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

July 12, 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: **FISCAL MONITORING OF DEPARTMENT OF COMMUNITY AND SENIOR SERVICES' FISCAL YEAR 2004-05 DOMESTIC VIOLENCE PROGRAM SERVICE PROVIDERS**

The Department of Community and Senior Services (CSS) contracts with community-based, non-profit organizations (service providers) to provide Domestic Violence (DV) program services. DV program services include case management, counseling, shelter and legal advice to victims of domestic violence.

CSS' DV contracts are fee-for-service agreements under which providers are paid a set fee for each unit of service provided. The DV contracts also require that, if a provider's actual costs are less than the total amount the provider is paid, the provider must either get approval from CSS to use the excess earnings to provide DV services, or return the excess earnings to CSS.

At the request of CSS, we contracted with a Certified Public Accountant, M. R. Grant, to conduct fiscal monitoring of the 43 DV service providers that had contracts with CSS during fiscal year (FY) 2004-05. CSS paid approximately $13.9 million to the DV service providers during the year.

The fiscal monitoring was done in two phases; Phase I on-site visits covered the contract period from July 1 through December 31, 2004, and Phase Two covered January 1 through March 31, 2005. During Phase II, M. R. Grant also followed up on the findings and recommendations from the Phase I reports.

Review Summary

M. R. Grant has completed its fiscal monitoring reviews and has reported the results for each service provider to CSS and to each service provider. Attachment 1 summarizes the findings for each service provider.

M. R. Grant identified $3,872 in overbillings by one provider (Attachment 1, Schedule 1) that should be repaid to CSS. M. R. Grant also identified $329,315 in findings (Attachment 1, Schedule 2), primarily related to costs that were not adequately documented, and a lack of documentation showing the providers used their own funds (i.e., matching funds) to pay a percentage of program expenses, as required by the DV contracts. If these findings are not resolved, the service providers will need to adjust their revenues/expenses, which may result in excess earnings. As noted earlier, excess earnings must either be used to provide DV services or be returned to CSS. During the fiscal monitoring for FY 2005-06, the monitor will determine if any of the providers had excess earnings for FY 2004-05.

M. R. Grant also prepared a management letter (Attachment 2), which includes recommendations for CSS to ensure service providers comply with DV contract and program requirements. For example, M. R. Grant recommended that CSS ensure service providers maintain a cost allocation plan and appropriate supporting documentation, and charge only allowable costs to the DV program.

Review of Report

Each report was discussed with CSS and the appropriate service provider. CSS has indicated that they will work with the service providers to resolve all of M. R. Grant's findings by June 30, 2006. Attachment 3 is CSS' response and action plan to address M. R. Grant's recommendations.

Because of the number of service providers, copies of individual reports are not enclosed, but are available for your review. Please call if you have any questions, or have your staff call Terri Kasman at (626) 293-1121 if you wish to review any reports.

JTM:MMO:JLS:TK
H:\DV 2004-05 Board Letter

Attachments
c: David E. Janssen, Chief Administrative Officer
Department of Community and Senior Services
Cynthia D. Banks, Director
Josie Marquez, Director of Workforce Development
Sachi A. Hamai, Executive Officer
Public Information Office
Audit Committee

Attachment 1

Department of Community and Senior Services
Fiscal Monitoring of Domestic Violence Service Providers
Fiscal Year 2004-05

