



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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JOHN NAIMO
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June 24, 2014

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

FROM: John Naimo
Acting Auditor-Controller

A handwritten signature in black ink that reads "John Naimo".

SUBJECT: **CHILD SUPPORT SERVICES DEPARTMENT – TRUST FUNDS AND
ACCRUALS REVIEW**

As part of the Auditor-Controller's ongoing responsibility to ensure the County's resources are safeguarded and that departments comply with County fiscal policy and procedures, we continue to review County departments' use of trust funds and accruals. These reviews ensure departments are controlling and using trust funds and recording accruals in compliance with the County Fiscal Manual (CFM) and other requirements.

We have completed a review of Child Support Services Department's (CSSD or Department) trust fund accounting controls. We also reviewed CSSD's expenditure and revenue accruals. Our review included interviews with CSSD's management and staff, and reviews of the Department's records. CSSD has two trust funds and two sub-accounts within a County departmental Trust Fund (TK7) with a total combined balance of approximately \$3.9 million as of March 31, 2014.

Summary of Findings

The Department needs to strengthen its controls over trust funds and commitments. For example, we noted that the supervisor who approves trust reconciliations has other trust fund responsibilities, and the Department did not resolve a reconciling item that has been outstanding since 2001. In addition, the Department has one trust fund, with a balance of approximately \$280,000, that is no longer needed. We also noted that commitments are not always cancelled timely.

Details of our findings and recommendations are included in Attachment I.

Review of Report

We discussed the results of our review with CSSD's management. The Department's attached response (Attachment II) indicates general agreement with our findings and recommendations, and that they have fully implemented corrective action for each recommendation.

We thank CSSD'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 Smythe at (213) 253-0101.

JN:AB:RS:MP

Attachments

c: William T Fujioka, Chief Executive Officer
Steven J. Golightly, Ph.D., Director, CSSD
Public Information Office
Audit Committee

**CHILD SUPPORT SERVICES DEPARTMENT
TRUST FUNDS AND ACCRUALS REVIEW**

Background

We reviewed the Child Support Services Department's (CSSD or Department) trust funds and accruals to determine the Department's compliance with the County Fiscal Manual (CFM) and applicable policies and procedures, and to ensure the Department is controlling and using trust funds appropriately. Our review included interviews of CSSD staff and management, and a sample of the Department's trust fund transactions and revenue and expenditure accruals.

Trust Funds

CSSD has two trust funds and two sub-accounts within a County departmental trust fund (TK7) with a total combined balance of approximately \$3.9 million as of March 31, 2014. The Department primarily uses its trust funds to temporarily hold unearned revenue from the State and federal governments.

Reconciliations

CFM Section 2.3.0 requires departments to reconcile their trust accounts to the County's official accounting records monthly. Reconciliations must be approved by their chief fiscal officer or by a supervisor with no other trust responsibilities. In addition, all reconciling items must be followed-up and resolved promptly.

We reviewed the Department's trust fund reconciliations and noted that the supervisor who approves the reconciliations is also responsible for approving trust fund deposits and transfers. In addition, we noted that for one sub-account, the Department did not resolve a reconciling item, totaling approximately \$2,000, that has been outstanding since 2001.

CSSD management should ensure that a supervisor with no other trust fund responsibilities approves trust reconciliations, and that all reconciling items are followed-up and resolved promptly.

Recommendations

Child Support Services Department management ensure that:

- 1. A supervisor with no other trust fund responsibilities approves trust reconciliations.**
- 2. All reconciling items are followed-up and resolved promptly.**

Monitoring Funds

CFM Section 2.1.3 requires departments to close trust funds when they are no longer needed.

CSSD established a Health Insurance Incentive trust fund for State issued incentive monies received when a child was enrolled in a health insurance program. However, the State no longer provides these incentive funds and the trust fund, with a balance of \$280,000, has had no activity since August of 2011. CSSD management indicated that the fund should be closed.

