COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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WENDY L. WATANABE
AUDITOR-CONTROLLER

February 28, 2013

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **CHINATOWN SERVICE CENTER – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES, HEALTH SERVICES, COMMUNITY AND SENIOR SERVICES, AND PROBATION DEPARTMENT CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW - FISCAL YEARS 2010-11 AND 2011-12**

We completed a contract compliance review of Chinatown Service Center (CSC or Agency), which covered a sample of transactions from Fiscal Years (FY) 2010-11 and 2011-12. Our review was intended to determine whether CSC provided the services in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State, and County guidelines.

CSC had a total of nine contracts with the Department of Children and Family Services (DCFS), Community and Senior Services (CSS), the Department of Health Services (DHS), and the Probation Department (Probation) to provide a variety of services (see Attachment I). During FYs 2010-11 and 2011-12, the County paid CSC a total of approximately $3.3 million. The Agency provided services in the First, Fourth, and Fifth Supervisorial Districts.

Results of Review

Program Review

CSC did not always have adequate documentation to support the eligibility of 18 (27%) of the 67 clients reviewed. The Agency also did not maintain adequate documentation to support 467 (38%) of the 1,241 hours billed. Questioned costs totaled $18,428.

Fiscal and Administrative Review

CSC had difficulty meeting its financial obligations, and did not maintain sufficient cash to pay its debts within 60 days as required by CSC's County contracts. In addition, CSC billed the County Programs $138,977 in questioned costs. After our review, CSC resolved $75,605 of the questioned costs, leaving a balance of $63,372 ($138,977 - $75,605). Specifically:

- CSC did not have adequate documentation to support $20,165 in expenditures charged to the CSS Integrated Care Management (ICM) contract, and $14,222 in expenditures charged to the CSS Family Caregiver Supportive Program (FCSP).

  After our review, CSC provided additional documentation to support all $20,165 of the CSS ICM expenditures, and $7,940 of the $14,222 CSS FCSP expenditures. In their attached response, CSC indicated that they will repay CSS for the remaining undocumented FCSP expenditures, totaling $6,282 ($14,222 - $7,940).

- CSC did not allocate shared expenditures as required by the Agency's Cost Allocation Plan, or always maintain adequate documentation to support the expenditures. The questioned costs totaled $36,476 ($29,318 in incorrectly allocated costs and $7,158 in unsupported costs).

- CSC did not have adequate documentation to support $20,614 in payroll expenditures. Specifically, the employees' timecards did not indicate total hours worked each day by program as required by Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) Section B.3.1.

- The expenditures reported on CSC's Close-Out Reports for CSS ICM and CSS FCSP exceeded the expenditures recorded in the Agency's accounting records for FY 2010-11 by $47,500.

  After our review, CSC provided additional documentation to support $47,500 in questioned costs.

CSC's fee-for-service contracts with Probation and DHS did not contain contract language allowing the County to recover questioned costs as long as the services were provided. To ensure County funds are used for their intended purpose, we recommend that Probation and DHS work with County Counsel to determine the feasibility of revising the fee-for-service contracts to allow the County to recover questioned costs and unspent Program funds.

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

Review of Report

We discussed our report with CSC, and with DCFS, CSS, DHS, and Probation. CSC's response (Attachment II) indicates that they agree with our findings and recommendations, and that they will work directly with the County departments to resolve the remaining questioned costs. Probation's attached response indicates that they will work with County Counsel to determine the feasibility of including language allowing the County to recover questioned costs, and if the contractor receives excess Program funds, for fee-for-service contracts. DCFS, CSS, and DHS did not provide written responses. However, DCFS, CSS, and DHS indicated at the exit meeting that they will implement our recommendations.

