

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Arlene Barrera

ACTING AUDITOR-CONTROLLER

Peter Hughes

ASSISTANT AUDITOR-CONTROLLER

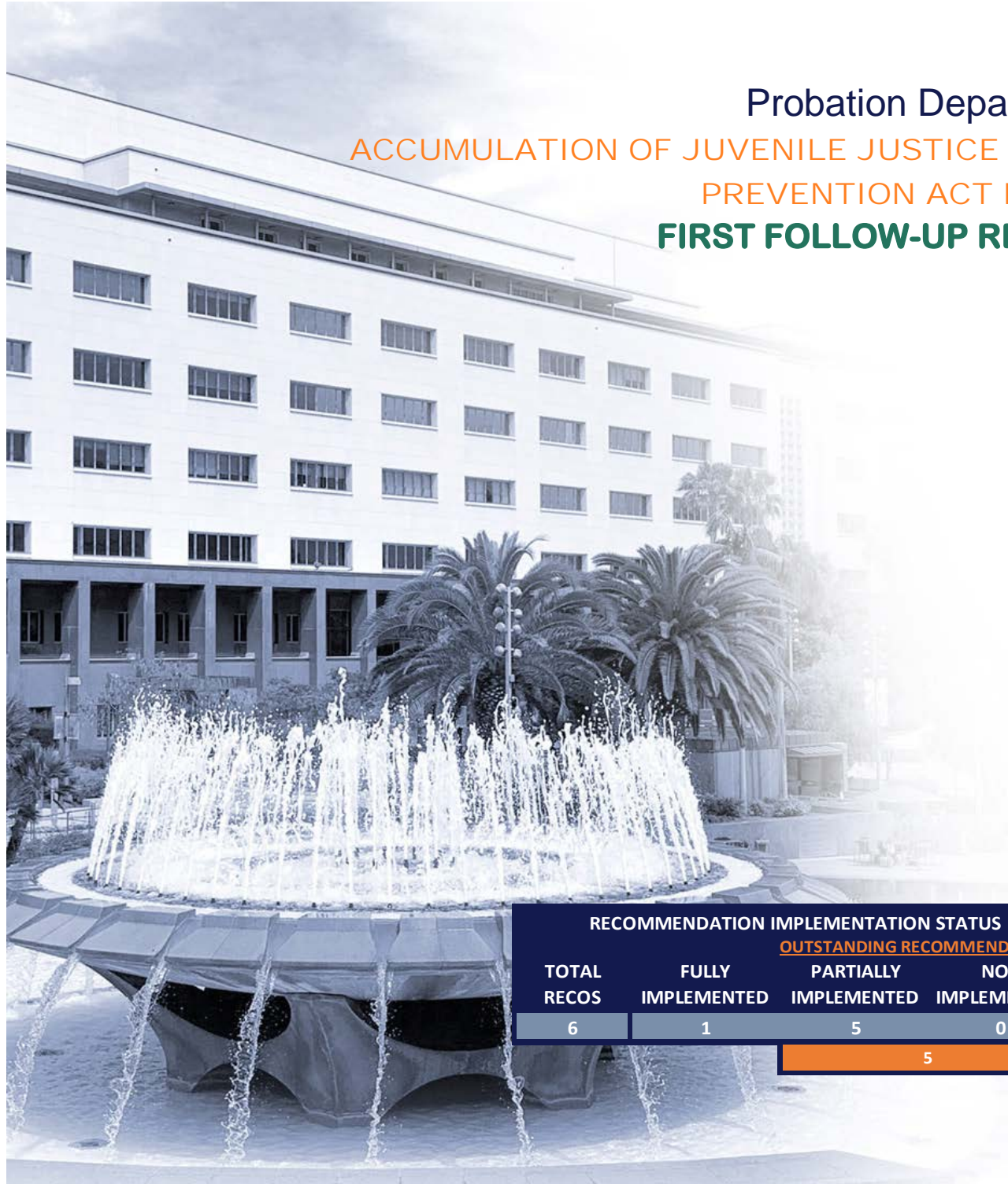
Mike Pirolo

ACTING DIVISION CHIEF

AUDIT DIVISION

June 27, 2019

Probation Department ACCUMULATION OF JUVENILE JUSTICE CRIME PREVENTION ACT FUNDS FIRST FOLLOW-UP REVIEW



RECOMMENDATION IMPLEMENTATION STATUS			
TOTAL RECOS	FULLY IMPLEMENTED	OUTSTANDING RECOMMENDATIONS	
		PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
6	1	5	0
5			



BOARD OF SUPERVISORS

Hilda L. Solis
FIRST DISTRICT

Mark Ridley-Thomas
SECOND DISTRICT

Sheila Kuehl
THIRD DISTRICT

Janice Hahn
FOURTH DISTRICT

Kathryn Barger
FIFTH DISTRICT

REPORT #K19GG



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

ARLENE BARRERA
ACTING AUDITOR-CONTROLLER

June 27, 2019

TO: Supervisor Janice Hahn, Chair
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Kathryn Barger

FROM: Arlene Barrera 
Acting Auditor-Controller

SUBJECT: **PROBATION DEPARTMENT – ACCUMULATION OF JUVENILE JUSTICE
CRIME PREVENTION ACT FUNDS (REPORT #K17DE) - FIRST FOLLOW-
UP REVIEW (MARCH 26, 2019, BOARD AGENDA ITEM 14)**

At the Board of Supervisor's request, the Auditor-Controller's Audit Division has completed a follow-up review of the Probation Department (Probation or Department) Accumulation of Juvenile Justice Crime Prevention Act (JJCPA) Funds Review dated March 31, 2017 (Report #K17DE), including but not limited to, an evaluation of the contracting process and timeliness of payments, as well as addressing the continual problem of large amounts of accumulated funds. The complete follow-up report is attached.

