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DEPARTMENT OF AUDITOR-CONTROLLER

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JOHN NAIMO
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February 9, 2016

TO: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: John Naimo
Auditor-Controller

SUBJECT: **CALIFORNIA HISPANIC COMMISSION ON ALCOHOL AND DRUG ABUSE, INC. – A DEPARTMENT OF PUBLIC SOCIAL SERVICES DOMESTIC VIOLENCE SUPPORTIVE SERVICES AND COMMUNITY SERVICES BLOCK GRANT PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of California Hispanic Commission on Alcohol and Drug Abuse, Inc. (CHCADA or Agency), which covered a sample of transactions from July 2013 through September 2014. The Department of Public Social Services (DPSS) contracts with CHCADA, a non-profit organization, to provide Domestic Violence Supportive Services (DVSS) to eligible victims of domestic violence. DVSS Program services include performing assessments, facilitating shelter assistance, and providing legal assistance to the victims. DPSS also contracts with CHCADA to operate the Community Services Block Grant (CSBG) Program, which provides emergency utility payment services to help eligible low income individuals avoid utility service disconnection.

The purpose of our review was to determine whether CHCADA appropriately accounted for and spent DVSS and CSBG Program funds to provide the services outlined in their County contracts. We also evaluated the Agency's accounting records, internal controls, and compliance with their County contracts and other applicable guidelines.

DPSS paid CHCADA approximately $216,000 on a fee-for-service basis from July 2013 through September 2014. The County's Fiscal Year (FY) 2013-14 contracts with CHCADA required the Agency to reinvest or return any unspent revenues to DPSS. CHCADA provides services to residents of the First Supervisorial District.

Results of Review

CHCADA provided services to eligible participants, recorded and deposited DPSS cash receipts timely, and Agency staff had the qualifications required by their County contracts. However, the Agency did not always comply with all of their County contract requirements. Specifically, CHCADA:

- Inappropriately allocated $18,391 in payroll and non-payroll expenditures to the DVSS and CSBG Programs based on unallowable or unsupported methods.

  CHCADA's attached response indicates that they will provide DPSS with supporting documentation, and will work with DPSS to repay any unallowable or unsupported amounts.

- Did not maintain a complete and accurate listing of fixed assets and equipment, and did not conduct semi-annual inventories of fixed assets and equipment as required.

  CHCADA's attached response indicates that they will maintain a complete and accurate listing of fixed assets and equipment purchased with DVSS and CSBG Program funds, and will conduct semi-annual inventories of fixed assets and equipment as required.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

Review of Report

We discussed our report with CHCADA and DPSS. CHCADA's attached response (Attachment II) indicates agreement with our findings and recommendations. DPSS will work with CHCADA to ensure that our recommendations are implemented.

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

JN:AB:PH:DC:AA:pn

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Sheryl L. Spiller, Director, Department of Public Social Services
Luz Serrano, Board Chair, CHCADA
James Z. Hernandez, Executive Director, CHCADA
Public Information Office
Audit Committee

CALIFORNIA HISPANIC COMMISSION ON ALCOHOL AND DRUG ABUSE, INC. DOMESTIC VIOLENCE SUPPORTIVE SERVICES AND COMMUNITY SERVICES BLOCK GRANT PROGRAM CONTRACT COMPLIANCE REVIEW JULY 2013 THROUGH SEPTEMBER 2014

ELIGIBILITY

Objective

Determine whether California Hispanic Commission on Alcohol and Drug Abuse, Inc. (CHCADA or Agency) maintained documentation to support the eligibility of individuals that the Agency claimed received Domestic Violence Supportive Services (DVSS) and Community Services Block Grant (CSBG) Program services.

Verification

We reviewed the case files for ten (32%) of the 31 participants who received DVSS Program services and for ten (42%) of the 24 participants who received CSBG Program services during July 2014 for documentation to confirm their eligibility.

Results

CHCADA had documentation to support all 20 participants' eligibility for the applicable Program's services.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether CHCADA maintained documentation to support the services billed to the Department of Public Social Services (DPSS) and whether Program participants received the billed services.

