COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

June 1, 2006

TO: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **AVIVA FAMILY AND CHILDREN'S SERVICES CONTRACT REVIEW – WRAPAROUND APPROACH SERVICES PROGRAM**

We have conducted a fiscal review of Aviva Family and Children's Services (Aviva or Agency), a Wraparound Approach Services (Wraparound) Program service provider. The review was conducted by the Auditor-Controller's Countywide Contract Monitoring Division.

Background

The Department of Children and Family Services (DCFS) contracts with Aviva, a private, non-profit, community-based organization, to provide and operate the Wraparound program. The Wraparound program is a family-centered and needs-driven program that provides individualized services to children and their families such as, therapy, housing, educational, and social assistance. The target population for the Wraparound program includes children who are at risk of being placed in a Rate Classification Level of 12 to 14 group home, Metropolitan State hospital, etc. Aviva's office is located in the Third District.

DCFS pays Aviva on a fee-for-service basis. Aviva receives $5,994 for non-federally eligible children and $2,997 for federally eligible children. DCFS paid Aviva approximately $594,000 for Fiscal Year (FY) 2004-2005 and $389,000 for the first six months of FY 2005-2006.

Purpose/Methodology

The purpose of the review was to determine whether Aviva complied with its contract terms and appropriately accounted for and spent Wraparound funds in providing services to children and their families. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State, and County guidelines.

Results of Review

Aviva maintained sufficient internal controls over its business operations and maintained up-to-date personnel files. In addition, the salary expense that Aviva charged the Wraparound program appropriately included only the salaries paid to staff that provided Wraparound services.

During 2005, Aviva transferred $159,334 from the Wraparound program to non-program related accounts. Specifically, Aviva transferred $101,082 to a contingency account to be used in emergencies. Aviva also transferred $58,252 to the Agency's group home to reserve a bed for Wraparound clients. In both instances, the County contract and Office of Management and Budget Circular A-122 do not allow the transfers of the Wraparound funds. Subsequent to our review, Aviva appropriately reallocated $159,334 back to their Wraparound reserved revenue account and discontinued charging the Wraparound program to reserve a bed at their group home.

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

Review of Report

On May 9, 2006, we discussed our report with Aviva who generally agreed with the findings. In their attached response, Aviva management indicates the actions the Agency has taken to implement the recommendations. We also notified DCFS of the results of our review.

We thank Aviva for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (626) 293-1102.

JTM:MMO:DC

Attachment

c: David E. Janssen, Chief Administrative Officer
David Sanders, Ph.D., Director, Department of Children and Family Services
Andrew R. Diamond, CEO, Aviva Family and Children's Services
Public Information Office
Audit Committee

WRAPAROUND APPROACH SERVICES
AVIVA FAMILY AND CHILDREN'S SERVICES
FISCAL YEAR 2005-06

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in Aviva Family and Children's Services' (Aviva or Agency) records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliations for December 2005.

Results

Aviva properly recorded and deposited cash receipts timely. However, as of December 2005, 24 (17%) of 140 outstanding checks on the Agency's bank reconciliations were over 90 days old. The outstanding checks older than 90 days totaled $1,661. Reconciling items should be resolved timely and unclaimed or undelivered checks should be cancelled periodically per the County contract. Subsequent to our review, the Agency cancelled all 24 outstanding checks and updated their cash balance to reflect the cancelled checks.

Recommendation

1. **Aviva management resolve reconciling items in a timely manner.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and reviewed documentation for non-personnel expenditure transactions billed by the Agency from January to December 2005.

Results

Aviva expensed $159,334 in program funds during 2005 that were not allowable expenditures under their County contract and reduced the amount of Wraparound funding available to provide services for children that exceeded their case rate. Wraparound Agencies are paid a set amount per participant which may result in excess revenue when the cost to provide Wraparound services to a child is less than the case rate. Agencies are permitted to use the excess revenue to fund services to children that services that are in excess of the case rate.

Specifically, we noted the following:

- Aviva transferred $101,082 in Wraparound program funds to their contingency reserve account for emergency use. Office of Management and Budget (OMB) Circular A-122 indicates that contributions to a contingency reserve are not allowable.

- Aviva charged the Wraparound program $58,252 to reserve a bed at the Agency's group home for Wraparound clients. The Agency stated that reserving a bed at the Agency's group home was necessary due to the extremely disturbed population served in the Wraparound program. However, OMB Circular A-122 disallows contingency reserves for future events when the occurrence cannot be foretold with certainty as to time, intensity, or with an assurance of their happening.

Subsequent to our review, Aviva reallocated the $159,334 to their reserved revenue account to pay for participant services that exceed the case rate.

Recommendations

Aviva management:

2. **Discontinue using the Wraparound Program fund for contingency reserve and other costs that are unforeseeable.**

3. **Ensure reserved revenue is spent only for the Wraparound program.**

INTERNAL CONTROLS

Objective

To determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, and tested transactions in various areas such as cash, expenditures, payroll and personnel.