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

WLW:JLS:DC:EB:yp

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, DCFS
Cynthia D. Banks, Director, CSS
Mitchell H. Katz, M.D., Director, DHS
Jerry E. Powers, Chief Probation Officer, Probation
Karen Blakeney-Granado, M.S., Executive Director, Chinatown Service Center
Peter Ng, President, Board of Directors, Chinatown Service Center
Public Information Office
Audit Committee

CHINATOWN SERVICE CENTER
DEPARTMENTS OF CHILDREN AND FAMILY SERVICES, HEALTH SERVICES, COMMUNITY AND SENIOR SERVICES, AND PROBATION PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2010-11 AND 2011-12

ELIGIBILITY

Objective

Determine whether Chinatown Service Center (CSC or Agency) provided services to individuals who met the eligibility requirements of the following County Programs:

- Department of Children and Family Services (DCFS) Family Preservation (FP)
- DCFS Child Abuse and Neglect Prevention, Intervention, and Treatment (CAPIT)
- Department of Health Services (DHS) Public Private Partnership (PPP)
- DHS Healthy Way Los Angeles (HWLA)
- Community and Senior Services (CSS) Integrated Care Management (ICM)/AB764
- CSS Family Caregiver Supportive Program (FCSP)
- CSS Supportive Services Program (SSP)
- Probation Department (Probation) Operation READ

Verification

We reviewed the case files for 67 clients who received services from March 2010 through May 2011 for documentation that they were eligible for the services.

Results

CSC did not maintain adequate documentation to support the eligibility of 18 (27%) of the 67 clients reviewed. Specifically:

County Department	DCFS		DHS		CSS			Probation	TOTAL
Contract	FP	CAPIT	PPP	HWLA	SSP	FCSP	ICM/ AB764	Operation READ	
Months Reviewed	May 2010 & May 2011	March & May 2011	July - December 2010	July - December 2011	March 2010 & April 2011	March 2010 & April 2011	April 2011	March & December 2010	
Sample Size	5	5	15	5	10	10	2	15	67
Ineligible	0	1	2	1	4	10	0	0	18
Error Rate	0%	20%	13%	20%	40%	100%	0%	0%	27%

CSC management claimed their CSS contracts do not require them to have specific documentation to verify eligibility for the CSS Programs. However, County services should only be provided to eligible clients. CSS should establish Program policies and guidelines requiring contractors to document client eligibility to be distributed to contractors, and ensure compliance with the established requirements.

After our review, CSC provided additional documentation to support the two DHS PPP clients' and one DHS HWLA clients' eligibility.

Recommendations

1. **CSS management establish Program policies and guidelines to be distributed to contractors, and ensure compliance with the established requirements.**

2. **CSC management maintain adequate documentation to support clients' eligibility for Program services.**

BILLED SERVICES

Objective

Determine whether CSC had documentation for the services billed to the County.

Verification

County Department	DCFS		DHS	CSS			Probation	TOTAL
Contract	FP	CAPIT	PPP and HWLA	SSP	FCSP	ICM/ AB764	Operation READ	
Months Reviewed	May 2010 & May 2011	March & May 2011	July - December 2010	March 2010 & April 2011	March 2010 & April 2011	April 2011	March & December 2010	
Total Hours or Claims Reviewed	36 hours	23 hours	31 claims	587 hours	330 hours	3 hours	262 hours	1,241 Hours 31 Claims
Unsupported Hours	0	6	0	51	281	3	126	467
Error Rate	0%	26%	0%	9%	85%	100%	48%	
Questioned costs	$ -	(1)	$ -	$6,635*	$9,903**	(1)	$1,890	$18,428

(1) Questioned costs were immaterial.

* Includes additional questioned costs related to the four CSS SSP ineligible clients.

**Includes additional questioned costs related to the ten CSS FCSP ineligible clients.

Recommendation

3. **CSC management repay the County $18,428, and maintain adequate documentation to support the billed services.**

FINANCIAL VIABILITY

Objective

Determine whether CSC is financially viable, and maintains sufficient working capital to operate the various County-funded Programs.

Verification

We interviewed Agency management, and reviewed the Agency's financial statements and accounting records.

Results

CSC had difficulty meeting its financial obligations, and did not maintain sufficient cash to pay its debts within 60 days as required by its County contracts. For example, as of November 2011, CSC had not yet paid a vendor's invoice for $6,282, which was due in August 2010, and two subcontractors' invoices, which were due in April 2011, totaling $27,104. CSC management indicated the Agency had cash flow issues as a result of not receiving funds from the County until October 2011 for services provided in Fiscal Year (FY) 2010-11. However, we noted that CSC received funds from the County for FY 2010-11 beginning in August 2010.

Recommendation

4. **CSC management submit a plan to the County to improve their financial condition, including how the Agency will maintain sufficient working capital to meet its current liabilities.**

CASH/REVENUE

Objective

Determine whether the Agency deposited cash receipts timely, and recorded revenue in the Agency's records properly.

