



OSCAR VALDEZ
AUDITOR-CONTROLLER

COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

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July 12, 2023

TO: Each Supervisor

FROM: Oscar Valdez, Auditor-Controller

SUBJECT: **FIRST PLACE FOR YOUTH – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND PROBATION DEPARTMENT PROGRAMS SERVICE PROVIDER - FISCAL COMPLIANCE REVIEW**

With the support and active participation of the Department of Children and Family Services (DCFS), Probation Department (Probation), and First Place for Youth (First Place or Agency), we completed a fiscal compliance review of First Place. DCFS and Probation contract with First Place to provide Transitional Housing Placement Program for Non-Minor Dependents (THPP-NMD) and Transitional Housing Program-Plus (THP-Plus) services. Although these are joint contracts between DCFS and Probation, DCFS administered the THPP-NMD and THP-Plus (County Programs) contracts and paid the Agency during our review period.

First Place generally maintained adequate internal controls over their cash and revenue processes. However, we noted opportunities for the Agency to ensure expenditures charged to the County's Programs are allowable, supported, and appropriately allocated. For example, First Place did not always equitably allocate, or did not provide sufficient documentation to demonstrate whether the Agency equitably allocated their shared and indirect expenditures to all benefiting programs. As a result, the Agency's Fiscal Year (FY) 2019-20 County Program Cost Reports may be inaccurate.

For details of our review, please see Attachment I. The Agency's Fiscal Corrective Action Plan approved by DCFS (included in Attachment II) indicates partial agreement with two recommendations, and agreement with two recommendations. In accordance with their resolution process, DCFS will work with First Place to ensure our recommendations are resolved. These enhancements will provide greater assurance the Program is being charged appropriately and the Agency is in compliance with all applicable federal, State, and County guidelines.

The issuance of this report was delayed due to multiple factors, including staffing changes and the completion of other high-priority assignments. We thank First Place, DCFS, and Probation management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Terri Kasman at tkasman@auditor.lacounty.gov.

OV:RGC:TK:SGD:hm

Attachments

c: Fesia A. Davenport, Chief Executive Officer
Celia Zavala, Executive Officer, Board of Supervisors
Brandon T. Nichols, Director, Department of Children and Family Services
Guillermo Viera Rosa, Interim Chief Probation Officer, Probation Department

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NUMBER OF RECOMMENDATIONS

PRIORITY 1

3

PRIORITY 2

0

PRIORITY 3

1

FAST FACTS

DCFS paid First Place approximately \$5.25 million (\$4.9 million on a fee-for-service basis for THPP-NMD and \$350,000 on a firm-fixed price basis for THP-Plus) during FY 2019-20.

At the time of our review, First Place had offices in the Second and Third Supervisorial Districts and outside Los Angeles County, and provided services to residents of all Supervisorial Districts.

First Place does not currently have any other County contracts.

REPORT #X21327

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I
Page 1 of 3

Robert G. Campbell
ASSISTANT AUDITOR-CONTROLLER

Terri Kasman
DIVISION CHIEF

COUNTYWIDE CONTRACT MONITORING DIVISION

Report #X21327

DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND PROBATION DEPARTMENT FIRST PLACE FOR YOUTH FISCAL COMPLIANCE REVIEW

BACKGROUND AND SCOPE

We conducted a fiscal compliance review of First Place for Youth (First Place or Agency) at the request of the Department of Children and Family Services (DCFS) and Probation Department (Probation), and in accordance with our Fiscal Year (FY) 2020-21 monitoring plan.

DCFS and Probation contract with First Place to provide Transitional Housing Placement Program for Non-Minor Dependents (THPP-NMD) and Transitional Housing Program-Plus (THP-Plus) services. THPP-NMD and THP-Plus services include providing safe housing, supervision, and support services to help eligible non-minor dependents and former Foster/Probation youth, who are at risk of homelessness, develop the life skills needed to transition to independent living and self-sufficiency.

