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DEPARTMENT OF AUDITOR-CONTROLLER

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J. TYLER McCAULEY
AUDITOR-CONTROLLER

September 28, 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: **SAN FERNANDO VALLEY COMMUNITY MENTAL HEALTH CENTER CONTRACT REVIEW – WRAPAROUND APPROACH SERVICES PROGRAM**

We have conducted a fiscal review of San Fernando Valley Community Mental Health Center (SFV or Agency), a Wraparound Approach Services (Wraparound) Program service provider.

Background

The Department of Children and Family Services (DCFS) contracts with SFV, 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 providing 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 currently or at risk of being placed in a Rate Classification Level of 12 to 14 group home, Metropolitan State hospital, etc. SFV's office is located in the Third District.

DCFS pays SFV on a fee-for-service basis with rates of $5,994 for non-federally eligible children and $2,997 for federally eligible children. DCFS paid SFV approximately $2,286,000 for Fiscal Year 2005-2006.

Purpose/Methodology

The purpose of the review was to determine whether SFV 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

SFV appropriately billed DCFS for the services provided to the clients. In addition, the personnel files for the staff assigned to the Wraparound program contained required information.

SFV over-allocated building and utilities expenditures totaling $71,810 to Wraparound program. SFV also did not maintained sufficient controls over gasoline credit card usage and mileage reimbursement to prevent unauthorized purchases.

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

Review of Report

On July 31, 2006, we discussed our report with SFV who generally agreed with the findings. In their attached response, SFV management indicates that the Agency will incorporate all recommendations into the Agency's procedures. We also notified DCFS of the results of our review.

We thank SFV 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
Patricia S. Ploehn, Director, Department of Children and Family Services
Ian Hunter, CEO, San Fernando Valley Community Mental Health Center
Public Information Office
Audit Committee

WRAPAROUND APPROACH SERVICES
SAN FERNANDO VALLEY COMMUNITY MENTAL HEALTH CENTER
FISCAL YEAR 2005-06

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in San Fernando Valley Community Mental Health Center's (SFV 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 April 2006.

Results

SFV properly recorded and deposited cash receipts timely. However, as of April 2006, 56 (33%) of 172 outstanding checks on the Agency's bank reconciliations were over 90 days old. The outstanding checks older than 90 days totaled $9,495. 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 voided 12 checks, cashed 7 checks and reissued 16 checks.

Recommendation

1. **SFV 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 21 non-personnel expenditure transactions billed by the Agency from July 2005 to April 2006, totaling $30,711.

Results

SFV's program expenditures were allowable, properly documented and accurately billed to the Wraparound program as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS

Objective

Determine whether the Agency 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 for the period of July 2005 to April 2006.

Results

SFV needs to improve its controls over gasoline credit card usage and mileage claims. For example, the Agency did not maintain gasoline credit card receipts and mileage logs to support $485 in gasoline charges. In addition, the two mileage claims reviewed were overstated by 1,812 miles resulting in an overpayment of $671.

Recommendations

SFV management:

2. **Transfer $1,156 back to Wraparound revenue and ensure the money is used solely for Wraparound program.**

3. **Establish sufficient controls over gasoline credit card usage and mileage reimbursement.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency'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.

Verification

We interviewed Agency personnel and reviewed the Agency's equipment and vehicle inventory listings. In addition, we performed a physical inventory count and reviewed the usage of nine (17%) items purchased or leased with Wraparound funds, totaling approximately $66,000.

Results

SFV maintains equipment and vehicle listings. However, three computers and a van purchased with Wraparound funds totaling $9,604 were not used by the program. Subsequent to our review, the Agency assigned the computers to Wraparound staff and reimbursed the Wraparound program $7,341 for the van.

The Agency also did not safeguard the keys to three Wraparound vans. The van keys were left unattended in a public area of the office. The County contract requires the Agency to maintain physical security over fixed assets to prevent misuse and theft of County property. In addition, the Agency did not maintain travel or mileage logs to document the purpose of the trips and other details of van usage. Therefore, we were not able to determine whether the vehicles were solely used for Wraparound program.

Recommendations

SFV management:

4. **Maintain accurate inventory and vehicle listings.**

5. **Ensure that vehicles keys are safeguarded.**

6. **Maintain travel and mileage logs for the vehicles used by Wraparound program.**

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 of ten (18%) employees, totaling $17,802, for April 2006. We also reviewed the personnel files of staff assigned to the Wraparound program.

Results

SFV'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 for this section.

COST ALLOCATION PLAN

Objective

Determine whether SFV's cost allocation plan was prepared in compliance with the County contract and applied to program costs.

Verification

We reviewed SFV's cost allocation plan and reviewed a sample of expenditures incurred by the Agency during April and May 2006.

Results

SFV over-allocated building space and utilities expenditures totaling $71,810 to the Wraparound program. The Agency allocated 20% of group home facility to Wraparound when only 3% of the facility was utilized by Wraparound staff.

Recommendations

SFV management:

7. **Reimburse the Wraparound program $71,810.**

8. **Ensure that indirect costs are allocated according to the cost allocation plan and OMB Circular A-122.**

Since 1970

Ian Hunter, Ph.D., Executive Director

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PROGRAMS
Assertive Community Treatment (ACT)
CalWORKs Domestic Violence
CalWORKs Supportive Services
Center For Family Living
Central Valley Youth and Family Center
Children's Sector of Care
Community Assessment Service Center
Counseling
Crisis and Long Term Residential
Day Treatment Adult Program
Foundations (AB 2034)
Family Links
Family Preservation
The Harbor
Homeless
Independent Living Program
Intensive Day Treatment
McCoy Center East Valley MHC
Multicultural Family Program
Napa Juvenile Justice
North Valley Youth & Family Center
Project Head Start
Therapeutic Behavioral Services
Transitional Youth Day Treatment
Transitional Youth Outreach
Tuolumne Public (Wraparound)
Valley Employment Services
Victim Assistance
Youth Center - School Based Services

www.sfvcmhc.org

SAN FERNANDO VALLEY COMMUNITY MENTAL HEALTH CENTER, INC.

Moving Lives Forward

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September 18, 2006

Mr. 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 90012-2766

Re: Wraparound Contract fiscal review Draft Report

Dear Mr. McCauley:

The San Fernando Valley Community Mental Health Center, Inc. (Center) has reviewed and concurred with the findings on the above referenced report. The Center will certainly review and incorporate all the recommendations as listed into the Center's procedures.

The Center and its management team appreciated the hard work and dedication of the audit team during this fiscal review. If you should have any questions, please do not hesitate to contact me at (818) 901-4830.

Sincerely,

Ian Hunter

Ian Hunter, Ph.D.
Executive Director