Verification

We interviewed CSC's management, and reviewed the Agency's financial records. We also reviewed the Agency's September 2011 reconciliations for four bank accounts.

Results

CSC deposited cash timely, and recorded revenue properly in the Agency's records. However, CSC did not always maintain adequate separation of duties. Specifically, one employee recorded transactions in the Agency's accounting records, prepared the bank reconciliations, and prepared and made the bank deposits. Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) Section B.1.4 states that bank statements should be received and reconciled by someone with no cash handling, check writing, or bookkeeping functions.

Recommendation

5. **CSC management maintain adequate separation of duties over its bank accounts.**

EXPENDITURES

Objective

Determine whether expenditures were allowable under the County contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed the accounting records and documentation for ten direct expenditures, totaling $39,543, that were billed to the CSS ICM and FCSP Programs in March, May, June, and August 2011.

Results

CSC did not maintain adequate documentation to support $20,165 in CSS ICM expenditures, and $14,222 in CSS FCSP expenditures. After our review, CSC provided additional documentation to support all $20,165 of the CSS ICM expenditures, and $7,940 of the $14,222 CSS FCSP expenditures. CSC agreed to repay CSS FCSP the remaining $6,282 ($14,222 - $7,940).

CSC's fee-for-service contracts with Probation and DHS did not contain contract language that clearly allows the County to recover questioned costs as long as the services were provided. Probation and DHS should work with County Counsel to determine the feasibility of revising the fee-for-service contracts to allow the County to recover questioned costs and unspent Program funds.

Recommendations

6. **Probation and DHS work with County Counsel to determine the feasibility of revising the fee-for-service contracts to allow the County to recover questioned costs and unspent Program funds.**

7. **CSC management repay CSS $6,282 ($14,222 - $7,940), or provide additional documentation to support the expenditures.**

8. **CSC management maintain adequate documentation to support its expenditures.**

COST ALLOCATION PLAN

Objective

Determine whether CSC prepared its Cost Allocation Plan (Plan) in compliance with the County contracts, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed the Agency's Plan, interviewed management, and reviewed 25 shared expenditures, totaling $47,300, to ensure that the expenditures were appropriately allocated to the various County Programs for FYs 2010-11 and 2011-12.

Results

CSC's Plan was prepared in compliance with their County contracts. However, CSC did not follow their Plan to allocate shared expenditures. Specifically, CSC allocated shared expenditures based on budgeted revenue, and not actual expenditures as required by their Plan. In addition, CSC did not maintain adequate documentation to support the expenditures. The questioned costs totaled $36,476 as follows:

COUNTY DEPARTMENT	PROGRAM	FY 2010-11		TOTAL QUESTIONED COSTS
		INCORRECTLY ALLOCATED	UNSUPPORTED	
DCFS	FP	$ 16,640		$ 16,640
DCFS	CAPIT	$ 3,247		$ 3,247
CSS	ICM	$ 5,049	$ 3,579	$ 8,628
CSS	FCSP	$ 4,382	$ 3,579	$ 7,961
TOTAL		**$ 29,318**	**$ 7,158**	**$ 36,476**

Recommendations

Refer to Recommendation 8.

CSC management:

9. **Reduce FY 2010-11 DCFS FP Program expenditures by $16,640, and repay DCFS for any excess amount received or provide adequate supporting documentation.**

10. **Reduce FY 2010-11 DCFS CAPIT Program expenditures by $3,247 for incorrectly allocated expenditures, and repay DCFS for any excess amount received or provide adequate supporting documentation.**

11. **Repay CSS ICM $8,628, or provide additional documentation to support the expenditures.**

12. **Repay CSS FCSP $7,961, or provide additional documentation to support the expenditures.**

13. **Determine the total amount of questioned costs for FY 2010-11 and FY 2011-12, and reduce and/or repay the County Departments for any shared expenditures not allocated based on actual expenditures and/or supported by adequate documentation.**

14. **Ensure that shared expenditures are allocated equitably based on actual expenditures in accordance with the Agency's approved Cost Allocation Plan.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the County Programs, and whether the Agency maintained personnel files as required.

