



County of Los Angeles
CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

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Second District

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Third District

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MICHAEL D. ANTONOVICH
Fifth District

December 27, 2011

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

From: William T Fujioka *William T Fujioka by Elle F. Sandt*
Chief Executive Officer

RESPONSE TO BOARD MOTION ON THE INDEPENDENT AUDIT OF FIRST 5 LA COMMISSION

On October 25, 2011, on motion by Mayor Michael D. Antonovich and Supervisor Mark Ridley-Thomas, the Board instructed: 1) the County Counsel to prepare a proposed amendment to County Ordinance 98-0078 Section 1 (part) 1998 in 30 days, which improves the transparency and efficacy of First 5 LA by establishing it as an agency of the County with independent authority over the strategic plan and the local trust fund, as described in Health and Safety Code Section 130140; and 2) the Chief Executive Officer (CEO), in consultation with County Counsel and the Auditor-Controller (A-C); and with input from the Board offices and First 5 Commission, to report back in 30 days on all aspects of the proposed amendment and transition process.

The First 5 Commission (First 5 LA), also known as the Proposition 10 Commission, was created by County ordinance in December 1998 with the passage of Proposition 10, which calls for the investment of tobacco tax revenues in health, safety, and educational programs aimed at improving the lives of children from birth to age 5. In December 1999, Los Angeles County adopted an amendment to its ordinance designating First 5 LA as a separate legal public entity.

In working towards responding to your request, the CEO, in conjunction with County Counsel and the Auditor-Controller obtained input from each Board office to discuss some of the related policy issues, as well as proposed actions that we believe will result in improvements to the transparency, efficacy, and efficiency of First 5 LA, including the key areas of fiscal oversight, contracting, and personnel without the need to make First 5 LA a County agency. In addition, we received input from various

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members of the First 5 LA Commission, and reviewed the findings and recommendations outlined in the Harvey M. Rose reports on First 5 LA. We strongly recommend that the Commission implement the recommendations identified in the Harvey Rose reports. Several of the areas, including the structure of the Commission, fiscal and accounting, contracting and procurement, and employment practices that we identify below, are consistent with the findings identified by Harvey M. Rose.

Structure of the Commission

Health and Safety Code Section 130140 sets specific rules regarding the composition of local commissions by requiring a minimum of five and a maximum of nine members. Your Board chose to have the maximum nine members on the County's First 5 LA commission, and also created three ex-officio members. The nine voting members are the Chair of the Los Angeles County Board of Supervisors; five members, each appointed by one member of the Board of Supervisors; the Heads of the Los Angeles County Departments of Public Health (DPH) and Mental Health (DMH); and a representative of the Los Angeles County Office of Education. The three non-voting members are representatives of the Los Angeles County Policy Roundtable for Child Care; the Inter-Agency Council on Child Abuse and Neglect; and the Commission for Children and Families.

It is within your Board's discretion to establish the local Commission's governing body, within statutory parameters. Thus, your Board has the option of determining if a different composition would better meet your goals of transparency and efficacy; however, one member must be a County Supervisor, and two members must be department heads from the following County departments: DPH, Health Services, DMH, Public Social Services, and Children and Family Services (DCFS). Although we are not recommending a change to the overall number of voting members of the Commission, we recommend that the Board strongly consider amending the ordinance to add the Director of DCFS as a voting member of the Commission. In order to maintain the current number of nine voting members, the Board will need to change the status of an existing voting member, and consider making this individual an ex-officio representative who would continue to serve in an advisory capacity to the Commission.

Separate Legal Entity or a County Agency

As previously mentioned, in December 1999, Los Angeles County adopted an amendment to its ordinance designating First 5 LA as a separate legal public entity. At this time, we are not recommending a change to this designation, and recommend that First 5 LA remain a separate public entity.

To improve the Commission's fiscal policies and practices, your Board can amend the ordinance to require the Commission to adopt the County's fiscal policies and practices, as outlined in the County's Fiscal Manual, in the areas of budgeting, contracting, procurement, and auditing. The ordinance could be further amended to provide the ability to contract with the County for any services that fall within these areas. In addition, the ordinance could be amended to recommend that First 5 LA use the County's eCAPS financial reporting system. The County would be reimbursed for any services the Commission contracts for with the County from the First 5 LA trust fund. Lastly, the ordinance currently requires the Commission to prepare and adopt an annual financial audit that is submitted to the Commission for review and approval. The ordinance could be amended to expand the scope, type, and frequency of audits to ensure compliance with approved fiscal controls, program budgets, and other areas.

Fair Employment Practices

Health and Safety Code Section 130140 requires that salaries and employee benefits of local commission employees conform with local commission or County policies. Consequently, First 5 LA must have a comprehensive policy establishing salaries and employee benefits of its employees. The Board could direct CEO (or another department) to review First 5 LA's classification and compensation structure. This report could focus on issues of disparate salaries and classification comparisons.

Furthermore, the Board may amend the ordinance to require First 5 LA to follow fair employment practices, or require First 5 LA to use County procedures as a non-binding guide for employment practices.

Fiscal Oversight and Reporting

In order to enhance the areas of fiscal transparency, accountability, and communications, we also recommend amending the ordinance to direct the commission to establish a standing Budget and Finance Advisory Committee to review, at a minimum, the proposed budgets, including an analysis of budgeted versus actual spending and an analysis of all proposed new expenditures. This would assist the commission in its annual budget approval process. Furthermore, we recommend that the Board amend the ordinance to require First 5 LA to send quarterly reports to the Board on issues including First 5 LA contracts, program implementation, accounting and budget (a fiscal scorecard), outcome measures, and any other issues the Board deems appropriate. The CEO, in conjunction with the A-C could assist First 5 LA in preparing a standard reporting format for this presentation.

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Please let me know if you have any questions, or your staff may contact David Seidenfeld, Manager CEO, at (213) 974-1457, or via email at dseidenfeld@ceo.lacounty.gov.

WTF:BC
DS:ljp

c: Executive Office, Board of Supervisors
Auditor-Controller
County Counsel
Children and Family Services
Mental Health
Public Health
Public Social Services
Los Angeles County Office of Education
Los Angeles County Policy Roundtable for Child Care
Inter-Agency Council on Child Abuse and Neglect
Commission on Children and Families

First 5 LA.bm