Recommendation

- 3. Child Support Services Department management close the Health Insurance Incentive trust fund, work with the Auditor-Controller to properly account for the remaining balance, and monitor all trust funds/sub-accounts to ensure they are closed timely when they are no longer needed.**

Commitments

At the end of each fiscal year, County departments establish commitments to pay for services and supplies that have been ordered or contracted for, but have not been received as of fiscal year-end. Because commitments are estimates of future spending that restrict the County's available fund balance, the Auditor-Controller's Accounting Division instructs departments to monitor and cancel unneeded commitments at the end of each fiscal year. Cancelled commitments return to the County General Fund and are available for future appropriation by the Board of Supervisors.

We reviewed 25 (9%) of the 87 commitments established by CSSD at the end of Fiscal Year 2011-12, totaling approximately \$1.04 million, and noted 15 (60%) commitments totaling approximately \$15,000, that should have been cancelled. Eight of the commitments were not needed at the time they were established. CSSD management should re-instruct fiscal staff on procedures for establishing and cancelling commitments, and monitor for compliance.

Recommendation

- 4. Child Support Services Department management re-instruct fiscal staff on procedures for establishing and cancelling commitments, and monitor for compliance.**



County of Los Angeles
Child Support Services Department



STEVEN J. GOLIGHTLY, Ph.D.
Director

DAVID KILGORE
Chief Deputy Director

June 11, 2014

To: John Naimo
Acting Auditor-Controller

From: Steven J. Golightly, Ph.D.
Director

Subject: **CHILD SUPPORT SERVICES DEPARTMENT'S RESPONSE TO
AUDITOR-CONTROLLER'S TRUST FUNDS AND ACCRUALS REVIEW**

Attached is the Child Support Services Department's response to the four (4) recommendations contained in the Auditor-Controller's trust funds and accrual review. Overall, we found this review to be beneficial in that it gave us the opportunity to review our current practices. We have addressed each recommendation and as a result have a more robust trust, accrual and budget operation.

We appreciate the opportunity to include our response in your report and thank your staff for their professionalism in conducting their review of our operation.

Please let me know if you have any questions.

BR:rk

c: Rosemary Gutierrez
Alex Bauer

Attachment

EXECUTIVE OFFICES

5770 S. Eastern Avenue • Commerce, CA 90040 • (323) 889-3400

*"To enrich our community by providing child support services
in an efficient, effective and professional manner, one family at a time"*

**CHILD SUPPORT SERVICES DEPARTMENT'S RESPONSE TO
AUDITOR-CONTROLLER'S TRUST FUNDS AND ACCRUALS REVIEW**

Trust Funds

Recommendations

CSSD management ensure that:

- 1. A supervisor without trust fund responsibilities approves trust reconciliations.**

CSSD Response: We agree and have fully implemented this recommendation; The Chief Financial Officer continues to approve all trust fund reconciliations. In addition, effective September 2013, the Supervisor who now approves has no other trust responsibilities.

- 2. All reconciling items are followed-up and resolved promptly.**

CSSD Response: We agree and have fully implemented this recommendation; The reconciling item that was noted in the Audit report has been forwarded to the Treasurer & Tax Collector as unclaimed funds in compliance with the County Fiscal Manual. Any other reconciling items that occur in the future will be followed-up and resolved promptly.

Monitoring Funds

Recommendation

- 3. CSSD management close the Health Insurance Incentive trust fund, work with the Auditor-Controller to properly account for the remaining balance, and monitor all trust funds/sub-accounts to ensure they are closed timely when no longer needed.**

CSSD Response: We agree and have fully implemented this recommendation; A letter was sent to the Auditor/Controller on December 16, 2013 to close the Health Insurance Incentive trust fund. In addition, Fiscal staff will also monitor all trust funds/sub-accounts to ensure they are closed timely when no longer needed.

Commitments

Recommendation:

- 4. CSSD management re-instruct fiscal staff on procedures for establishing and cancelling commitments, and monitor for compliance.**

CSSD Response: We agree and have fully implemented this recommendation; Procurement staff have met with Fiscal to review the procedure and are now monitoring the eCAPS PR470 report and closing all POs timely.