Verification

We reviewed the payroll expenditures for 27 employees, totaling $29,520, for one pay period in August 2011 to the Agency's payroll records and time reports. We also reviewed the employees' personnel files.

Results

CSC maintained personnel files as required by the County contracts. However, CSC did not have adequate documentation to support $20,614 (70%) of the payroll

expenditures reviewed. Specifically, the employees' timecards did not indicate total hours actually worked each day by program as required by A-C Handbook Section B.3.1. According to Agency personnel, the employees' timecards reflected the expected hours worked on each program, instead of the actual hours. As a result, we could not verify the payroll expenditures charged to the County Programs. The questioned costs totaled $20,614:

COUNTY PROGRAMS	UNSUPPORTED (One Pay Period in August 2011)
DCFS FP	$ 5,057
DCFS CAPIT	$ 2,458
CSS ICM	$ 4,290
CSS FCSP	$ 1,206
DHS PPP	$ 6,188
PROBATION OPERATION READ	$ 1,416
TOTAL QUESTIONED COSTS	**$ 20,614**

DHS' CCEP, HWLA and PPP, and Probation's Operation READ contracts pay CSC based on a fee-for-service. As noted in a prior section, the Probation and DHS fee-for-services contracts do not allow the County to recover questioned costs as long as the services were provided. As a result, the County cannot recover $7,604 in questioned costs ($6,188 for DHS PPP and $1,416 for Probation Operation READ).

Recommendations

Refer to Recommendation 6.

CSC management:

15. **Maintain documentation of the actual hours CSC employees work on the County Programs by program each day, and allocate salary costs based on actual hours.**

16. **Repay the County $13,011 (DCFS FP $5,057 + DCFS CAPIT $2,458 + CSS ICM $4,290 + CSS FCSP $1,206), or provide documentation to support the expenditures.**

17. **Determine the total amount of questioned costs for FY 2010-11 and FY 2011-12, and reduce and/or repay the County departments for any payroll expenditures charged to the County Programs that were based on expected hours worked on each program, instead of the actual hours worked.**

COST REPORTS /CLOSE-OUT INVOICES

Objective

Determine whether CSC's FY 2010-11 Cost Report and/or Close-Out Invoices for DCFS FP, DCFS CAPIT, CSS ICM, and CSS FCSP reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2010-11 Cost Reports and/or Close-Out Invoices for DCFS FP, DCFS CAPIT, CSS ICM, and CSS FCSP to the Agency's accounting records.

Results

CSC's DCFS FP and DCFS CAPIT Cost Reports reconciled to the Agency's accounting records. However, CSC's Close-Out Reports for CSS ICM and CSS FCSP did not reconcile to the Agency's accounting records. Specifically, the expenditures reported on CSC's Close-Out Reports for CSS ICM and CSS FCSP exceeded the expenditures recorded in the Agency's accounting records by $47,500.

After our review, CSC provided additional documentation to support $47,500 in questioned costs.

Recommendation

Refer to Recommendation 8.

Attachment I

List of County Contracts with Chinatown Service Center

Fiscal Years 2010-11 and 2011-12

County Department	Program	Supervisorial District(s)	Contract Amounts by FY 2010-11	2011-12	Contract Type
Children and Family Services	Family Preservation (FP)	First and Fifth	$548,573	$548,573	Fee-for-Service
	Child Abuse and Neglect Prevention, Intervention, and Treatment (CAPIT)	First and Fifth	$101,301	$101,301	Fee-for-Service
Community and Senior Services	Integrated Care Management (ICM)/AB764	First	$28,980	No contract	Cost-Reimbursement
	Family Caregiver Supportive Program (FCSP)	First, Fourth, and Fifth	$206,209	$165,590	Fee-for-Service
	Supportive Services Program (SSP)	First, Fourth, and Fifth	$364,734	$328,780	Fee-for-Service
Health Services	Clinic Capacity Expansion Program (CCEP) (1)	First	$20,304	$20,304	Fee-for-Service
	Healthy Way Los Angeles (HWLA)	First	$129,799	$129,799	Fee-for-Service
	Public Private Partnership (PPP)	First	$405,516	No contract	Fee-for-Service
Probation	Operation READ	First	$65,700	$131,400	Fee-for-Service
	Total Contract Amount per Fiscal Year		**$1,871,116**	**$1,425,747**	
	Total County Contracts			**$3,296,863**	

(1) This contract was not included in our review because of the low dollar amount of the contract.