Schedule 1 - Summary of Overbilling

	Agency Name	Amount Overbilled
	Akila Concepts, Inc./Charlotte House	$3,872

Schedule 2 - Summary of Findings by Service Provider

	Agency Name	No. of Phase I Recommendations	No. of Phase I Recommendations Implemented	No. of Phase II Recommendations	Dollar Findings				
					A	B	C	D	Total
1	1736 Family Crisis Center	1	0	0		$341			$341
2	Akila Concepts, Inc./Charlotte House	2	0	3	(1)				(1)
3	Antelope Valley Domestic Violence Council (AVDVC)	0	0	0					
4	Asian Pacific American Legal Center (APALC)	1	0	1		$46,502			$46,502
5	Bienvenidos Children's Center, Inc.	0	0	2	(1)	(1)			(1)
6	Cambodian Association of America	0	0	0					
7	Center for Pacific-Asian Family, Inc. (CPAF)	1	0	1					
8	Chicana Service Action Center, Inc.	3	3	0		(1)	$1,632	$22,080	$23,712 (1)
9	Children's Institute International	1	1	0					
10	Community Counseling Service	4	3	1	(1)	(1)	$20,483		$20,483 (1)
11	Community Legal Services (AKA Legal Aid Society of Orange County)	0	0	0					
12	Domestic Abuse Center	6	4	3		$9,969	(1)		$9,969 (1)
13	Domestic Violence Center of Santa Clarita Valley	2	0	4	(1)	$2,855 (1)	(1)		$2,855 (1)
14	East Los Angeles Women's Center	2	2	0					
15	Foothill Family Service	0	0	0					
16	Harriett Buhai Center for Family Law	0	0	2		(1)	$256		$256 (1)
17	Haven Hills, Inc.	3	0	5	(1)	$8,078 (1)		$10,801	$18,879 (1)
18	Haven House	0	0	0					
19	Helpline Youth Counseling, Inc.	0	0	0					
20	House of Ruth, Inc.	0	0	0					
21	Human Services Association	0	0	0					
22	Institute for Multicultural Educational Services	3	2	0		$75			$75
23	Interval House	0	0	0					
24	Jenesse Center, Inc.	2	0	1		$126,719		$10,800	$137,519
25	Jewish Family Service / Family Violence Project	0	0	0					
26	Legal Aid Foundation of Los Angeles, (LAFLA)	0	0	0					
27	Los Angeles Center for Law and Justice	4	3	1		(1)	$15,958		$15,958 (1)

Department of Community and Senior Services
Fiscal Monitoring of Domestic Violence Service Providers
Fiscal Year 2004-05

Attachment 1

Schedule 2 - Summary of Findings by Service Provider

	Agency Name	No. of Phase I Recommendations	No. of Phase I Recommendations Implemented	No. of Phase II Recommendations	Dollar Findings				
					A	B	C	D	Total
28	National Council on Alcohol and Drug Dependency-Long Beach (NCADD-LB) - Woman to Woman DV Program	0	0	0					
29	Neighborhood Legal Services of Los Angeles County – NLS	2	1	1					
30	Ocean Park Community Center (OPCC)-Sojourn	0	0	0					
31	Peace & Joy Care Center	4	4	0		(1)	(1)	$8,829	$8,829 (1)
32	Project: Peacemakers, Inc.	2	2	0					
33	Prototypes, A Center for Innovation in Health, Mental Health and Social Services	2	2	0	(1)	$158			$158 (1)
34	Rainbow Services, Ltd.	0	0	0					
35	San Fernando Valley Community Mental Health Center, Inc. (Admin, Offices)	0	0	0					
36	San Pedro Community Legal Services	5	1	3		$3,699 (1)			$3,699 (1)
37	Santa Anita Family Service	2	2	3	$83	$1,536 (1)	(1)		$1,619 (1)
38	Southern California Alcohol & Drug Programs, Inc. / Angel Step Inn	0	0	2		(1)		$6,128	$6,128 (1)
39	Su Casa Family Crisis and Support Center	0	0	0					
40	Women's & Children's Crisis Shelter, Inc (WCCS)	0	0	2		$428 (1)			$428 (1)
41	WomenShelter of Long Beach	0	0	0					
42	YWCA of Glendale Domestic Violence Project	2	0	1	$4,812	$27,009			$31,821
43	YWCA of San Gabriel Valley / Women in Need Growing Strong (WINGS)	1	0	0		$84			$84
	Total	55	30	36	$4,895	$227,453	$38,329	$58,638	$329,315

Code Summary

A No documentation to support the cost allocation method or expenses were improperly allocated to the programs
B Expenditures charged to program are not supported with documentation
C Program expenditures are inappropriately recorded on service provider's accounting records
D Does not meet matching requirements or improperly recorded matching expenses

(1) Contractor was not able to determine the dollar value of one or more findings in this category.

