COUNTY OF LOS ANGELES
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September 29, 2011

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **SECOND STATUS REPORT – DEPARTMENT OF CHILDREN AND FAMILY SERVICES' YOUTH DEVELOPMENT SERVICES DIVISION (BOARD AGENDA ITEM 51-B, JUNE 14, 2011)**

On June 14, 2011, your Board instructed the Auditor-Controller to conduct a comprehensive review of the Department of Children and Family Services' (DCFS) Youth Development Services Division (YDS). The Board order was related to a theft of funds from YDS' Transitional Housing Program (THP) clients. As noted in our July 13, 2011 status report, because of the number of YDS programs, we plan to complete our review in two phases; Phase One will address the THP and similar housing programs, and Phase Two will address YDS' Independent Living Program (ILP). In our prior status report, we indicated that YDS had revised its cash handling procedures to reduce the risk of future losses.

The Auditor-Controller's Office of County Investigations has reviewed the THP theft, and did not identify any additional lost funds. However, our review of YDS operations has disclosed some internal control and recordkeeping issues. For example, YDS has approximately $33,000 in the THP account that should have been paid to clients who have already left the THP. It appears these funds may be interest earned on the THP funds that was not distributed to Program participants, and/or earnings that belong to participants who have left the Program. DCFS is currently reviewing YDS client files to try to identify participants who may not have received all their funds.

We are also reviewing YDS' compliance with other THP/housing program requirements (e.g., fiscal controls, case management, benefit/service distribution, etc.). In addition, we will be reviewing a number of non-County agencies who operate housing programs under contract with DCFS, to evaluate their controls over client funds, and compliance with other Program requirements.

Because of the combination of County–operated and contract programs, and the need to review both the THP/housing and ILP programs, our review will take longer then we initially projected. We expect to complete our review of the YDS THP and other housing programs, and issue our Phase One report to your Board by November 15, 2011. We will then begin our review of the ILP, and plan to issue our Phase Two report in January 2012.

Please call me if you have any questions, or your staff may contact Robert Campbell at (213) 253-0101.

WLW:JLS:RGC:YK

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Interim Director, Department of Children and Family Services
Andrea Sheridan Ordin, County Counsel
Sachi A. Hamai, Executive Officer, Board of Supervisors
Audit Committee
Public Information Office