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August 8, 2012

Wendy L. Watanabe
Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
Attention: Yoon Park

RE: Chinatown Service Center – Department of Children and Family Services, Health Services, Community and Senior Services and Probation Services Provider Contract Compliance Review – Fiscal Years 2010-2011 and 2011-2012: **Corrective Action Plan**

Dear Ms. Watanabe;

In response to your contract and compliance audit report for Chinatown Service Center (CSC) we are submitting our corrective action plan. Initially the board of directors hired Team CFO, a financial consulting firm, in November 2011 to review the books and to make corrections in accounting procedures and policies that were needed and to clean up the accounting system. Due to the fiscal situation that Team CFO found the board of directors took action in February 2012 and the CEO resigned. The board put in place an Interim Executive Director on April 23, 2012 with a 2-year contract to take corrective action, reorganize the agency and provide a high level of executive administration experience for the agency. The Interim Executive Director is an experienced non-profit executive having stabilized and turned around a previous agency and also worked for First 5 LA as the former Manager of their Grants Management and Legal Compliance Department for many years. The remainder of this letter addresses Chinatown Service Center's correction action plan.

DCFS, DHS, CSS Program Review

Eligibility/Billed Services
Regarding recommendations 1 and 2: CSC is taking the following listed actions. To be sure that all required documentation is contained in each case file a new programmatic policy was put into place for all CSC departments. Immediately following the May 16, 2012 audit review all CSC Directors were instructed to do the following:

- a monthly review of randomly pulled case files
- create a checklist to be used for each programs case files that indicates all required documents for each specific program including signed case notes when applicable, that can be checked off, dated and initialed by the case manager when completed and initialed and dated by the supervisors when audited (lists will include support for client eligibility)

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- group sign-in sheets will be kept in a specific binder for each program and audited on a monthly basis by the supervisor
- all client progress notes will include the type of activity and/or the unit of time for all three hours billed to CSS AB 764 programs

CSC management will review County contract requirements and require sub-contractors maintain adequate documentation by establishing program policies and guidelines that each contractor will be audited for adherence to. Training on these guidelines will be made mandatory for each subcontractor's program and fiscal staff to attend. Trainings for all subcontractors will be held by the end of September, 2012.

In regard to recommendation 3, CSC will deal directly with the Probation Department concerning the $1,890 of questioned costs for Probation. CSC is in discussions with the CSS program officer regarding the eligibility of the 4 CSS SSP and 10 CSS FCSP clients and the back-up for the 51 and 28 hours in question. It should be noted that CSS does not require any actual documents for proof of eligibility only a self-declared statement by the client. CSC will settle the issue directly with CSS for the amounts in question.

DCFS, DHS, CSS and Probation Fiscal and Administrative Review

Financial Viability:

The following steps are being taken by CSC to improve the financial condition of the agency (recommendation 6). CSC has had trouble meeting its financial obligations due to previous poor management. The board as mentioned previously has replaced the CEO with an experienced Interim Executive Director. The agency has hired qualified controller that will start mid-August.

In response to recommendation number 4, the new executive director has taken steps to pay down the accounts payable so that all of CSC subcontractors were paid to date as of the beginning of May, 2012. Subcontractors will be paid within the designated time as specified by current contracts.

A strategic plan is being worked on for the next three years and is expected to be completed by the end of September. A grant proposal schedule has been created with the intent to submit for new foundation funding on a monthly basis to fill gaps that government funding does not cover, especially since cuts have been made in many programs targeting our childcare and elderly clients. CSC will be looking specifically for core operating funds over the next year. CSC has been running on 98% government funding that requires that actual expenses are invoiced for on a monthly reimbursement basis. The executive director upon investigation found that our health clinic system has been under billing our current programs for patient visits, prescriptions and lab procedures. This has been corrected by hiring a professional billing company (Physicians Systems Inc.) that specializes in the complicated FQHC billing process. The change is expected to increase revenue and provide a quicker reimbursement turn-around time from all clinic funders. Additional temporary staff has been brought in to catch up on the billing that was behind and revenue has increased already even prior to Physicians Systems Inc. taking over as of July 1, 2012.

