COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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TO: Robert Ryans, Director
Department of Community and Senior Services

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **FINANCIAL REVIEW OF WOMEN'S AND CHILDREN'S CRISIS SHELTER, INC.**

The Department of Community and Senior Services (CSS) requested a financial review of the Women's and Children's Crisis Shelter, Inc.'s (Agency or WCCS) Domestic Violence Supportive Services Program (CalWORKs) and Emergency Shelter Program. The request was based on a letter received by the Fourth District that contained numerous allegations that WCCS staff had misappropriated funds, mistreated clients, falsified documents, and maintained unsanitary shelter conditions. It should be noted that CSS staff investigated the non-financial allegations. In addition, WCCS also receives funding for the Community Services Block Grant. We did not review this program.

Scope

Our review included interviewing managers and staff from the Agency and CSS. We also attempted to reconcile a sample of expenditures reported on the Agency's claims (which CSS paid in full) to the Agency's official accounting and timekeeping records, and other supporting documentation. Finally, we evaluated CSS' monitoring efforts of the Agency during Fiscal Year (FY) 2001-2002.

Summary of Findings

The methods used by the Agency to prepare the monthly reimbursement claims and report program expenditures are not in accordance with the provisions of its County contract. Because of this, we were unable to reconcile reported program expenditures to the Agency's official accounting records and supporting documentation. As a result, we will need to expand the scope of our financial review to include all of WCCS's funded programs to determine if the amount the Agency received from CSS was appropriate. We plan to complete the review within 30 days.

Also, CSS needs to strengthen their monitoring of WCCS and other CalWORKs contractors and enforce the provisions of the County contracts. The contract allows CSS to withhold funding from contractors whose service delivery drops below 75% of their contract commitment. We noted that WCCS achieved only 52% of its CalWORKs contract commitment (service delivery), but received 100% of its annual funding of $300,000. The details of our findings are summarized below.

Expenditure Documentation

We attempted to reconcile the CalWORKs expenditures reported on the Agency's July 2001, September 2001, October 2001, January 2002, March 2002, and May 2002 reimbursement claims (which CSS paid in full) to the Agency's official accounting and timekeeping records and other supporting documentation. However, we were unable to conduct the reconciliation. WCCS does not have a formal cost allocation plan to allocate shared expenditures (e.g., rent, utilities, etc.) among its various programs nor does it document the actual amount of shared expenses allocated to each program. In addition, WCCS allocates its payroll expenditures to the CalWORKs program based on budget limits (which were not documented) and not actual hours staff worked within the program.

The Director stated that the Agency's expenditures are allocated to each program (CalWORKs) based on the program's budget limits and not actual expenditures incurred by the program, and that documentation to support the Agency's expenditures is maintained in separate files. However, the Director (who prepares the reimbursement claims) was not able to reconcile the expenditure amounts reported in the documentation files to the reimbursement claims noted above.

In addition, we noted that the expenditure totals reported on the CalWORKs reimbursement claims do not reconcile to the contractor's official accounting records. According to the Director, the Agency's accountant is not always notified when the Agency adjusts certain line items in their CalWORKs budget. As a result, the accountant may classify some expenditures differently than the Director when updating the Agency's official accounting records.

The methods used by the Agency to record program expenditures and prepare the monthly reimbursement claims are not in accordance with the provisions of its County contract. Because of this, we will need to expand the scope of our financial review to include all of WCCS's funded programs to determine if the funding the Agency received from CSS was appropriate for all programs. Also, CSS management needs to ensure that WCCS prepares the reimbursement claims in accordance with its County contract and that the claims reconcile to the Agency's official accounting records.

Recommendation

1. **CSS management ensure that WCCS prepares the reimbursement claims in accordance with its County contract and that the claims reconcile to the Agency's official accounting records.**

Contract Monitoring

CSS program staff monitor the CalWORKs and Emergency Shelter contractors' service delivery. CSS also contracts with Simpson & Simpson, CPA's (Simpson), to monitor the fiscal compliance of the CalWORKs contractors. Simpson reports the findings of their reviews to CSS and the service providers. Our review of CSS' monitoring efforts noted the following:

- Simpson noted in their recent reviews of the CalWORKs contractors that many of the findings were also noted in prior years' reviews. Although Simpson conducts the fiscal monitoring of the CalWORKs contractors, CSS is responsible for ensuring Simpson's recommendations are implemented.

- CSS did not take action against WCCS when the contractor's service delivery dropped significantly below targeted levels. According to the contract, if a contractor's service delivery falls below 75% of the contract commitment, the contractor's funds may be reduced or reallocated. For the FY 2001-02, the Agency achieved only 52% (as reported to CSS on their monthly service reports) of its contract service commitment, but claimed and was reimbursed for 100% of its annual funding allocation of $300,000.

- The Domestic Violence staff noted that at the end of Fiscal Year (FY) 2001-02, the fiscal monitoring instrument which they developed did not cover all key audit areas. For example, the instrument did not require Simpson to review the CalWORKs contractors' cost allocation plans. CSS reported that they are revising the monitoring instrument to ensure it covers a review of all key audit areas.

CSS management needs to ensure that program staff conduct follow-up reviews to determine the implementation status of prior audit recommendations. CSS management also needs to take appropriate action against contractors whose service delivery falls below levels specified in their County contracts or who do not correct areas of contract non-compliance. Finally, CSS management needs to ensure the revised fiscal monitoring instrument provides for a review of all key contract areas, including cost allocation plans.

Recommendations

CSS management:

2. **Ensure that program staff conduct follow up reviews to determine the implementation status of prior audit recommendations.**

3. **Take appropriate action against contractors whose service delivery levels fall below levels specified in their County contract or who do not correct areas of contract non-compliance.**

4. **Ensure the revised fiscal monitoring instrument provides for a review of all key contract areas, including cost allocation plans.**

Please call me if you have any questions, or your staff may contact DeWitt Roberts at (213) 974-0301.

JTM:PTM:DR:DC

c: Board of Supervisors
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