Attachment 2

M. R. GRANT, CPA,
an Accountancy Corporation
Certified Public Accountants

December 30, 2005

Mr. J. Tyler McCauley
Auditor-Controller
500 West Temple Street, Room # 525
Los Angeles, CA 90012 - 2766

In planning and performing the 2004-2005 Department of Community and Senior Services Domestic Violence Services' (DV) Providers Fiscal Monitoring, we noted certain matters involving the Department of Community and Senior Services' (CSS) internal control structure relating to accounting and contract administration that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report DV grant expenditures.

Our observations and recommendations are presented in Exhibit I.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the DV program grant expenditures may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

The scope of our engagement was limited to monitoring DV Service Providers and did not include considering and providing assurance on CSS' internal control structure. Such monitoring would not disclose all matters in CSS' internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described in Exhibit I is a material weakness.

This report is intended solely for the use of County of Los Angeles and is not intended to be and should not be used by anyone other than the specified party.

M. R. Grant

M. R. Grant, CPA

Member of the American Institute of Certified Public Accountants
6333 Wilshire Boulevard, Suite 511 • Los Angeles, CA 90048 • (323) 655-7455 • Fax (323) 655-0547

EXHIBIT I

CONDITION #1 - No segregation of duties

During our monitoring visits, we noticed that certain Service Providers had no segregation of duties; for example, the same employee calculates payroll and also performs bank reconciliations.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Providers to make sure that duties are segregated or use alternate methods to perform these duties.
2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CONDITION #2 – Cost Allocation Plan was not available for examination

During our monitoring visits, we noticed that certain Service Providers had no Cost Allocation Plan available for examination.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Providers to make sure that a Cost Allocation Plan is maintained.
2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CONDITION #3 – Supporting documentation was not available for examination

During our monitoring visits, we noticed that certain Service Providers did not have supporting documentation available for examination; for example, I-9 employment eligibility form was not available for review for employees who worked on CSS programs.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Providers to make sure that supporting documents are maintained.
2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CONDITION #4 – Unallowable costs

During our monitoring visits, we noticed that certain Service Providers had charged unallowable costs to CSS programs; for example, although an employee had one timecard for a single position the Service Provider had charged the program for two positions using the same employee.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Providers to make sure that unallowable costs are not charged to CSS programs.
2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CONDITION #5 – General ledger was not presented for examination

During our monitoring visits, we noticed that a Service Provider did not have a general ledger available for examination.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Provider to make sure that a general ledger is maintained.
2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

Attachment 3

CYNTHIA D. BANKS
Director

COMMUNITY AND SENIOR SERVICES
OF LOS ANGELES COUNTY

3175 WEST SIXTH STREET • LOS ANGELES, CA 90020-1708 • (213) 738-2600 (213) 385-3893 FAX

"To Enrich Lives Through Effective And Caring Service"

BOARD OF SUPERVIS

GLORIA MOL
YVONNE B. BU
ZEV YAROSLAV
DON KN
MICHAEL D. ANTONOV

June 14, 2006

To: J. Tyler McCauley
Auditor-Controller

From: Cynthia D. Banks
Director

Subject: **RESPONSE TO MANAGEMENT LETTER ON FISCAL MONITORING OF COMMUNITY AND SENIOR SERVICES – DOMESTIC VIOLENCE SERVICE PROVIDERS FOR PROGRAM YEAR 2004-05**

The following is Community and Senior Services' (CSS) response to the management letter prepared by M. R. Grant, CPA, based on its fiscal monitoring of our Domestic Violence Service Providers for Program Year (PY) 2004-05.

Condition #1 – No segregation of duties

During our monitoring visits, we noticed that certain service providers had no segregation of duties; for example, the same employee calculates payroll and also performs bank reconciliations.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Providers to make sure that duties are segregated or use alternate methods to perform these duties.

2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CSS Response

Our Contract Compliance Division has designed a series of training sessions for all CSS service providers, including our Domestic Violence service providers, to ensure they receive training on basic accounting principles as well as grants management requirements relating to cost allocation. Service providers were surveyed and asked to provide us with their self-assessment of their level of knowledge. Five courses have been designed from beginning-level accounting to the preparation of a cost-allocation plan. Training began in February 2006 and will conclude on June 14, 2006.

