



**County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES**

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

PHILIP L. BROWNING
Director

March 9, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Philip L. Browning
Director

Board of Supervisors
HILDA L. SOLIS
First District
MARK RIDLEY-THOMAS
Second District
SHEILA KUEHL
Third District
DON KNABE
Fourth District
MICHAEL D. ANTONOVICH
Fifth District

FIRST STEPS FOR YOUTH FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of First Steps for Youth, Transitional Housing Placement Program (the THPP) in October 2014. First Steps for Youth is a non-profit organization that is contracted with DCFS to provide THPP services. The THPP has residential homes located in the Second Supervisorial District and provides services to the County of Los Angeles DCFS placed children. According to the THPP's Program Statement, its stated purpose is "to develop a sense of community to foster youth, who are age 16 through 18, by providing a nurturing, sensitive environment that will allow participants to achieve their full-fledged potential and to define their character value."

At the time of review, the THPP served three DCFS placed children.

SUMMARY

CAD conducted a Fiscal Compliance Assessment, which included an agency-wide review of the THPP's financial records such as financial statements, bank statements, check register and personnel files, to determine their compliance with the terms, conditions and requirements of the THPP contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State and County regulations and guidelines.

The THPP was in full compliance with 2 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments and Payroll and Personnel.

CAD noted deficiencies in the areas of: Financial Overview, related to an operational loss and untimely submittal of semi-annual expenditure reports; Board of Directors and Business Influence, related to the Board Secretary not certifying the Board meeting minutes; and Cash/Expenditures, related to inadequate internal controls over disbursement procedures and missing the Fixed Asset Inventory list.

"To Enrich Lives Through Effective and Caring Service"

Attached are the details of CAD's review.

REVIEW OF REPORT

On December 5, 2014, Molly Sun, DCFS CAD Fiscal, held an Exit Conference with the THPP representative: Dominic Agbabiaka, External Relations Director. The THPP representative was in agreement with the review findings and recommendations, was receptive to implementing systemic changes to improve compliance with regulatory standards and to addressing the noted deficiencies in a Fiscal Corrective Action Plan (FCAP).

A copy of this compliance report has been sent to the Auditor-Controller and Community Care Licensing.

The THPP provided the attached approved FCAP addressing the recommendations noted in this report.

If you have any questions, your staff may contact me or Aldo Marin, Board Relations Manager, at (213) 351-5530.

PLB:EM:LTI:ms

Attachments

c: Sachi A. Hamai, Chief Executive Officer
John Naimo, Auditor-Controller
Calvin Remington, Interim Chief Probation Officer
Dominic Agbabiaka, External Relations Director, First Steps for Youth
Public Information Office
Audit Committee
Sybil Brand Commission
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

**FIRST STEPS FOR YOUTH
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 - 2015**

SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of First Steps for Youth, Transitional Housing Placement Program's (the THPP's) financial records for the period of January 1, 2012 through December 31, 2012 and June 1, 2014 through August 31, 2014. Contracts Administration Division (CAD) reviewed the financial statements, bank statements, check register and personnel files to determine the THPP's compliance with the terms, conditions and requirements of the THPP contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State and County regulations and guidelines.

The on-site Fiscal Compliance Assessment review focused on five key areas of internal controls:

- Financial Overview,
- Loans, Advances and Investments,
- Board of Directors and Business Influence,
- Cash/Expenditures, and
- Payroll and Personnel.

The THPP was in full compliance with 2 of 5 areas of the Fiscal Compliance Assessment: Loans Advances and Investments; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following areas out of compliance:

Financial Overview

- The THPP's audited financial statements for the period ending December 31, 2012, showed an operating loss of \$41,524. The unaudited financial statements as of August 31, 2014, did not indicate a loss.

The THPP's External Relations Director and Chief Executive Office will ensure the program does not operate at a loss.

- Semi-annual expenditure reports were not submitted to the County.

The THPP's External Relations Director will ensure semi-annual expenditure reports are completed timely.

Recommendations:

The THPP's management shall ensure that:

1. A plan is developed and implemented to eliminate the operational loss and demonstrate that the THPP can operate without incurring a loss in the future.

2. The semi-annual expenditure reports are submitted in accordance with the THPP contract.

Board of Directors and Business Influence

- The Board meeting minutes were not certified by the Board Secretary.

Recommendation:

The THPP's management shall ensure that:

3. The Board meeting minutes are certified by the Board Secretary.

Cash/Expenditures

- The authorized check signers wrote 16 checks totaling \$50,738.43 payable to themselves without a second signature.

The THPP's External Relations Director will ensure there is a second signature on disbursements over an amount to be specified by the Board of Directors. No employee shall sign any payment instrument issued and/or made payable to themselves.

- One of the independent contractor service agreements did not include billing rates or the timeframe for service provided.

The THPP's External Relations Director will ensure that contract documentation include billing rates and time for the service provided.

- One of the independent contractor's expenses was paid without sufficient documentation.

The THPP's External Relations Director will ensure to only pay invoices that include sufficient documentation.

- No Fixed Asset Inventory list was maintained.

The THPP's External Relations Director will ensure that a Fixed Asset Inventory list is created and maintained.

Recommendations:

The THPP's management shall ensure that:

4. Employees do not sign checks payable to themselves.
5. Independent contractor service agreements include billing rates and the timeframe for services provided.

