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WENDY L. WATANABE
CHIEF DEPUTY

August 23, 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: **SPECIAL SERVICE FOR GROUPS CONTRACT REVIEW – A WRAPAROUND APPROACH SERVICES PROGRAM**

We have conducted a fiscal review of Special Service for Groups (SSG or Agency), a Wraparound Approach Services (Wraparound) Program provider.

Background

The Department of Children and Family Services (DCFS) contracts with SSG, 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. SSG subsequently subcontracted with Tessie Cleveland Community Services Corporation (Tessie) to provide Wraparound services. SSG is located in the First District and Tessie is located in the Second District.

DCFS paid SSG on a fee-for-service basis $4,184 per child, per month. DCFS paid SSG approximately $372,000 of which approximately $327,000 was paid to Tessie for Fiscal Year 2006-07. This is the first year that SSG is providing Wraparound services.

Purpose/Methodology

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

Results of Review

Overall, SSG provided the services in accordance with the County contract. SSG appropriately charged payroll expenses to the Wraparound program and maintained required documents in employees' personnel files. The Agency also properly allocated shared costs to the Wraparound program. However, SSG did not sufficiently monitor its subcontractor to ensure that the subcontractor maintained sufficient internal controls over its business operation.

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

Review of Report

We discussed our report with SSG on June 12, 2007. In their attached response, SSG concurred with our findings and recommendations. We also notified DCFS of the results of our review.

We thank SSG 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: William T Fujioka, Chief Executive Officer
Patricia S. Ploehn, Director, Department of Children and Family Services
Susan Kerr, Chief Deputy Director, Department of Children and Family Services
Herb Hatanaka, Executive Director, Special Service for Groups
Public Information Office
Audit Committee

WRAPAROUND APPROACH SERVICES
SPECIAL SERVICE FOR GROUPS
FISCAL YEAR 2006-07

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in Special Service for Groups' (SSG 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 Agency's bank reconciliation for December 2006.

Results

SSG maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

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 October 2006 through February 2007, totaling $5,006.

Results

Generally, SSG's program expenditures were allowable, properly documented and accurately billed to the Wraparound program as required. However, SSG charged $468 in telephone costs that were not associated with the Wraparound program and Tessie

Cleveland Community Services Corporation (Tessie), a subcontractor, did not maintain adequate documents to support $238 in program expenditures. Subsequent to our review, SSG and Tessie transferred $636 to appropriate cost centers and provided additional documentation to support $70 in program expenditures.

Recommendations

SSG management:

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

2. **Ensure that Tessie maintains adequate documentation to support expenditures.**

INTERNAL CONTROLS

Objective

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

Verification

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

Results

Overall, SSG maintained sufficient internal controls over its business practices. However, SSG did not ensure that its subcontractor had adequate internal controls over cash disbursements. For example, as indicated above, Tessie did not have adequate documentation to support expenditures. In addition, Tessie's authorized check signers were the Executive Director and the Chief Operation Officer, who are husband and wife. Both husband and wife also had the authority to request, authorize and disburse payments.

Recommendations

3. **SSG management monitor its subcontractor to ensure that their subcontractor is in compliance with contract requirements.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether SSG's fixed assets and equipment 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 SSG did not use Wraparound funding to purchase fixed assets or equipment.

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 for all seven employees, totaling $11,964, for January 2007. We also reviewed the personnel files of the staff assigned to the Wraparound program.

Results

SSG appropriately charged payroll expenses to the Wraparound program. In addition, personnel files are maintained as required.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed the Agency's Cost Allocation Plan and selected a sample of expenditures incurred by the Agency in January 2007 to ensure that the expenditures were properly allocated to the Wraparound program.

Results

SSG's Cost Allocation Plan complied with the County contract requirements and indirect costs were appropriately allocated. However, Tessie did not have a written Cost Allocation Plan and allocated $501 in shared costs to the Wraparound program. Tessie management stated that they allocate shared costs based on the number of employees assigned to each program. Tessie did not provide supporting documentation to validate their allocation method. Therefore, we were not able to determine whether the $501 was allocated appropriately to the program. Subsequent to our review, Tessie reversed the $501 charged to the Wraparound program.