If you have any questions please call me, or your staff may contact Mike Pirolo at (213) 253-0100.

AB:PH:MP

Attachment (Report #K19GG)

c: Sachi A. Hamai, Chief Executive Officer
Celia Zavala, Executive Officer, Board of Supervisors
Terri L. McDonald, Chief Probation Officer
Juvenile Justice Coordinating Council
Audit Committee
Countywide Communications



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ADDRESS ALL CORRESPONDENCE TO:
AUDIT DIVISION
350 S. FIGUEROA ST., 8th FLOOR
LOS ANGELES, CA 90071-1304

June 27, 2019

TO: Terri L. McDonald, Chief Probation Officer
Probation Department

Sheila Mitchell, Chief Deputy
Probation Department
Chair of Juvenile Justice Coordinating Council

FROM: Dr. Peter Hughes *Peter Hughes*
Assistant Auditor-Controller

Mike Pirolo, Acting Chief *MP*
Audit Division

**SUBJECT: PROBATION DEPARTMENT – ACCUMULATION OF JUVENILE JUSTICE
CRIME PREVENTION ACT FUNDS (REPORT #K17DE) - FIRST FOLLOW-
UP REVIEW (MARCH 26, 2019, BOARD AGENDA ITEM 14)**

At the Board of Supervisor's (Board) request, we have completed our follow-up review of the Probation Department (Probation or Department) Accumulation of Juvenile Justice Crime Prevention Act (JJCPA) Funds Review dated March 31, 2017 (Report #K17DE), including but not limited to, an evaluation of the contracting process and timeliness of payments, as well as addressing the continual problem of large amounts of accumulated funds.

Results of Review

Based on our review of relevant supporting documentation provided by the Department, we noted Probation has fully implemented corrective action for one recommendation and partially implemented corrective action for five recommendations (summarized in Table 1). Our follow-up review and Table 1 do not include priority rankings since the original review was based on an older report that did not assign priority rankings to recommendations.

Table 1 – Results of First Follow-up Review

RECOMMENDATION IMPLEMENTATION STATUS			
TOTAL RECOS	FULLY IMPLEMENTED	OUTSTANDING RECOMMENDATIONS	
		PARTIALLY IMPLEMENTED	NOT IMPLEMENTED
6	1	5	0
		5	

While Probation has made some progress, JJCPA funds continue to accumulate and underspending continues to be an issue. As noted in Attachment II, Table I, over the past three fiscal years (FY), JJCPA fund balance has increased from \$25.4 million in FY 2015-16 to \$37.4 million in FY 2017-18. For FY 2018-19, the fund balance as of March 2019 is approximately \$65.1 million. Probation's April 2019 quarterly update to the Board projects for a JJCPA fund balance of \$37.9 million at the end of FY 2018-19. It also estimates an additional \$24.3 million of these funds (allocated for one-time funded programs) will be spent over the next four years. Therefore, only \$13.5 million of the fund balance remains unallocated pending approval of the Juvenile Justice Coordinating Council (JJCC) for its use.

However, this projection does not fully account for new growth funds for one-time funded programs that will continue to be received. Also, Probation's projections and spending are based on processes that need to be strengthened as noted in this review. For example, Probation has a process for estimating future expenditures for one-time funded programs, but we could not confirm the estimates were based on accurate and realistic information, including future estimated growth funds. The Department also has processes to contract with community-based organizations (CBO) and to allocate funds to County/City agencies for one-time programs, but Probation needs to strengthen their processes to regularly ensure the County/City agencies spend the funds and provide services timely.

Overall, because the unspent balance continues to grow, Probation needs to strengthen their efforts to identify the root causes for unspent funds and identify solutions to ensure these issues are corrected and appropriately addressed moving forward.

Attachment I provide details of our review and the Department's actions to implement corrective action.

As indicated in our February 9, 2017, memorandum to the Audit Committee on audit follow-ups, we will conduct a second follow-up review of recommendations that were not fully implemented at the time of our first follow-up review.

Follow-up Process

Board Policy 4.050 requires the Auditor-Controller (A-C) to follow up with departments to ensure they have taken corrective action to address audit recommendations. To assist the A-C in accomplishing this task, departments must provide the A-C's Audit Division a *Corrective Action Implementation Report* (CAiR) that provides a detailed status of corrective action(s) taken to implement each recommendation in the report. For recommendations reported as implemented, departments must attach documentation to the CAiR that demonstrates the corrective action taken.

Our review consisted of an inspection and evaluation of Probation's description of actions taken per the CAiR, the relevant documents and supporting evidence provided by the Department, as well as inquiry and discussion with responsible departmental personnel. Our follow-up review did not constitute an "audit" and did not include a sampling of transactions for testing and verification purposes.

Review of Report

We discussed our report with Probation management. Probation's response, Attachment III, indicates they will continue to work through the JJCC, the JJCPA Steering Committee, and their partner County/City agencies and CBOs to enhance funding projections, monitor program allocations and spending, identify unmet program needs, and recommend new programs and services. The Department also expressed concerns about the feasibility of implementing recommendations that require Probation to provide oversight and monitoring over activities managed by their partner agencies, due to Probation's lack of governance over the agencies and their spending allocations. However, Probation agrees they can continue to work with those agencies to improve in these areas.

As mentioned, since the accumulation of funds and underspending continue to be issues, we believe Probation needs to enhance their efforts to ensure the issues in this report are more fully addressed moving forward.

We thank Probation management and staff for their cooperation and assistance during our review. If you have any questions, please call Mike Pirolo at (213) 253-0100.