6. All expenditures are supported by sufficient documentation.
7. A fixed asset inventory list is developed, maintained and includes all the required elements.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE A-C

A fiscal review of the THPP has not been posted by the A-C.

NEXT FISCAL COMPLIANCE ASSESSMENT

The next Fiscal Compliance Assessment of the THPP will be conducted in County Fiscal Year 2015-2016.

First Steps for Youth THPP

836 S. Sycamore Avenue
Los Angeles, CA 90036

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Fax: 323-936-3432

Email: info@firststepsforyouth.org
www.firststepsforyouth.org
License# 197601539
Tax ID# 95-4778225



July 30, 2015

Department of Children and Family Services
ATTN: Molly Sun
3530 Wilshire Boulevard, Fourth Floor
Los Angeles, CA 90010

AMENDED RESPONSE TO FISCAL COMPLIANCE ASSESSMENT AND REQUEST FOR CORRECTIVE ACTION PLAN DATED 12-5-2014

To Ms. Sun:

Per our meeting on July 21, 2015, we have amended our response to the findings identified in your initial fiscal review. First Steps for Youth (FSFY) operates with a high degree of integrity in all areas and remains committed to ensuring that all practices and procedures are compliant and consistent with the rules governing all of its legal and contractual agreements.

FCAT Section I –

Finding Question #6

Semi-Annual Expenditure Report was not submitted to the County or available for review.

FSFY will ensure that semi-annual expenditure reports are completed timely and mailed no later than September 1 for the period ending June 30 and by March 1 for the period ending December 31, and in accordance with any other legal or contractual agreement.

FCAT Section III

Question #13B

The Board of Director meeting minutes were not certified by the Board Secretary.

FSFY will ensure that all future meetings of the Board of Directors are certified by the current Board Secretary and are on agency letterhead.

FCAT Section IV-

Question #17

Authorized check signers made checks payable to themselves without a 2nd signature.

FSFY will work to develop protocols that provide for a second, and or third signature on disbursements over an amount to be specified by the Board of Directors. No employee shall sign any payment instrument issued and made payable to themselves moving forward. FSFY will identify a member of the Board of Directors who can assist with approving disbursements and add them to FSFY accounts as a signer. This process will begin immediately with an expected

completion date of no more than 60 days or September 30, 2015. FSFY will also explore alternative options, such as utilizing our payroll company ADP, or another appropriate disinterested party, to sign CEO salary, rent, or other disbursements.

Question 27B

Independent contractor service agreement did not include billing rates and time for the service provided.

FSFY, in the process of complying with a mandatory independent audit requirement of the Department of Children and Family Services, contracted with an independent contractor in order to complete this task. FSFY operated in good faith and received an engagement letter that stated among other things, that "costs may vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit."

Moving forward, FSFY will ensure that any such contract provides documentation that specifies the billing rates and time for the service provided for this and any other contract of this or similar nature.

Question 27C

Independent contractor's expense was paid without proper supporting documents. The check amount did not agree with the invoice amount.

First Steps for Youth typically pays vendors based on the invoiced amounts. In this case, a batch of work was sent to a vendor in addition to the invoice that was received for services completed. A check was cut based on the invoice received and an additional amount was added to pay for the work being sent out, based upon the service agreement which was provided to the reviewer. Moving forward, First Steps for Youth will only pay invoices as they are presented. This should provide clear and impeccable documentation of our transactions.

Question 28

A listing of fixed assets was not maintained and available for review.

First Steps for Youth will create and maintain a list of fixed assets. This shall be complete and in place by September 30, 2015.

FSFY will work to ensure that all deficiencies are corrected and maintained as such accordingly thereafter. Dominic Agbabiaka, External Relations Director, will supervise this effort and work to ensure compliance in all areas on an ongoing basis.

Respectfully,



Dominic Agbabiaka
External Relations Director

cc: Florence Wright, Chief Executive Officer; Jean ChukSORji, FSFY Board President; Diana Flaggs, Department of Children and Family Services.

First Steps for Youth THPP

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September 30, 2015

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FCAT Section I – Question #3

According to Audited Financial Statement for the period ending December 31, 2012, the contractor incurred a loss from operations of \$41,524.00.

First Steps for Youth aims to conduct business in a fiscally sound manner at all times. During the year of 2012, we experienced an inordinately low number of referrals to our program, due to the fact that DCFS speculated that the program would be sunset. The department put out information prematurely that the THPP would no longer be operating which caused a stoppage in referrals. This caused a major financial hardship on our program, due to the fact that lease costs and other related expenses could not be avoided. Additionally, damages to units caused by youth contributed to the losses in this year. Moving forward, Dominic Agbabiaka and Florence Wright will work to ensure that the program does not operate at a loss by trying to minimize expenses in the event these actions are repeated. Dominic Agbabiaka will also work to minimize damages to apartment units by continuing to provide education on proper use of equipment and facilities.

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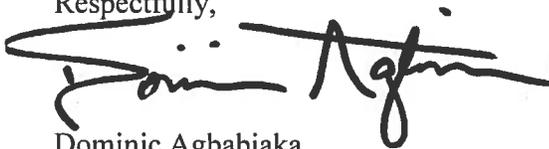
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Dominic Agbabiaka
External Relations Director

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