COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2766
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

April 30, 2007

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **VISTA DEL MAR CHILD AND FAMILY SERVICES CONTRACT REVIEW – WRAPAROUND APPROACH SERVICES PROGRAM**

We have conducted a fiscal review of Vista Del Mar Child and Family Services (VDM or Agency), a Wraparound Approach Services (Wraparound) Program provider.

Background

The Department of Children and Family Services (DCFS) contracts with VDM, 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. VDM's office is located in the Second District.

DCFS paid VDM a monthly rate per child placement of $5,994 for non-federally eligible children and $2,997 for federally eligible children. DCFS paid VDM approximately $4 million for Fiscal Year (FY) 2005-2006.

Purpose/Methodology

The purpose of the review was to determine whether VDM 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

VDM expensed approximately $78,000 in program funds for transactions that were not allowed under the County contract. Specifically, VDM over charged the Wraparound program approximately $74,000 in utility expenses and approximately $4,000 for services provided without adequate supporting documentation. Subsequent to our review, VDM reallocated or reserved the $78,000 to the appropriate programs.

VDM inappropriately expensed approximately $885,000 in unspent Wraparound revenue from current and prior years on non-Wraparound expenditures. In addition, approximately $677,000 of unspent Wraparound revenues for FY 2005-06 were not reserved for future Wraparound expenditures. Subsequent to our review, VDM reserved the $1,562,000 to ensure the monies are used for future Wraparound expenditures.

In addition, as of March 2006, 185 (40%) of 457 outstanding checks totaling $60,307 on the Agency's bank reconciliations were over 90 days old. Approximately 55% of the 185 outstanding checks were issued between 2002 and 2004. VDM's controller indicated that outstanding checks remain on their books for approximately three years prior to canceling the checks. Subsequent to our review, VDM cancelled all outstanding checks over six months.

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

Review of Report

On February 8, 2007, we discussed our report with VDM who generally agreed with the findings. In their attached response, VDM management indicates that the Agency will adopt all of the recommendations in the report. We also notified DCFS of the results of our review.

We thank VDM 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
Elias Lefferman, Ph.D., CEO, Vista Del Mar Child and Family Services
Public Information Office
Audit Committee

WRAPAROUND APPROACH SERVICES
VISTA DEL MAR CHILD AND FAMILY SERVICES
FISCAL YEAR 2005-06

UNSPENT REVENUE

Vista Del Mar Child and Family Services (VDM or Agency) received $5,994 per month for each non-federally eligible child and $2,997 per month for each federally eligible child assigned to them. In instances in which the Agency does not expense the entire monthly amount in providing services to a child, the Agency is permitted to use the excess revenue to fund services to a child that requires services in excess of the monthly rate. VDM is also permitted to carryover unspent Wraparound funding from one program year to another to provide additional Wraparound program services in subsequent years.

VDM did not reserve $677,451 of unspent Wraparound revenue for Fiscal Year (FY) 2005-06 for future Wraparound expenditures. The unspent amount was reported as unrestricted income which could have been used for other programs. Subsequent to our review, VDM reserved the $677,451 to ensure the monies are used for Wraparound expenditures.

Recommendation

1. **VDM management ensure that future unspent Wraparound revenues are consistently reserved for future Wraparound expenditures.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in VDM 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 March 2006 for VDM's two bank accounts.

Results

VDM properly recorded and deposited cash receipts timely. However, as of March 2006, 185 (40%) of 457 outstanding checks totaling $60,307 on the Agency's bank reconciliations were over 90 days old. The Agency issued 102 (55%) of the 185

outstanding checks between 2002 and 2004. VDM's controller indicated that outstanding checks remain on their books for approximately three years prior to canceling the checks. Subsequent to our review, VDM cancelled all outstanding checks over six months. In addition, the bank reconciliations were not signed and dated by the preparer.

Recommendations

VDM management:

2. **Resolve reconciling items in a timely manner.**

3. **Ensure that monthly bank reconciliations are signed and dated by the preparer.**

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 35 non-personnel expenditure transactions billed by the Agency from July 2005 to April 2006, totaling $249,972.

Results

VDM expensed $963,671 in program funds for transactions that are not allowed under the County contract. Specifically, we noted the following:

- Two (6%) of 35 sampled expenditures totaling $7,749 were related to utilities paid in December 2005 and April 2006. However, based on the Agency's Cost Allocation Plan, VDM over charged $6,704 (87%) of the $7,749 to the Wraparound program. As a result of our finding, the Agency reviewed all 34 utility meters and determined that they had over charged the Wraparound $74,081 in error.

- One (3%) of 35 sampled expenditures in the amount of $1,200 was to pay an independent contractor for psychological services provided to Wraparound participants. However, the contractor billed a higher rate than contracted. The amount over paid to the contractor was $660.

- Three (9%) of 35 sampled expenditures totaling $5,279 were to purchase items and services to meet specific family needs. However, $3,282 (62%) of the $5,279 was paid to provide services for non-Wraparound clients and $492 (9%) was not supported by adequate documentation, bringing the total unallowable expenditures in these areas to $3,774.

- VDM expensed $885,156 in unspent Wraparound revenue from current and prior fiscal years instead of classifying the unspent funds as reserved revenue.