PH:MP:cg

Attachments

c: Arlene Barrera, Acting Auditor-Controller

PROBATION DEPARTMENT
ACCUMULATION OF JUVENILE JUSTICE CRIME PREVENTION ACT FUNDS (REPORT #K17DE)
FIRST FOLLOW-UP REVIEW

No.	RECOMMENDATION	STATUS (1)	A-C COMMENTS
1	Probation Department (Probation or Department) management work with community-based organizations (CBO) and County/City agencies to ensure that reimbursement requests for Juvenile Justice Crime Prevention Act (JJCPA) programs and services provided are submitted more timely.	PI	<p>During our original review, Probation management indicated that the JJCPA fund balance did not reflect all JJCPA expenditures because CBO and County/City agencies providing the related services, did not always bill Probation timely.</p> <p>During our current review, we confirmed Probation management reminded CBOs and County/City agencies to bill Probation timely by reviewing e-mails Probation sent to CBOs and County/City agencies. We also confirmed that Probation management regularly monitors and reports when bills are submitted late by reviewing letters Probation sent to CBOs. In addition, we confirmed that Probation management has a process to pay bills timely by reviewing Probation's payment practices and payment data from the County's electronic Countywide Accounting and Purchasing System.</p> <p>While Probation management has communicated the need for timely billings, they indicated bills continue to be late. As noted in Attachment II, Table 1, Probation management indicated a significant amount of the \$27.7 million in unspent funds for Fiscal Year (FY) 2018-19 is attributable to late billings since CBOs and County/City agencies do not generally submit billings until the end of the FY. Also, since Probation provides quarterly updates to the Board of Supervisors (Board) on the status of JJCPA funds, their expenditures and fund balance information will not be up-to-date for CBOs and County/City agencies that do not bill timely.</p> <p>To fully implement this recommendation, Probation management should continue to work with CBOs and County/City agencies to identify the reasons (i.e., the root cause) for late bills and based on those reasons,</p>

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No.	RECOMMENDATION	STATUS (1)	A-C COMMENTS
			<p>take action as appropriate (e.g., include Probation's and other local governments' Executive Management in discussions) and evaluate alternatives to help improve the timing and reliability of expenditures and fund balance information, such as requiring CBOs and County/City agencies to provide interim reporting of estimated cost of services provided. The accuracy and reliability of expenditures and fund balance is critical for identifying unspent funds that can be used to address unmet program needs and estimating future expenditures (See Recommendations No. 4 and No. 5, respectively).</p> <p>The Department did not provide a target implementation date for this recommendation. Probation's response, Attachment III, indicates they will continue to send written reminders to encourage timely billing. The Department also indicates late billings may be a factor of the natural timeframes between the time the service is provided, and the time Probation reports the actual expenditures.</p> <p>Auditor-Controller Response: Probation management should identify and address the actual root cause for the late billing and evaluate alternatives, as mentioned above.</p>
2	Probation management take immediate action to ensure that new JJCPA programs and services are established and provided as expeditiously as possible, including establishing timelines and accountability for these programs.	PI	<p>We confirmed Probation management established new JJCPA programs and services by reviewing a Request for Services Qualification (RFSQ), which resulted in 12 work orders with CBOs. The Department indicated they established two sole source contracts approved by the Board and Departmental Service Orders (DSO) with other County departments to modify existing contracts with CBOs using one-time growth funds. The Department also indicated that these contracts totaled approximately \$26.7 million and the RFSQ method reduced the contracting timeframe for establishing new services.</p>

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			<p>However, Probation could not support that they have a process to ensure its partners (County/City agencies) establish timelines for procuring their programs and services (e.g., target dates for developing statements of work, solicitation and evaluation documents, service start date). The Department also does not monitor to ensure their partners are in fact establishing and providing programs and services expeditiously. As noted in Attachment II, Table 3, Probation has allocated a significant amount of funds to one-time funded programs, but in most cases their partners appear to be making limited progress in spending their allocations. For example, Probation committed \$8.4 million to their partners to spend the funds on New Programs. However, the partners only spent \$960,000 (11%) during the first year (\$7.4 million remains available). The Department needs to ensure their partners provide services and spend their allocations timely. In addition, as noted in Recommendation No. 4, Probation needs to evaluate and address the root causes for the underspending and/or propose for the Juvenile Justice Coordinating Council (JJCC) to shift unspent funds to other areas.</p> <p>To fully implement this recommendation and help ensure new programs and services are provided as expeditiously as possible, Probation needs to:</p> <ul style="list-style-type: none"> • Strengthen their process to help ensure County/City agencies can continually develop timely contracts for new JJCPA programs and services. The process should include key performance indicators, such as target dates or timeframes for Probation to ensure County/City agencies develop their programs and provide services expeditiously. • Establish a monitoring process for Probation to regularly ensure the process for County/City agencies to develop timely contracts and/or provide new programs/services is working as intended.

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			<p>Probation management did not provide a target implementation date for this recommendation. Probation's response indicates they regularly communicate with County/City agencies about substantive contracting milestones and while there is no practical means to monitor their contracting process, they will work with the affected departments to improve in this area.</p> <p>Auditor-Controller Response: As noted in the original recommendation and in this follow-up review, we noted there is limited progress in spending for one-time funded programs. We believe Probation, as the owner of the JJCPA program, needs to provide additional guidance and monitoring for County/City agencies to help ensure they establish and provide services timely. Probation's response also indicates they regularly communicate with their partners about contracting milestones, which they did not tell us about during our review. Therefore, we did not confirm these communications occurred.</p>
3	Probation management review and assess whether the current JJCPA programs could be enhanced or modified to fit the current needs of the juvenile population, including potentially benchmarking against other counties' programs and identifying best practices.	I	<p>We confirmed Probation management hired a consultant to conduct a comprehensive study of the JJCPA system and overall programming, and to offer recommendations for enhancing or modifying the JJCPA programs to meet the needs of the juvenile population, by reviewing the consultant's scope of work and recommendations. Based on the consultant's review, Probation management recommended for JJCC to establish a taskforce to align the Comprehensive Multi-Agency Juvenile Justice Plan (i.e., spending plan) with the consultant's recommendations. We confirmed JJCC established the taskforce and developed a revised strategy and spending plan for FY's 2018-19 and 2019-20 using the consultant's recommendations by reviewing meeting minutes and quarterly progress reports.</p>