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The annual MediCal report had not been filed in five years. All back reports were filed for those years generating $292,000 in reimbursement that allowed the agency to clear accounts payable for vendors and bring it current to 30 days as well as paying down the CSC line of credit by $100,000 putting the agency in a much better cash position.

A cash purchase of an electronic medical system (EMS) for the health clinic greatly strained cash flow. The first reimbursement payment for the EMS system is expected within the next two months from the Meaningful Use Program through MediCal and will assist CSC in improving working capital by over $150,000.

The Board of Directors is putting on the annual gala on October 26th and for this year has set a goal of raising $450,000 to provide more working capital for the agency. In addition, smaller fundraising activities will be developed for each department to raise additional funds targeted to specific programs. This will be included in the new strategic plan being developed for the next three years.

Cash/Revenue:

Recommendation 5: The lack of segregation of duties within the finance department was temporary as we were short three accounting staff during the audit. Corrective actions have been put in place where deposits are prepared and made by someone who is not recording or reconciling bank accounts. We are hiring an additional full-time staff accountant.

Cost Allocation Plan/Payroll and Personnel:

Recommendations 15-17: Prior to the final report having been issued the agency in May, 2012 changed the way that staff were filling out timecards and required that actual total hours worked on each program be filled in instead of a percentage spread of time between programs by each employee in order to be compliance with Section B.3.1 of the Audit-Controller Contract Accounting and Administrative Handbook. These timecards are used to allocate payroll and all employees were trained to ensure that they understand how to record their time. In addition a four-week time study has been done to provide hour by hour documentation of how shared staff is actually working on programs. The time study has been completed and actual logs reviewed. Each department's director is currently working directly with the appropriate county department program officer to address and resolve the payroll and personnel documentation support issue based on the above time study results. The program officer for CSS, Jackie Sakane, has accepted the time study for documentation of actual time worked and as a representation of the August timesheets in question. The program officer Nancy Castilla is currently looking into the issue for DCFS and DHS has been contacted. If not accepted, CSC will repay the amounts listed in recommendations 16 and 17 on a program by program basis. The targeted date for resolution is August 31, 2012.

The shared expenditures are currently correctly allocated based on actual direct expenses as stated in the CSC's Cost Allocation Plan and all expenses were recalculated from the for the 2010-2011 time period in question. This was done as part of the financial clean-up that CSC has been going through since Team CFO was hired in November 2011 by the board of directors. CSC staff maintains excel spreadsheets to show calculations of percentages to be used to allocated shared

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expenses. The amounts on the spreadsheet agreed to the general ledger. Other shared expenses are supported by actual vendor invoices. Support was provided to the Audit Controller Department staff for backup on all questioned expenses totally $36,476. In fact the backup provided to the Audit Controllers office shows the offsets and that some contracts were actually under billed. It is expected that this will be resolved once the county departments have made a decision regarding the time study.

Expenditures:

Recommendations 7-17: In regard to cancelled checks and documentation to support program CSC did provide additional documentation to support the $28,105 of the $34,386 charged to CSS ICM and FCSP Programs. In addition, CSC provided additional documentation to support the $4,500 in questioned Close-Out report expenses for these programs as well. On May 15, 2012 CSC paid CSS FCSP the $6,282 with check number 32918. CSC's finance department will be more careful in maintaining and filing the check copies, invoices and supporting documentation for all programs.

If you have any questions or concerns regarding our action plan please contact me at (213) 808-1701 or email me ad kblakeney@cscla.org.

Sincerely,

Karen P Blakeney - Granado

Karen Blakeney-Granado
Executive Director

Cc: Yoon Park

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COUNTY OF LOS ANGELES
PROBATION DEPARTMENT

9150 EAST IMPERIAL HIGHWAY – DOWNEY, CALIFORNIA 90242
(562) 940-2501

JERRY E. POWERS
Chief Probation Officer

August 7, 2012

TO: Wendy L. Watanabe
Auditor-Controller

FROM: Jerry E. Powers J.P.
Chief Probation Officer

SUBJECT: **RESPONSE TO AUDITOR CONTROLLER'S REPORT ON CHINATOWN SERVICE CENTER – CONTRACT COMPLIANCE REVIEW**

We appreciate the assistance provided by your management and staff during their contract compliance review of Chinatown Service Centers. Attached is my Department's response to your report (see Attachment I).