In addition, we will ensure that service providers segregate their duties to the greatest extent possible with an understanding that some of our service providers have a limited number of staff. We will continue to work with those service providers with this noted condition to ensure that there are appropriate internal controls within their financial structure.

Condition #2 – Cost Allocation Plan was not available for examination

During our monitoring visits, we noticed that certain Service Providers had no Cost Allocation Plan available for examination.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Providers to make sure that a Cost Allocation Plan is maintained.

2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CSS Response

As stated above, our Contract Compliance Division is providing training on the requirement and development of cost-allocation plans. Our intent is to ensure that all of the service providers that had inadequate, or lack of, cost allocation plans will be provided with the training required to submit their cost allocation plans in PY 2006-07. Service providers will be required to provide CSS with a cost-allocation plan, as part of the 2006-07 contract process, in accordance with the Office of Management and Budget (OMB) Circulars as required by their contracts.

Condition #3 – Supporting documentation was not available for examination

During our monitoring visits, we noticed that certain Service Providers did not have supporting documentation available for examination; for example, I-9 employment eligibility form was not available for review for employees who worked on CSS programs.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Providers to make sure that supporting documents are maintained.

2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CSS Response

Our Contract Compliance Division will ensure through its monitoring resolution efforts that this issue is resolved. All service providers will be required to ensure that they maintain documentation to prove their employees' right to work. If the I-9 is not made available for those employees in question, CSS will require the service provider to remove the employee from working on the Domestic Violence Program and adjust its accounting records for any costs associated with that employee's salary.

During our monitoring resolution efforts, we will review the documents that M.R. Grant was unable to review during their monitoring site visit. Furthermore, we will ensure that the service providers are made aware of the supporting documents that they are required to maintain to support their program and administrative costs associated with the Domestic Violence programs.

Our Contract Management Division will ensure that the service providers understand this requirement as part of the contract process for PY 2006-07.

Condition #4 – Unallowable costs

During our monitoring visits, we noticed that certain Service Providers had charged unallowable costs to CSS programs; for example, although an employee had one timecard for a single position the Service Provider had charged the program for two positions using the same employee.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Providers to make sure that unallowable costs are not charged to CSS programs.

2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CSS Response

The example given appears to be a double-billing issue and not an issue of whether or not the service providers were charging CSS for unallowable costs. Since Domestic Violence service providers are paid on a fee-for-services basis and not on actual costs, the Service Provider will not be required to reimburse CSS for the salary that was double-billed.

However, CSS will ensure that the service provider makes an adjustment in its accounting records to remove the expenditure for the double-billed salary so as to not distort the service provider's program income, if any.

Furthermore, during our monitoring resolution efforts, we will address this issue with those service providers with this noted finding by ensuring that they understand which program and administrative costs are allowable under the Domestic Violence programs.

Condition #5 – General ledger was not presented for examination

During our monitoring visits, we noticed that a Service Provider did not have a general ledger available for examination.

We recommend the following:

1. CSS should enforce the contract requirements with the Service Provider to make sure that a general ledger is maintained.

2. CSS should provide adequate training to Service Providers who are not in compliance with this requirement.

CSS Response

CSS' contracts with all service providers require that they maintain their accounting records in accordance with Generally Accepted Accounting Principles (GAAP). Although Domestic Violence service providers are paid on a fee-for-services basis, they are required to adhere to the CSS contract requirement stated above. Therefore, if any service provider does not have a general ledger to support its expenditures, CSS will question the amount that CSS paid the service provider that is unsupported by a general ledger and request reimbursement from the service provider.

We would like to thank your staff for their work on this project. Should you have questions regarding our response, please contact Otto Solórzano, Assistant Director, Administrative Services Branch at (213) 738-2620 or Jackie Lynn Sakane at (213) 739-7321.

CDB:OS:JLS

c: Otto Solórzano, CSS
Jackie Lynn Sakane, CSS
Marci Ghadimi, CSS