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No.	RECOMMENDATION	STATUS (1)	A-C COMMENTS
4	Probation management track and periodically evaluate the unmet needs of the JJCPA program and expedite the process of proposing potential uses of unspent funds to the JJCC.	PI	<p>During our previous review, we noted Probation management does not track and periodically evaluate programs and services that are underspent and that have not been established/contracted (i.e., unmet needs) on an ongoing basis to address the root cause of the underspending and/or propose a shift of unspent funds to other potential areas and service providers for JJCC's review and approval.</p> <p>During our current review, we confirmed Probation management has processes to generally identify underspending, by reviewing meeting minutes and quarterly reports. For example, Probation identifies and reports on total JJCPA program expenditures incurred and total spending projections and trends in terms of dollars. Probation also indicated they track the number of case referrals to their CBOs and the number of clients served to ensure related billings are appropriate.</p> <p>While Probation identifies and reports total dollars underspent, services are not always provided timely (see Recommendation No. 2) and expenditure reporting is not always accurate/up-to-date due to late billings (as noted in Recommendation No. 1). Also, Probation management could not support that they track, on an ongoing basis, the programs and services that are underspent and that have not been established/contracted to evaluate and address the underspending. For example, Probation could maintain a centralized list of underspent and undeveloped programs and services, evaluate the root cause of the underspending, and enhance processes, such as:</p> <ul style="list-style-type: none"> • Additional monitoring to ensure contractors and Probation's partner agencies are effectively utilizing funding (see Recommendation No. 2). • Additional efforts for conducting client outreach, increasing program referrals, and removing barriers to increase client participation. • Reallocation of unspent funds to new programs or other potential areas/service providers.

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			<p>Based on our review, it appears underspending for both ongoing and one-time funds is continuing. Specifically, JJCPA expenditures for ongoing programs were approximately \$4.4 million (14%) less than budgeted (See Attachment II, Table 2) during FY 2017-18. For one-time funded programs, we noted Probation made limited progress to spend down funds that were approved by the JJCC in FY 2015-16. While Probation management indicated they allocated 75% of all one-time funds to other County/City agencies, Probation management needs to ensure County/City agencies are providing the programs and services and utilizing JJCPA funding as noted in Recommendation No. 2. For example, we noted that the JJCC approved \$16.4 million in funding for New Directions and Expanded programs in April 2016, but according to Probation's records, they still had \$8.8 million (54%) in available balance as of the end of March 2019 (about three years later).</p> <p>To fully implement this recommendation, ensure funding is effectively utilized, and help mitigate the accumulation of JJCPA funds, Probation management needs to:</p> <ul style="list-style-type: none"> • Strengthen their process to better track their underspent and undeveloped programs and services (i.e., unmet program needs) on an ongoing basis for both programs and services provided by Probation and other County/City agencies (e.g., centralized list of programs and services as noted above). • Evaluate whether actions, such as additional monitoring or client outreach, can be taken to address the root causes of the underspending. • Propose plans for the JJCC to reallocate unspent funds based on the evaluations above.

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			<ul style="list-style-type: none"> Establish a management self-monitoring process to ensure these efforts are working as intended, such as oversight from the JJCPA steering committee, as noted in Recommendation No. 6 below. <p>The Department did not provide a target implementation date for this recommendation. Probation's response indicates they have various processes in place to address unmet needs and guide the JJCC and that the information is documented in meeting minutes and quarterly reports to the Board. They also indicated there are processes in place to address issues related to the lack of client participation and other deficiencies that contribute to underspending.</p> <p>Auditor-Controller Response: As noted in the issue above, Probation management could not provide documentation to support they track their underspent and undeveloped programs and services, the issues that contribute to the underspending, and the actions they take to address the underspending on an ongoing basis. As recommended, Probation should track this activity, such as in a centralized list/document and Probation management should regularly monitor to ensure processes for tracking, evaluating, and addressing underspending are working as intended.</p>
5	Probation management ensure that future expenditures for JJCPA funds are properly justified and supported and based on accurate and realistic information.	PI	<p>We confirmed Probation's future expenditures for ongoing programs are properly justified and supported and appear to be their best estimates of future fund uses by reviewing Probation's calculation worksheet, which supports that future expenditures are based on historical spending.</p> <p>However, Probation management could not justify/support their future expenditures for one-time funded programs. Specifically, Probation management indicated their future expenditures for one-time funded programs are based on historical spending and estimates provided by other County departments, which Probation indicated are not always realistic.</p>

