Recommendation #7: YDS management ensure ILP participants' payment requests are consistent with the needs identified on their Living Plans.

DCFS Response

We concur.

The required Request for Funds (RFF) form has been revised to include verification by the ILP TC that the RFF request services/supports are reflected in an updated Living Plan. If the RFF does not have this designation, the RFF will not be approved and sent back to the ILP TC to complete properly. This was covered in the August 16, 2012 mandatory training for all ILP TCs and their supervisors.

Target date: Completed.

Recommendation #8: YDS management ensure ILP participants submit receipts, and require staff to follow up and consistently apply ILP policy to stop future advances if participants do not comply.

DCFS Response

We concur.

The required Request for Funds (RFF) has been revised for ILP TCs to document (verify) that prior requests for ILP services and supports are on file. If this section of the RFF is not checked, the supervisor will deny the request and send back for the ILP TC until the compliance has been met.

Target date: Completed.

Recommendation #9: YDS management ensure staff accurately document purchase receipts in ESILP.

DCFS Response

We concur.

DCFS management will issue out a reminder to staff about the importance of accurately recording information in the ESILP. Supervisory staff will periodically review a random sample of ESILP entries to assess compliance to the reminder and to determine training needs of staff.

Target date: September 15, 2012

Recommendation #10: YDS management ensure ILP participants submit the check receipt confirmation letter, and require ILP staff to follow up on missing letters.

DCFS Response

We concur.

The PLEASE unit will provide a designated ILP staff with a listing of participants who have been sent their checks and check receipt confirmation letters. The ILP staff will monitor and contact participants through formal reminder notices to all participants. A final reminder notice will be sent to participants who do not respond in a timely manner that the failure to comply with receipt confirmation letter will result in no subsequent ILP service and resource requests being approved. The listings will be monitored by YDS management to ensure full compliance by ILP staff.

Target date: September 15, 2012

Recommendation #11: YDS management ensure ILP payments are properly approved, and maintain appropriate documentation for each ILP payment.

DCFS Response

We concur.

YDS' management staff (Children Services Administrator IIIs) were provided with the following instructions. Unless designated by the Division Chief to do so in his/her absence, no management staff has the authority to sign: (1) on behalf of the Division Chief or (2) sign as the appropriate authority level.

The Request for Funds (RFF) form has been revised to require that the ILP TC provide verification and appropriate documentation to support each ILP payment request. The supervisor will not approve the request if such verification and documentation is not provided. All ILP staff were informed and trained on these protocols on August 16, 2012. YDS management (CSA III) will do a monthly audit of randomly selected RFFs to monitor compliance of all levels of staff.

Target date: Completed.

Recommendation #12: YDS management ensure participant information is entered correctly in databases and forms.

DCFS Response

We concur.

The ESILP entry of RFF ILP services is done by the PLEASE unit. The ILP TC will ensure that all of the information provided by the youth as part of the completion of the RFF package is checked against the CWS/CMS system to ensure accuracy. This was part of the mandatory August 16, 2012 Auditor-Controller (A-C) findings training for ILP TCs and their supervisors. YDS management and PLEASE unit management will do reviews of randomly selected RFFs and entries into ESILP to determine any additional needed training or focus on this issue.

Target date: Completed

Recommendation #13: YDS management ensure staff are reporting to their assigned work locations, and that a supervisor approves any changes to staff schedules/work locations in advance.

DCFS Response

We concur.

DCFS and Probation YDS management issued an all-staff memo on August 7, 2012 regarding this employee responsibility and the ensuing administrative action that will take place when non-compliance is discovered. Training on this issue was provided to all outstation staff on August 16, 2012.

Target date: Completed.

Recommendation #14: YDS management ensure staff work hours are accurately reported, tracked, and verified by their supervisors, and timecards are approved by a supervisor who can attest to their accuracy.

DCFS Response

We concur.

DCFS and Probation YDS management issued an all-staff memo on August 2, 2012 regarding this employee responsibility and the ensuing administrative action that will take place when non-compliance is discovered. Training on this issue was provided to all outstation staff on August 16, 2012.

Target date: Completed.

Recommendation #15: YDS management remind staff of the requirement to accurately report their time, and take appropriate administrative action when staff do not comply.

DCFS Response

We concur.

DCFS and Probation YDS management issued an all-staff memo on August 2, 2012 regarding this employee responsibility and the ensuing administrative action that will take place when non-compliance is discovered. Training on this issue was provided to all outstation staff on August 16, 2012.

Target date: Completed.

Recommendation #16: Consider amending the Life Skills Training and Tutoring contracts to require contractors to keep signed attendance sheets.

DCFS Response

We concur.

DCFS will amend the contracts to require contractors to keep signed attendance sheets for both services.

Target date: December 1, 2012

Recommendation #17: Ensure contractors do not exceed the maximum of 50 tutoring hours for each participant, without prior YDS approval.

DCFS Response

We concur.

YDS informed the contractors in writing on August 10, 2012 of the need to comply with the maximum of 50 hours for each participant and that YDS approval is needed prior to exceeding the maximum number of hours.

Target date: Completed.

Recommendation #18: YDS management require Life Skills Training and Tutoring contractors to submit corrective action plans for performance shortfalls, and require the CCM to conduct documented follow-up reviews.

DCFS Response

We concur.

As a result of the A-C audit, YDS has issued corrective action plans (CAPs) for the past two fiscal/program years regarding performance shortfalls. Subsequent on-site technical reviews (quarterly) by YDS staff will cover the provider's designated CAP responses. Should any provider fail to meet their CAP responses for improvement, YDS will initiate all necessary next steps to rectify the CAP identified issues, including termination of the contract.

Target date: Completed.