Verification

We reviewed the case files for ten (32%) of the 31 participants who the Agency claimed received DVSS Program services and for ten (42%) of the 24 participants who the Agency claimed received CSBG Program services during July 2014.

Results

The case files for the 20 participants reviewed had documentation to support that CHCADA provided services in accordance with their County contracts.

Recommendation

None.

STAFFING QUALIFICATIONS

Objective

Determine whether CHCADA's staff had the qualifications required by their County contracts.

Verification

We reviewed the personnel files for six (75%) of the eight CHCADA staff who worked on the DVSS and CSBG Programs during August 2014.

Results

CHCADA's six staff reviewed had the qualifications required by their County contracts.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether CHCADA properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and if bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed CHCADA's management, and reviewed their financial records and September 2014 bank reconciliations.

Results

CHCADA properly recorded revenue in their financial records, deposited DPSS cash receipts into their bank account timely, and bank reconciliations were reviewed and approved by Agency management.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether CHCADA developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the DVSS and CSBG Programs were allowable under their County contracts, properly documented, and accurately billed.

Verification

We interviewed CHCADA personnel, and reviewed their Plan and financial records for 15 non-payroll expenditures, totaling $19,919, that the Agency charged to the DVSS and CSBG Programs from August 2013 through September 2014.

Results

CHCADA developed their Plan using an appropriate cost allocation methodology. However, the Agency inappropriately charged $16,408 (82%) of the $19,919 in non-payroll expenditures reviewed to the DVSS and CSBG Programs. Specifically, CHCADA inappropriately:

- Allocated $14,758 to the DVSS and CSBG Programs for shared expenditures (i.e., rent, office supplies, equipment, etc.) based on unallowable or unsupported methods.

- Charged $1,650 (100%) to the DVSS Program for shared equipment expenditures, instead of allocating the expenditures to all benefiting programs as required.

Recommendations

California Hispanic Commission on Alcohol and Drug Abuse, Inc. management:

1. **Reallocate all expenditures charged to the Domestic Violence Supportive Services and Community Services Block Grant Programs**

during the contract term, provide the Department of Public Social Services with supporting documentation, and repay any unallowable or unsupported amounts.

2. **Ensure that all expenditures charged to the Domestic Violence Supportive Services and Community Services Block Grant Programs are allowable under their County contracts, properly documented, and accurately billed.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether CHCADA's fixed assets and equipment purchased with DVSS and CSBG Program funds were used for the appropriate Programs and adequately safeguarded.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of 12 items purchased with DVSS and CSBG Program funds to verify the items exist and were being used for the Programs.

Results

We noted significant weaknesses in CHCADA's controls over its fixed assets and equipment. Specifically, CHCADA did not:

- Maintain a complete and accurate listing of fixed assets and equipment. Specifically, four (33%) items that were purchased 100% with DVSS and CSBG Program funds in November 2013 and April 2014 were not included on the Agency's inventory list. In addition, the remaining eight (67%) items reviewed did not have an asset identification number on record.

- Conduct semi-annual inventories as required. CHCADA's management indicated that they had never conducted a physical inventory of fixed assets and equipment purchased with DVSS and CSBG Program funds.

Recommendation

3. **California Hispanic Commission on Alcohol and Drug Abuse, Inc. management develop and maintain a complete and accurate listing of fixed assets and equipment purchased with Domestic Violence Supportive Services and Community Services Block Grant Program**

funds, and conduct semi-annual inventories of fixed assets and equipment.

PAYROLL AND PERSONNEL

Objective

Determine whether CHCADA charged payroll costs to the DVSS and CSBG Programs appropriately, and maintained personnel files as required.

Verification

We traced the payroll costs for six employees, totaling $4,308 for August 2014, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for the six DVSS and CSBG Program staff.

Results

CHCADA maintained personnel files as required. However, CHCADA inappropriately allocated $1,983 (46%) of the $4,308 in payroll costs reviewed to the DVSS and CSBG Programs. Specifically, CHCADA inappropriately allocated the payroll costs for four employees who worked on County and non-County Programs based on predetermined or budgeted rates, instead of actual conditions as required.