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			<p>In addition, we reviewed Probation's calculation worksheet for future expenditures, but we were unable to determine how Probation used other departments' estimates to arrive at their total estimated expenditures. In some cases, it appears Probation management did not utilize estimates departments provided to them and instead estimated the departments would fully spend the remaining unspent funds.</p> <p>The Department used these future expenditures in their April 2019 quarterly update to the Board to arrive at an estimated JJCPA fund balance of \$37.9 million at the end of FY 2018-19. In addition, Probation indicated \$24.3 million of these funds are allocated for one-time funded programs to be spent over the next four years. Therefore, only \$13.5 million of the fund balance remains unallocated pending approval for use by the JJCC. However, this projection does not fully account for new growth funds for one-time programs that will continue to be received. Also, given the unsupported expenditure projections and the historical spending pattern for one-time funded programs (as noted in Recommendations No. 2 and No. 4), it does not appear realistic that Probation will spend \$24.3 million in the next four years.</p> <p>The Department needs to improve their process for estimating future expenditures for one-time funded programs to ensure they are based on accurate and realistic information, including future estimated growth funds (as noted in the prior audit report), and represent the Department's best estimate of future fund uses. This includes maintaining documentation to support their calculations and how they arrived at their future expenditures and the actions taken to resolve unrealistic estimates they receive from County departments.</p> <p>The Department did not provide a target implementation date for this recommendation. Probation's response indicates that there are challenges with estimating growth funds and with using County departments' estimates,</p>

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			which may only be accurate when calculated due to an ever-changing landscape. However, Probation management will continue to track projected versus actual expenditures and collaborate with CBOs and County partners to improve forecasting and capacity utilization.
6	Probation management re-establish a JJCPA steering committee that includes program, fiscal, and contract monitoring representatives and provide periodic reports to Executive management that identify programming, spending, and other concerns/issues.	PI	<p>During our previous review, we noted Probation did not have a unit or committee to provide oversight over the JJCPA program, including the effective and efficient use of funds, evaluation of changes in the environment that impacts the JJCPA program population, analysis of variances in contracted and actual referrals to CBOs, etc.</p> <p>During our current review, we confirmed Probation management re-established a JJCPA Steering Committee (Committee) with program, fiscal, and contract monitoring representatives by reviewing the Committee's meeting calendars and agendas. We also confirmed the Committee provides quarterly reports to Executive management identifying program expenditures incurred, spending projections and trends, and the number of referrals.</p> <p>According to Probation management, the intent of this committee is to mitigate the accumulation of unspent funds. However, as mentioned throughout this report, the accumulation of unspent funds continues to be an issue. To fully implement this recommendation, Probation management needs to ensure there is appropriate oversight over the issues noted in this review, including:</p> <ul style="list-style-type: none"> Identifying the root causes for the underspending and reallocating funds as appropriate (Recommendation No. 4). Ensuring County/City agencies continually develop timely contracts to ensure new JJCPA programs and services are provided expeditiously (Recommendation No. 2).

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No.	RECOMMENDATION	STATUS (1)	A-C COMMENTS
			<ul style="list-style-type: none">Improving CBOs and County/City agencies billing timeliness (Recommendation No. 1). <p>The Department did not provide a target implementation date for this recommendation. Probation's response indicates they collaborate with the JJCPA Steering Committee to provide oversight of issues, such as those noted in this review. Probation management also indicated they continue to seek support to enhance their administrative infrastructure as documented in their Accountability Project report and budget requests.</p>

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Table 1, below, shows the Juvenile Justice Crime Prevention Act (JJCPA) fund balances for Fiscal Years 2015-16 through March 31, 2019.

Table 1 JJCPA Fund Balance Accumulation Fiscal Years 2015-16 through March 31, 2019				
Fiscal Year (A)	<u>Total</u> <u>Collections</u>	<u>Total</u> <u>Fund Uses</u>	<u>Unspent</u> <u>Funds</u>	<u>Fund Balance</u>
2015-16				\$ 25,420,025
2016-17	\$ 36,163,834	\$ 30,716,933	\$ 5,446,901	30,866,926
2017-18	38,764,856	32,230,023	6,534,833	37,401,759
2018-19	39,667,372	11,982,061	27,685,311 (B)	65,087,070 (C)

(A) Data for each fiscal year is based on an accrual basis.
 (B) Probation management indicated that the significant amount of unspent funds is attributable to late billings that the Department has not received since CBOs and County/City agencies do not generally submit billings until the end of the fiscal year.
 (C) Data covers the first nine months of the fiscal year (through March 2019). According to Probation's records, approximately \$34 million (52%) of the fund balance is committed to one-time funded programs that span over multiple fiscal years, as approved by the Juvenile Justice Coordinating Council.

Source: Probation Department and Auditor-Controller's, Accounting Division (unaudited).

Tables 2 and 3, below, show the breakdown of Fiscal Year 2017-18 actual expenditures (\$32.2 million) by ongoing (\$26.8 million) and one-time (\$5.4 million) funded programs and the corresponding budgets.

Table 2 JJCPA Budget to Actual Comparison - Ongoing Programs Fiscal Year 2017-18			
<u>Ongoing Programs</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Probation Services	\$ 13,592,149	\$ 13,446,918	\$ 145,231
CBOs	7,005,369	3,611,788	3,393,581
County/City Agencies	10,570,722	9,733,871	836,851
Total Ongoing Programs	\$ 31,168,240	\$ 26,792,577	\$ 4,375,663

Source: Probation Department (unaudited).

Table 3
JJCPA One-Time Funded Programs - Fund Balance
Fiscal Year 2017-18

<u>One-Time Programs</u>	<u>(A)</u> <u>Initial</u> <u>Committed</u> <u>Funding</u>	<u>Beginning</u> <u>Fund Balance</u>	<u>(B)</u> <u>Budget</u>	<u>Actual</u>	<u>Ending</u> <u>Fund Balance</u>
Board Approved Contracts	\$ 5,000,000	\$ 3,100,749	-	\$ 1,311,589	\$ 1,789,160
New Directions Program	8,000,000	7,098,152	-	480,386	6,617,766
Expanded Programs	8,380,000	7,815,863	-	2,685,853	5,130,010
New Programs	8,400,000	8,400,000	-	959,618	7,440,382
Diversion and Reentry Program	12,000,000	12,000,000	-	-	12,000,000
Public Private Partnership	3,238,491	3,238,491	-	-	3,238,491
Total One-Time Programs	\$ 45,018,491	\$ 41,653,255	\$ -	\$ 5,437,446	\$ 36,215,809

(A) Committed Funding was approved during Fiscal Years 2015-16 to 2017-18 for one-time funded programs that span over multiple fiscal years, as approved by the Juvenile Justice Coordinating Council.