Subsequent to our review, VDM reallocated $74,081 of utility expenditures to the appropriate cost centers and reserved the remaining $889,590 to ensure the monies are used for future Wraparound expenditures.

Recommendations

VDM management:

4. **Ensure the Wraparound funds are solely used for the program.**

5. **Maintain adequate supporting documentation for expenditures charged to Wraparound program.**

INTERNAL CONTROLS

Objective

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

VDM needs to improve their internal controls to ensure that Wraparound funds are used solely for the program and supporting documentation is maintained.

Recommendation

Refer to recommendations 4 and 5.

FIXED ASSETS

Objective

Determine whether VDM's fixed assets purchased with Wraparound funds are used for the Wraparound program and that the assets are safeguarded.

We did not perform test work in this section as VDM did not use Wraparound funding to purchase fixed assets.

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 11 (22%) employees, totaling $12,807, for April 2006. We also reviewed the personnel files of staff assigned to the Wraparound program.

Results

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

Verification

We reviewed VDM's Cost Allocation Plan and selected sample expenditures incurred to ensure that the expenditures were properly allocated to the Agency's programs.

Results

As previously indicated, VDM's utility expenditures were not based on the Agency's Cost Allocation Plan and VDM charged the Wraparound program for non program related expenditures.

Recommendation

Refer to recommendations 4 and 5.

• VISTA DEL MAR CHILD AND FAMILY SERVICES
• REISS-DAVIS CHILD STUDY CENTER
• JULIA ANN SINGER CENTER
• HOME-SAFE
• FAMILY SERVICE OF SANTA MONICA

"98 YEARS OF CARING FOR CHILDREN AND FAMILIES"

Joel R. Mogy
Chairman, Board of Directors
Elias Lefferman, Ph.D.
President/Chief Executive Officer
Vice Chairs
Carol Katzman
Lyn Kuchem
Pamela Pacht
Mrs. Jacob A. Shuken,
Co-Chair, Board of Ambassadors
Mark Slavkin
Treasurer
Rick Wolf,
Vice-Chair, Finance
Assistant Treasurer
Dee Dee Dorskind
Secretary
Sydney Jussen
Assistant Secretary
Deedy Oberman
Immediate Past Chairman
Bradley Tabach-Bank*
Past Chair Emeritus
George Kouheim**
Board of Directors
Donald J. Alschuler
Leslie Askanas
Margot Bamberger
Assemblymember
Karen Bass
Terry Bell*
Harold D. Berkowitz
Barbara Blackman
Herbert R. Bloch
Marc Dauber
Betty Deutsch
Sari Eshman
Helene Feuerstein
Chester Firestein
Lucille Fuhrman
Jen Gaile
Jeffrey L. Glassman
Heidi Haddad
Lois Harwin
Marcia Hoffer
Marla Kanter
Bruce Kates*
Bruce Kirshbaum
Fay Kozberg
John Lear
Jean Leserman
Arthur Mann, M.D.
Julie Miller
Senator Kevin Murray
Cheryl Paller
Gayle Rodgers
A. Stuart Rubin
Peekie Schaefer
Donald Schwarz
Larry Schwimmer
Suzanne Sidy
Betty Sigoloff
Dana Sigoloff
Julie Smooke
Mitchell Stein
Philip Stein
Janis Sussmann
Freda Teller
Major Antonio Villaraigosa
Janis Black Warner
Donald S. Wolf*
Elaine Wolf
Suzanne Yudelson
Walter Zifkin
Board of Ambassadors
Mrs. Jacob A. Shuken, *Co-Chair*
Bruce Kates, *Co-Chair*
Al Aaris, *Vice-Chair*
Willy Zwirn, *Vice Chair*
Harold Berlfein
Jean Reiss Berlfein
Ira Bilson
Stanley Black
Eli Blumenfeld
Terri Kuhheim Cooper
Ira Goldberg
Marvin Goodson
Gogi Grant
Howard Hansen, M.D.
Anita Hecht
Marvin Hoffenberg
Sylvia Mathus
Stacy D. Phillips
Steve Romick
Hugo Rosenstein
Sol W. Schuman
Mari Schwarz
Gene Viglione
Sylvia Weisz
*Past President
**Deceased

March 1, 2007

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: Fiscal Review, Vista Del Mar Child and Family Services Wraparound Program

Dear Mr. McCauley:

Vista Del Mar Child and Family Services has reviewed the findings on the February 23, 2007 fiscal review report.

We agree to adopt all of the recommendations in the report.

Vista del Mar greatly appreciates the dedication, attention to detail, and cordial approach demonstrated by the DCFS audit team during our review process.

If you need further information, please contact me at (310) 836-1223, x 200 or our Chief Financial Officer Michelle McDonald at 310-836-1223, x 222.

Sincerely,

Elias Lefferman, Ph.D.
President and Chief Executive Officer

Member • *Joint Commission of Accreditation of Healthcare Organizations* •
MAIN OFFICE: 3200 MOTOR AVENUE □ LOS ANGELES, CALIFORNIA 90034
□ PHONE 310-836-1223 □ 1-888-22-VISTA □ FAX 310-204-4134 □ EXECUTIVE OFFICE FAX 310-204-1405