Recommendation

Refer to Recommendations 1 and 2.

CLOSE-OUT REVIEW

Objective

Determine whether CHCADA's close-out expenditure reports reconciled to the Agency's financial records and whether the Agency had any unspent revenue for the DVSS and CSBG Programs for Fiscal Year (FY) 2013-14.

Verification

We traced the total revenues and expenditures from CHCADA's FY 2013-14 close-out expenditure reports to the Agency's accounting records and to DPSS payment records.

Results

CHCADA's close-out expenditure reports for FY 2013-14 indicated that they did not have any unspent revenue for FY 2013-14. However, CHCADA needs to revise their accounting records based on our recommendations above, provide DPSS with revised

close-out expenditure reports for FY 2013-14, and work with DPSS to return or reinvest any unspent revenue.

Recommendation

4. **California Hispanic Commission on Alcohol and Drug Abuse, Inc. management revise their accounting records based on our recommendations above, provide the Department of Public Social Services with revised close-out expenditure reports for Fiscal Year 2013-14, and work with the Department of Public Social Services to return or reinvest any unspent revenue.**

CALIFORNIA HISPANIC COMMISSION
on Alcohol & Drug Abuse, INC.

November 18, 2015

TO: John Naimo
Auditor-Controller

SUBJECT: **MANAGEMENT RESPONSE TO CALIFORNIA HISPANIC COMMISSION ON ALCOHOL AND DRUG ABUSE, INC. – A DEPARTMENT OF PUBLIC SOCIAL SERVICES DOMESTIC VIOLENCE SUPPORTIVE SERVICES AND COMMUNITY SERVICE BLOCK GRANT PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We received the Draft Report of the Contract Compliance Review and we are providing our Management Response to all the recommendations:

1. **Reallocate all expenditures charged to the Domestic Violence Supportive Services and Community Service Block Grant Programs during the contract term, provide the Department of Public Social Services with supporting documentation, and repay any unallowable or unsupported amounts.**

Management Response

CHCADA is working on providing additional documentation to the Domestic Violence Supportive Services and Community Service Block Grant Programs to support costs that are still in question. If after submitting the additional documents, there are still unallowable or unsupported amounts, CHCADA is willing to repay DPSS.

CHCADA agrees with auditor's recommendation and will make sure that all non-payroll expenditures are allowable and properly documented and accurately billed.

2. **Ensure that all expenditures charged to the Domestic Violence Supportive Services and Community Service Block Grant Programs are allowable, properly documented, and accurately billed.**

Management Response

CHCADA will ensure that all expenditures charged to the Domestic Violence Supportive Services and Community Service Block Grant Programs are allowable, properly documented, and accurately billed.

3. **California Hispanic Commission on Alcohol and Drug Abuse, Inc. management develop and maintain a complete and accurate listing of fixed assets and equipment purchased with Domestic Violence Supportive Services and Community Services Block Grant Program funds, and conduct semi-annual inventories of fixed assets and equipment.**

Management Response

CHCADA has implemented the inventory of fixed assets and equipment every six months and will maintain a complete and accurate listing of fixed assets and equipment purchased with Domestic Violence Supportive Services and Community Services Block Grant Program.

Recommendations

Refer to Recommendations 1 and 2.

Recommendation

1. **California Hispanic Commission on Alcohol and Drug Abuse, Inc. management revise their accounting records based on our recommendations above, provide the Department of Public Social Services with revised close-out reports for Fiscal Year 2013-14, and work with the Department of Public Social Services to return or reinvest any unspent revenue.**

Management Response

1. CHCADA agrees to revised the organization accounting records based on the auditor's recommendations and will provide the Department of Public Social Services with revised close-out reports for Fiscal Year 2013-14. Furthermore, CHCADA will work with the Department of Public Social Services to return or reinvest any unspent revenue.

We thank everyone's cooperation and assistance and if you have any questions, please call me or Lynn Sharman, Finance Director at (916) 443-5473.

Sincerely,

James Z. Hernandez, Executive Director