(B) According to Probation, one-time funded programs do not have a budget for each fiscal year.

Source: Probation Department (unaudited).



TERRI L. McDONALD
Chief Probation Officer


COUNTY OF LOS ANGELES PROBATION DEPARTMENT

9150 EAST IMPERIAL HIGHWAY- DOWNEY, CALIFORNIA 90242
(562) 940-2501



June 14, 2019

TO: Arlene Barrera
Acting Auditor-Controller

FROM: Terri L. McDonald 
Chief Probation Officer

SUBJECT: **AUDITOR-CONTROLLER'S FOLLOW-UP REVIEW OF JUVENILE JUSTICE CRIME PREVENTION ACT FUNDS (ITEM 14, AGENDA OF MARCH 26, 2019)**

This is in response to the Auditor-Controller's (A-C) follow-up review of the Probation Department's (Probation or Department) utilization of Juvenile Justice Crime Prevention Act (JJCPA) funds including the Department's applicable contracting processes, the timeliness of payments, and accumulated balances. We appreciate your review, feedback and suggestions in helping us to continually improve services for our youth.

As your report suggests, JJCPA programs and spending plans are initiated after a due diligence process by the Juvenile Justice Coordinating Council (JJCC) consistent with State requirements. For the follow-up review period as reported by the A-C (Table 2), County and City agencies account for 3% of the unspent base (ongoing) budget and 2% of the one-time growth funds. Therefore, the remaining \$34 million is not attributed to untimely billing, but growth funding allocations that have been approved by the JJCC for multi-year programs. Twenty-seven (27) percent of the committed funds are estimated for this fiscal year and 53% are committed for Fiscal Year (FY) 2019-20 through FY 2021-22. These funds will continue to remain in the fund balance until expended and are illustrative of the extensive planning that has been done by the JJCC to effectuate a comprehensive multi-agency juvenile justice plan (CMJJP).

Since the follow-up review period FY 2017-18, the Department has made significant efforts to improve the administration of JJCPA funds to ensure unallocated funds, approved by the JJCC, are expeditiously contracted with community-based organizations. The following timeline illustrates the outcomes of these efforts:

On March 17, 2017, the JJCC adopted a motion to establish a Community Advisory Committee (CAC) whose purpose is to advise the JJCC, with regard to fulfilling its mission to facilitate multi-agency collaboration and reduce youth crime. The CAC lends the

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leadership and experience of community stakeholders to the operation of the JJCC, including its development, implementation and annual review and update of the CMJJP.

On April 18, 2017, the Board of Supervisors (Board) directed the Chief Probation Officer to report back to the Board, quarterly, in writing, regarding the status of unspent JJCPA funds and implementation of related services.

On June 9, 2017, the Department released a Request for Services Qualification application for Juvenile Justice Social Program Services to improve contracting timelines in response to the CAC.

On December 19, 2017, the Board instructed the Chief Probation Officer, as Chair of the JJCC, to report back to the Board in writing in 120 days on an updated CMJJP for 2018-19 that is informed by the needs of youth populations at risk of entering or in the juvenile justice system, best practices in serving these youth, gaps in current services, recent findings and evaluations on JJCPA-funded services, and the spending strategy and plan of other relevant juvenile justice funding streams in the County, with an evaluation plan to assess the effectiveness of this plan and future plans.

Specifically, the Board directed the Chief Probation Officer to:

- Approve an updated membership structure for the JJCC.
Completed March 29, 2018
- Direct County Counsel, in coordination with the Chief Probation Officer, in her role as Chair of the JJCC, to report back to the Board in writing in 30 days with revised and updated Organizational Rules for the JJCC.
Completed March 28, 2018
- Direct the Chief Probation Officer, in her role as Chair of the JJCC, to report back to the Board in writing in 120 days on an updated CMJJP for 2018-2019.
Completed April 19, 2018

On February 22, 2018 the JJCC voted to allocate \$12 million to the Office of Youth Diversion and Development for pre-booking diversion and intervention services.

On March 28, 2018, the Department made a motion to the JJCC recommending the use of a Public-Private Partnership Strategy to establish a fiscal intermediary. The JJCC approved funding of \$3.2M. The Department notified the Board of the intent to sole source with California Community Foundation and Liberty Hill Foundation in January 2018.

On March 28, 2018, the JJCC approved the CMJJP and budget for FY 2018-19 and created a CMJJP Task Force whose purpose was to develop a formalized ongoing planning process to redesign the CMJJP and develop a revised spending plan.

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On March 18, 2019, the JJCC approved a revised CMJJP to include Guiding Principles, spending parameters, and timelines for ongoing plan development.

On April 15, 2019, the JJCC approved an additional \$6.6 million to Positive Youth Development to be re-granted using the California Community Foundation.

While we agree that the Department can continue to work with other County and City agencies to better track activities managed by those agencies, we have some concerns about the feasibility, due to the Department's lack of governance over the other agencies and spending allocations.

Following are the A-C's recommendation status comments relative to its follow-up of prior recommendations accompanied by Probation's responses.