Results

Aviva maintained sufficient internal controls over its business operations.

Recommendation

There are no recommendations in this section.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Aviva's fixed assets and equipment purchases made with Wraparound funds are used for the Wraparound program and that the assets are safeguarded and accurately accounted for.

Results

We did not perform testwork in this area. The Agency did not purchase any fixed assets with Wraparound funds.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll is appropriately charged to the Wraparound program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed payroll expenditures totaling $6,110. We also reviewed the personnel files of staff assigned to the Wraparound program.

Results

Aviva's salaries were properly supported and appropriately charged to the Wraparound program. The Agency also maintained personnel files as required by the County contract.

Recommendation

There are no recommendations in this section.

COST ALLOCATION PLAN

Objective

Determine whether Aviva's Cost Allocation Plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed Aviva's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in October 2005.

Results

Aviva's Cost Allocation Plan complied with the County contract requirements. However, Aviva over allocated its mortgage interest by $6,083 for 2005. Aviva included their entire mortgage interest expense to the indirect cost pool instead of the amount applicable to corporate office. OMB A-122 states that interest expense should be allocated to the individual functions performed in each building on the basis of usable square feet of space. Subsequent to our review, Aviva reallocated the $6,083 to reserved revenue.

Recommendation

4. **Aviva management ensure that indirect costs are allocated according to the Cost Allocation Plan and OMB Circular A-122.**

Aviva Family and Children's Services

Incorporated as Hamburger Home. Founded 1915

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www.avivacenter.org

Aviva High School
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Annenberg Residential Center
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Los Angeles, CA 90046
Tel 323-876-0550
Fax 323-876-0439

Aviva Girls Graduate House
6603 Whitman Avenue
Van Nuys, CA 91406
Tel. 818-781-8020
Fax 818-781-9628

Milken Girls Diagnostic Shelter
7786 Cherrystone
Panorama City, CA 91402
Tel. 818-780-1005
Fax 818-780-8079

Aviva Community Services

Community Mental Health Services
3701 Wilshire Blvd., 9th Floor
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Tel. 213-637-5000
Fax 213-637-5001

Foster Family Agency
7120 Franklin Avenue
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Aviva S.A.F.E. at Gardner Elementary School
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President/CEO
Andrew R. Diamond, LCSW

May 17, 2006

J. Tyler McCauley
Auditor Controller
County of Los Angeles Department
of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 900122766

Subject: Aviva Family and Children's Services Contract Review – Wraparound Approach Phase II Program

This letter is in response to the fiscal review the County Auditor-Controller conducted in January 2006 of our Wraparound contract with the Department of Children and Family Services. We thank the auditors for their positive feedback during their audit. This letter will address the findings brought forth by the auditors at the conclusion of their review as a corrective action plan to be followed in subsequent periods.

Cash/Revenue

Results
The County auditors indicated that 24 outstanding checks totaling $1,661, were older than 90 days. County policy requires that all checks be cancelled after being outstanding for longer than 90 days.

Corrective Action
As stated in the report, Aviva cancelled all 24 checks to be in compliance with County cash policies. We will continue to keep our records up to date by canceling checks on a monthly basis that are outstanding past 90 days.

Expenditures/Procurement

Result
County auditors identified $159,334 in program funds in 2005 that were not eligible expenditure. These funds were from a contingency reserve ($101,082) and a bed reserve ($58,252) that were determined to be unallowable based on OMB Circular a-122 regulations.

Corrective Action
The $101,082 was originally allocated to a contingency fund set aside for "flex funds" use. This account had only been used for the Wraparound program. Following our audit we have ceased the practice of allocating any funds to contingency account, and all expenditures needed for client aid will be charged as they are incurred.

The children in the wraparound program are all very high risk youth. The intent of Wraparound is to avoid residential placements. We anticipated that several of these very high risk female wraparound clients would need emergency residential treatment at some time, and that such a reserve was prudent. The $58,252 was the reserve set aside. In fact we did have several girls transfer to our residential program. Following the audit, we stopped this practice, although we did find it to be in the best interests of the girls.

We have notified our auditors, Price Waterhouse Coopers of these findings, and the $159,334 that were allocated to the reserved revenue account will be monitored by them.

Cost Allocation Plan

Result
County auditors indicated that Aviva's allocation method of the mortgage interest expense was not adhering to the OMB A-122 regulations, which state the allocation should be based on percentage of use rather than allocated through the indirect cost pool.

Corrective Action
Aviva Family and Children's Services has modified the allocation of its mortgage interest to be in compliance with OMB Circular 122 requirements.

If you have further questions or comments, please feel free to call me at (323) 876-0550 x102.

Sincerely,

Thomas Bernal
Chief Financial Officer