Recommendation #19: YDS management revise the contract monitoring process to require a review of contractors' supporting documentation to ensure accurate billing.

DCFS Response

We concur.

Effective April 2012, YDS Contract Monitoring Process and Tool has been enhanced and utilized for the quarterly Technical Reviews for all providers. The enhancements require a specific review of each contractor's supporting documentation to ensure accurate billing. The technical reviews executed thus far have not resulted in any financial discrepancies.

Target date: Completed.

Recommendation #20: YDS management ensure the functions of receiving, depositing, accounting, and reconciling donations are properly separated.

DCFS Response

We concur.

On April 5, 2012, YDS management met with the Bureau of Finance Administration (BFA) staff and established a new donation receipt system that addresses the need for a separation of duties for the unit. All donations by donors are sent directly to BFA central finance section which receives all donations. Donors are instructed to designate

on their checks or money orders, the deposit account information for the scholarship program.

Target date: Completed.

Recommendation #21: YDS management ensure donations are deposited timely.

DCFS Response

We concur.

Effective April 5, 2012, donations are no longer received by the Scholarship unit. All donors are instructed to send their checks and/or money orders to the central BFA accounts receivable unit. The accounts receivable unit requires that deposits received are deposited on the same day received. The unit also has specific separation of duties and monitoring/control systems to ensure timeliness and accountability over this function.

Target date: Completed.

Recommendation #22: DCFS management ensure unneeded gift cards are returned to DCFS headquarters.

DCFS Response

We concur.

All unneeded gift cards were inventoried returned to DCFS BFA on February 14, 2012 and subsequent semi-annual inventories (last one done in July 2012) ensured that unneeded gift cards were not procured.

Target date: Completed.

Recommendation #23: DCFS management ensure gift card logs are accurate and complete, reconciled to inventory and disbursement records, and reviewed periodically.

DCFS Response

We concur.

The PLEASE unit manager maintains the gift card logs procured through YDS, and the logs are now monitored and reviewed independently on a monthly basis by central

Bureau of Finance Administration (BFA) staff. The monthly review ensures the logs are accurate, completed and reconciled to inventory and disbursement records.

Target date: Completed.

Recommendation #24: DCFS management require gift card recipients sign the gift card log to document receipt.

DCFS Response

We concur.

The PLEASE unit has developed a tracking and log system that would require gift card recipients to sign a gift card log. However, as a result of the audit, as of early 2012, YDS no longer procures gift cards as an incentive for foster youth participation in ILP education, information and training events. Instead, upon completing the event, the youth will be required to submit in a RFF for the incentive bonus, up to a maximum of $50, to be mailed directly to the youth. This policy and protocol were explained to all ILP staff at the August 16, 2012 training.

Target date: Completed.

Recommendation #25: DCFS management inventory safe contents every six months.

DCFS Response

We concur.

This was implemented in 2012 when a safe inventory was completed in January 2012 and again in July 2012. This inventory cycle will continue January and July of every subsequent fiscal year.

Target date: Completed.

Recommendation #26: DCFS management ensure that staff with no other check issuing responsibilities receive and mail ILP checks.

DCFS Response

We concur.

As of June 2012, the PLEASE unit established a separation of duties where staff who handle warrants have no requesting or payment processing responsibilities. A back-up

BFA staff has been identified and trained to ensure the separation of duties in a staffing emergency.

Target date: Completed.

Recommendation #27: DCFS management ensure undeliverable checks are returned to and investigated by staff with no other payment responsibilities.

DCFS Response

We concur.

The PLEASE unit's separation of duties detailed in Recommendation #26, ensures that undeliverable checks are handled by staff with no other payment responsibilities.

Target date: Completed.

Recommendation #28: DCFS management ensure staff log undeliverable checks, and document the follow up.

DCFS Response

We concur.

The PLEASE unit manager has ensured that staff logs are kept on undeliverable checks, which includes the documentation on the follow-up action needed. Monthly reviews of the logs will be done by the manager to ensure the logs are timely and appropriately maintained and that all undeliverable checks are finally accounted for.

Target date: Completed.

Recommendation #29: DCFS/Probation management track the number of ILP payments processed, set minimum daily production targets, and evaluate staff productivity to determine if the current staffing level is appropriate.

DCFS Response

We concur.

The PLEASE unit management has instituted and maintains a daily tracking log of workload production for the months of June and July. As these are historically acknowledged as high months of ILP payment submittals and processing, the PLEASE unit management will continue to track the workload production activities for the unit staff and by December 1, 2012, fully assess the staffing need for the PLEASE and

implement any needed changes or enhancements to address the needs assessment of current staff. The established workload standards will then be utilized to ensure that every employee workday has sufficient amount of work (in and out of the unit) to justify their item. Any productivity concerns regarding specific employees will be addressed through the Department's performance management improvement process.

Target date: December 1, 2012

Recommendation #30: YDS/Probation management remind employees that County IT resources should only be used for official business.

DCFS Response

We concur.

DCFS/Probation YDS management issued an all-staff memo on August 2, 2012, reminding staff that County IT resources are for official business only and that any misuse can result in administrative action. Training on this issue was provided to all outstation staff on August 16, 2012.

Target: Completed.

Recommendation #31: DCFS management ensure staff review uncashed checks each month and take appropriate action (e.g., re-issue, cancel, etc.), as necessary.

DCFS Response

We concur.

The PLEASE unit currently reviews the listings on a monthly basis and takes action to rectify each check situation by contacting the ILP TC assigned to the youth, for the purpose of determining the appropriate action based on the feedback by the ILP TC. YDS management will monitor the monthly reviews to ensure that the PLEASE unit is provided timely the information from the ILP TCs to ensure the appropriate action is taken for every uncashed checks.

Target date: October 1, 2012