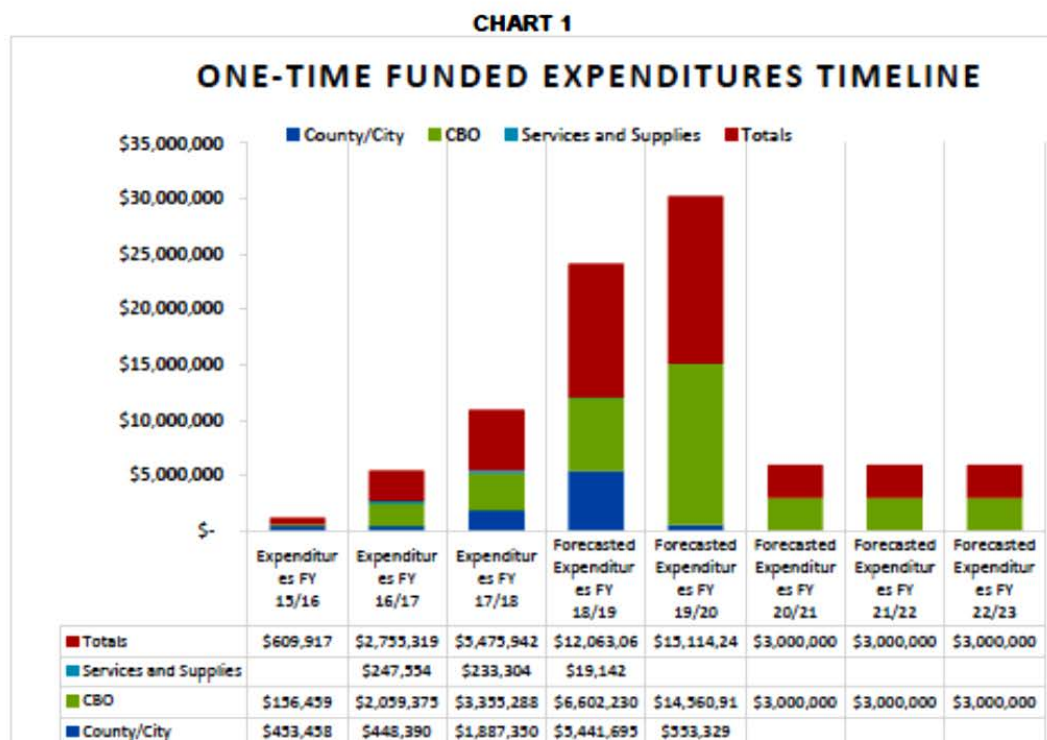
Recommendation #1 Status: A significant amount of the \$27.7 million in unspent one-time funds for FY 2018-19 are attributable to late billings since community-based organizations (CBOs) and County/City agencies do not generally submit billings until the end of the FY. Evaluate taking action as appropriate (e.g., include Probation's and other local governments' Executive Management in discussions); and/or evaluate alternatives to improve the accuracy of expenditures and fund balance, such as requiring CBOs and County/City agencies to provide interim reporting of estimated cost of services provided.

Response: The claiming sample period used by the A-C included July and August which are the months when County departments are focused on year-end financial closing activities. There is no penalty for a County department or City agency claiming qualifying JJCPA expenditures in the latter portion of the FY so long as the expenditure claims are finalized before annual closing of the accounting records. As the A-C team noted, Probation sends government entities and CBOs reminders and works closely with their leadership each year, gathers interim information on estimated costs of services, and at times provides CBOs with capacity building and business acumen training. But as noted in this response's second paragraph, unspent funds are not significantly attributed to untimely billing, but to growth funds allocations that have been approved by the JJCC for multi-year programs.

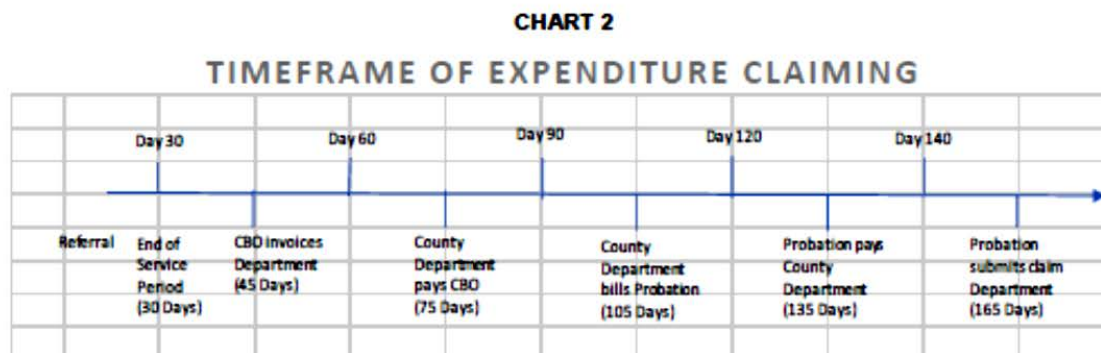
The method of A-C analysis provides a lookback at the JJCPA trust fund balance. Looking forward, there are substantial JJCC-approved spending commitments spread over the coming years.

As depicted in Chart 1, below, 89% (\$24.7 million) of \$27.7 million in unspent one-time funds are attributed to multi-year commitments made by the JJCC, of which \$12 million was approved for Office of Youth Diversion over a four-year period.

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As depicted in Chart 2, below, the timing of "late" billings may be largely a factor of the natural timeframes between provision of client service by the ultimate provider (e.g., a CBO), billing of those service costs by the provider to the direct oversight entity (e.g., a County department), claiming of those costs to Probation, and Probation's claiming of costs against the trust fund balance. Probation regularly works with service providers, program managers, and County leadership to assess the volume of services provided and anticipate the flow of billings, and we will continue to send written reminders to encourage timely billing.



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Recommendation #2 Status: Strengthen their process to help ensure County/City agencies can continually develop timely contracts for new JJCPA programs and services. The process should include key performance indicators, such as target dates or timeframes for Probation to ensure County/City agencies develop their programs and provide services expeditiously.