We generally agree with your findings and recommendations. We note that Chinatown Service Center billed according to the pricing schedule in the contract (see Attachment II). However, we are committed to improving the effectiveness of the contract in accordance with your recommendations.

We also appreciate the opportunity to include our response with your report. If you have any questions, please contact me or your staff may contact DeWitt Roberts at (562) 940-2516.

JEP:DR:cn

Attachments

ATTACHMENT I

RESPONSE TO AUDITOR CONTROLLER'S REPORT ON CHINATOWN SERVICE CENTER – CONTRACT COMPLIANCE REVIEW

Billed Services

Chinatown Service Center (CSC) did not maintain client files, reading plans and/or progress notes to support the clients' progress towards accomplishing their established goals for 126 (48%) of the 262 service hours reviewed for Probation's Operation Read Program. The questioned costs totaled $1,890.

Auditor-Controller Recommendation #3

CSC management repay the County $18,428 and maintain adequate documentation to support the clients' billed services.

Probation Department's Response

CSC billed and was paid correctly pursuant to the terms of the contract. The contract requires payment based on tutoring sessions. Properly completed sign-in sheets are the only supporting documentation required to verify that each group or individual instructional session took place. The sign-in sheet is signed by the juvenile being instructed, the instructor, and by the Probation monitor. CSC met this requirement.

The current contract does not provide for monetary penalties for incomplete documentation outside of the sign-in sheet, nor does it clearly indicate who is responsible for creating and maintaining this documentation in the case file. The Department will work with County Counsel and the Auditor-Controller to best address these concerns.

Expenditures

CSC fee-for-service contracts with Probation and DHS did not contain contract language that clearly allowed the County to recover questioned costs as long as the services were provided. As such, we recommend that the County departments work with County Counsel to amend the fee-for-service contracts to include language allowing the County to recover questioned costs and when the contactor receives excess program funds.

Auditor-Controller Recommendation #6

The County departments work with County Counsel to determine the feasibility, for fee-for-service contracts, of including language allowing the County to recover questioned costs and where the contactor receives excess program funds.

ATTACHMENT I

Probation Department's Response

The Probation Department supports the use of contract language that requires reimbursement of actual costs for properly rendered services. In addition, we fully support contract requirements that are efficient at accurately identifying appropriate contract costs and related services. Efficient contract compliance verification processes make it possible for more service providers to successfully contract with the County at lower costs. Therefore, we will work with County Counsel and other County departments to explore the feasibility of amending "fee-for-service" contracts to best reach these goals. We will also work with them to develop contract language that will enable the County to recover questioned costs.

Auditor-Controller Recommendation #8

CSC management maintain adequate documentation to support the expenditures.

Probation Department's Response

Please see the Department's response to Recommendation #3

Payroll and Personnel

DHS' CCEP, HWLA and PPP contracts, and Probation's Operation Read contract pay CSC based on a fee-for-service. As noted in a prior section, the Probation and DHS fee-for-services contracts did not contain contract language that clearly allowed the County to recover questioned costs as long as the services were provided. As a result, the County can not recover $7,604 (DHS PPP $6,188 and Probation Operation Read $1,416) in questioned costs.

Auditor-Controller Recommendation #15

Refer to Recommendation #6. Maintain documentation to support the actual hours CSC employees worked on the County Programs by program by day.

Auditor-Controller Recommendation #17

Refer to Recommendation #6. Determine the total amount of questioned costs for FY 2010-11 and FY 2011-12 and reduce and/or repay the County Departments for any unsupported payroll expenditures.

Probation Department's Response

Please see the Department's responses to Recommendations #3 and #6.

ATTACHMENT II

EXHIBIT B

PRICING SCHEDULE

FOR

LITERACY TUTORING AND RELATED ACADEMIC SERVICES TO AT-RISK, PROBATION AND FOSTER-CARE YOUTH

CHINATOWN SERVICE CENTER

CLUSTER 1

CONTRACT NO: 640-11-001

CONTRACT PERIOD: JANUARY 1, 2011 – JUNE 30, 2011

COST FOR SERVICE WILL BE THE FOLLOWING:

- An hourly compensation of $30.00 for each hour of literacy tutoring provided to a group.
- An hourly compensation of $20.00 for each hour of literacy tutoring provided to an approved individual youth.