Recommendation

4. **SSG management ensure that Tessie prepares a written Cost Allocation Plan and allocate the expenditures according to the plan.**

July 17, 2007

Herbert K. Hatanaka, DSW
Executive Director

SSG PROGRAMS

Asian Pacific AIDS Intervention Team (APAIT)
Asian Pacific Counseling & Treatment Centers (APCTC)
API Center for Census Information & Services (ACCIS-LA)
Asian Pacific Residential Treatment Program
Benefits Assistance Clients Urban Projects (BAC-UP)
Children's Dental & Outreach Project
Court Referral Service Project (CRS)
Homeless Outreach Program (HOP)
Hurting & Hungry Project
Indochinese Counseling & Treatment Clinic
IHSS Recipients & Providers Sharing (IRAPS)
Occupational Therapy Training Program (OTTP)
Pacific Asian Alcohol & Drug Program (PAADP)
Pacific Asian Language Services (PALS)
Parents Neighborhood Youth Program (PNYP)
Tongan Community Service Center
West Boulevard Child Development Center

CONSORTIA

Asian and Pacific Islander Mental Health Alliance
Care & Resource Management for Seniors (CARES)
Integrated Care System (ICS)

AFFILIATE ORGANIZATIONS

African American Alcohol and Other Drug Council (AAAOD)
LA Asian Pacific American Heritage Committee
Orange County Asian & Pacific Islander Community Alliance
West Hollywood Food Coalition

BOARD MEMBERS

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Auditor-Controller
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Department of Auditor-Controller
Countywide Contract Monitoring Division
1000 South Fremont Avenue, Unit 51 Bldg A9 East
Alhambra, California 91803-4737

Re: Agency Response to Fiscal and Contract Review of Wraparound Approach Services Program – FY 2006-2007

Dear Mr. McCauley:

Attached is Special Service Groups' response to the audit performed by your agency on the Wraparound Approach Services Program for contract year 2006-2007.

Please call Beth DeLosSantos at 213-553-1825 if you have any question regarding these documents. Thank you for your patience and consideration.

Sincerely,

Herbert Hatanaka, DSW
Executive Director

Attachments

SPECIAL SERVICE FOR GROUPS
RESPONSE TO FISCAL MONITORING FOR PROGRAM YEAR 2006-2007
WRAPAROUND APPROACH SERVICES PROGRAM

Expenditures/Procurement

Recommendation:

SSG management must ensure the Wraparound funds are solely used for the program; and that TCCSC maintains adequate documentation to support expenditures.

Agency's Response:

SSG will ensure that Wraparound funds are used solely for the program to minimize adjusting entries in programs' books.

SSG also ensures that TCCSC will have required documentation attached to the requests before checks are issued. TCCSC has implemented a more strict process of review and approval of expenses at the program level before a check request can be processed. SSG will ensure that the accounts payable department is in compliance with this procedure.

Internal Controls

Recommendation:

SSG management monitors its subcontractor to ensure that the subcontractor is in compliance with contract requirement.

Agency's Response:

TCCSC's new procedure in check signing is now in place. The authorized signors on the checks do not approve expenses. SSG management will ensure that TCCSC in compliance with the contract requirements. SSG management is assisting TCCSC in formalizing its formal written policies and procedures.

Cost Allocation Plan

Recommendation:

SSG management ensures that TCCSC prepares a written cost allocation plan and allocate the expenditures according to the plan.

Agency's Response:

SSG reviewed the cost allocation plan of TCCSC. TCCSC's Wraparound program moved to another location. All expenses that are being charged are now specific to the Wraparound program. However, if there are any shared costs that need to be allocated to the Wraparound program, SSG will ensure that TCCSC is adhering to an approved cost allocation plan. SSG will ensure that the cost allocation plan is in compliance with the County's requirements.