Response: Probation's program managers regularly communicate with their colleagues from other government agencies, including other County departments, about substantive milestones along those entities' contracting continuum. Probation has no practical means to otherwise monitor another entity's internal contracting processes. However, we will submit a memoranda to affected departments and share a copy of this audit to help us work together to improve in this area.

Recommendation #4 Status: Probation needs to:

- o Strengthen their process to better track their unmet program needs and unused funds on an ongoing basis for both programs and services provided by Probation and other County/City agencies.

Response: The Department is proactive in seeking opportunities for utilization of unmet needs and guiding the JJCC, but this is an area that requires continual evaluation and support and we are committed to doing so. Actions include:

- o The CMJJP for use of JJCPA grant funds is developed by the JJCC and influenced by the JJCC's CAC.
- o The Department makes recommendations to the JJCC about unmet needs during plenary sessions which are documented in the JJCC meeting minutes and quarterly reports to the Board of Supervisors.
- o The Department provides detailed monthly expenditure reports to program management who meet with the CBOs monthly to discuss referrals and service utilization, which are an indicator of unmet needs.
- o The Department contracted with the Research Development and Associates (RDA) which conducted a program outcome and gap analysis of JJCPA programs. The RDA report recommendations were utilized to guide the development of the revised CMJJP.
- o The JJCC also created an ad hoc committee tasked with developing the process for creation of the annual plan.
- o Evaluate whether actions, such as additional monitoring or client outreach, can be taken to address the specific causes of the underspending.

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Response: The Department monitors referrals and client engagement through the following operations and this is an area that requires continual evaluation and support and we are committed to doing so. Actions include:

- o The Prospective Authorization and Utilization Review Unit tracks all referrals to JJCPA contract service providers.
- o The JJCPA Contract Monitoring Unit conducts a 100% billing review of all referrals submitted to CBOs to ensure all direct services are substantiated and CBOs submit invoices in accordance with contract requirements. Untimely invoice submissions will result in a findings letter to the CBO.
- o The JJCPA Cluster Managers (Director assigned by Supervisorial District) monitors monthly referrals and expenditures with CBOs within their catchment area to address issues related to lack of participation, scheduling, and address deficiencies which are summarized in a monthly report.
- o Deputy Probation Officers provide case management and client engagement when the CBO documents in the CBO Tracking system inability to engage the client.
- o Department managers participate in as needed meetings with other County departments regarding deficiencies in programs and services contracted through those departments.
- o A review of the most recent JJCPA report, shows an increase in referrals yet the continued underutilization of funds attributed to many factors (lack of client engagement, prioritized needs have changed, CBO staffing shortages, client moved or terminated probation, etc.). The managers continue to meet with the CBOs monthly to address issues that can be resolved. In addition, the Department is using a Public Private Partnership who will be able to redirect unspent funding without the same contracting restraints and timelines.
- o **Include plans to propose the reallocation of unspent funds to JJCC.**

Response: Probation demonstrated to the A-C team that it does propose options on a flow basis to the Juvenile Justice Coordinating Council (JJCC) for the reallocation of unspent funds. JJCC meetings are held more frequently but can extend over several meetings before they result in the acceptance, modification, or rejection of Probation's proposals. We do not yet know what impact recent changes to reallocate funds for County and City agencies may have on expenditure utilization. While the services will be contracted quicker, CBOs may need additional time to build capacity and establish referral processes to provide services.

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- o Establish a management self-monitoring process to ensure these efforts are working as intended, such as oversight from the JJCPA steering committee, as noted in Recommendation #6.

Response: See response to Recommendation #6.

Recommendation #5 Status: Probation needs to improve their process for estimating future expenditures for one-time funded programs to ensure they are based on accurate and realistic information, including future estimated growth funds (as noted in the prior audit report), and represent the Department's best estimate of future fund uses. This includes maintaining documentation to support their calculations and how they arrived at their future expenditures, and the actions taken to resolve unrealistic estimates they receive from County departments.

Response: Probation will continue to focus on improving projections, but this area is challenged in some respects as Probation and the JJCC do not know how much one-time funding will be available until the State completes its analysis which can be well into the fiscal year. Probation works regularly with its partners in other counties' probation departments and with the State's Finance Department to share our methods of estimating one-time funding which is tied to economic indicators and competing counties' allocations.

Probation has no practical method of precisely determining the accuracy of variables within other County departments' estimates, which may only be accurate at the time of calculation due to an ever-changing landscape. Additionally, the Department is reliant on the availability of JJCC voting members to schedule timely meetings and approval of spending allocations. Probation will continue to track projected versus actual expenditures, and collaborate with CBOs and County partners to improve forecasting and capacity utilization.

Recommendation #6 Status: Probation needs to ensure there is appropriate oversight over the issues noted in this review

Response: Probation collaborates with the JJCPA Steering Committee to provide oversight of issues such as those noted in this review. In addition, Probation's quarterly reports to the Board include a compilation of management oversight. Probation continues to seek support to enhance the Department's administrative infrastructure as documented in its Accountability Project report and budget requests.

Probation appreciates the opportunity to partner with the A-C as they review JJCPA fiscal activity and focus on assisting the Department in improving. We will continue to work through the JJCC, the JJCPA Steering Committee, and our partner agencies and CBOs to enhance funding projections, monitor program allocations and spending, identify unmet program needs, and recommend new programs and services.

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If you have questions, please free to contact me or Sheila Mitchell, Deputy Chief at (562) 940-2511 or your staff may contact Robert Smythe, Administrative Deputy at (562) 940-2516.

TLM:SM:JK

c: Sachi A. Hamai, Chief Executive Office
Justice Deputies