We reviewed a sample of transactions from FY 2019-20 to determine whether First Place appropriately accounted for and spent THPP-NMD and THP-Plus (County Programs) funds to provide the services required by their County contracts and in accordance with federal and State guidelines. We also evaluated the Agency's financial records, internal controls over cash, revenue, disbursements, payroll and personnel, and compliance with their County contracts and other applicable guidelines. Our review covered four THPP-NMD and two THP-Plus contracts with First Place. Although these are joint contracts between DCFS and Probation, DCFS administered the contracts and paid the Agency approximately \$5.25 million (\$4.9 million on a fee-for-service basis for THPP-NMD and \$350,000 on a firm-fixed price basis for THP-Plus) during FY 2019-20. At the time of our review, First Place had offices in the Second and Third Supervisorial Districts and outside Los Angeles County, and provided services to residents of all Supervisorial Districts.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	<p>Inappropriate and Unsupported Cost Allocation - First Place did not always equitably allocate, or could not document that they equitably allocated shared and indirect expenditures to all benefiting programs, as required by Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) Sections 200.405, 200.414 and 200.430, and Section C.2.0 of the Auditor-Controller Contract Accounting and Administration Handbook published in March 2014 (A-C Handbook). Specifically, First Place:</p> <ul style="list-style-type: none"> Did not always allocate their shared and indirect expenditures to all benefiting programs. Inappropriately allocated their shared facility costs and a client holiday party based on estimated clients, which is not an equitable method for allocating expenditures. 	<p>Priority 1 - First Place management:</p> <p>a) Reallocate FY 2019-20 shared and indirect expenditures based on an allowable and supported cost allocation methodology, or provide documentation to support the rates used were appropriate.</p> <p>b) Ensure shared and indirect expenditures are equitably allocated to all benefiting programs based on an allowable and supported allocation methodology.</p> <p>c) See Recommendation #2 regarding the utilization of unspent revenue resulting from these issues, if applicable.</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
	<ul style="list-style-type: none"> Did not provide sufficient documentation to demonstrate the Agency equitably allocated shared employees' salaries and some indirect costs reviewed. Specifically, the Agency did not provide sufficient documentation (e.g., Agency-wide financial records and time studies) to support the rates used to allocate the expenditures. <p>Impact: Increased risk of:</p> <ul style="list-style-type: none"> The County being overcharged. Funding source disallowances and/or questioned costs. Program funds not being used for client services in accordance with their County contracts and applicable federal and State guidelines. 	<p>Agency's Response: Partially Agree Target Implementation Date: September 30, 2023</p> <p>The Agency's response, incorporated into DCFS' attached response, indicates only partial agreement with our recommendations. Specifically, after a discussion with the Agency to clarify their response, First Place indicated they will not be implementing Recommendation 1(a) because the Agency believes their shared and indirect expenditures are immaterial in relation to their total direct expenditures, and given the revenue they received from the County during FY 2019-20. Instead, the Agency intends to provide DCFS with documentation to show they undercharged the County Programs.</p> <p>First Place also indicated they started equitably allocating expenditures to all benefiting programs.</p> <p>DCFS will need to ensure First Place fully resolves our recommendations as part of their resolution process.</p>
2	<p>Inaccurate Cost Reports - As mentioned in Issue #1, First Place did not equitably allocate, or did not provide sufficient documentation to demonstrate whether the Agency equitably allocated, shared and indirect expenditures as required. As a result of this issue, the expenditures reported on the Agency's FY 2019-20 County Program Cost Reports may be inaccurate.</p> <p>Impact: In addition to the impacts noted in the prior finding, increased risk of inaccurate and unreliable County Program Cost Reports, which can impair the County's ability to make informed decisions about their contracts with the Agency.</p>	<p>Priority 1 - First Place management:</p> <p>a) See Recommendation #1 regarding the reallocation of all shared and indirect expenditures.</p> <p>b) Submit revised FY 2019-20 County Program Cost Reports to DCFS.</p> <p>c) Submit a plan to DCFS and Probation on how they will utilize unspent County Program revenue, if applicable.</p> <p>Agency's Response: Partially Agree Target Implementation Date: September 30, 2023</p> <p>The Agency's response, incorporated into DCFS' attached response, indicates only partial agreement with our recommendations. As mentioned above, First Place believes their shared and indirect expenditures are immaterial in relation to their total direct expenditures, and given the revenue they</p>

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	RECOMMENDATION
		received from the County, and intends to provide DCFS with documentation to show they undercharged the County Programs. However, the Agency indicated they will re-submit FY 2019-20 County Program Cost Reports to DCFS.
3	<p>Cost Allocation Plan Not in Compliance - First Place's Cost Allocation Plan (Plan) did not comply with their County contracts and Section C.2.4 of the A-C Handbook. Specifically, the Agency's Plan indicated shared expenditures would be allocated based on budgets, which is not an allowable methodology in accordance with Uniform Guidance Section 200.405.</p> <p>Impact: In addition to the impacts noted in the prior findings, increased risk of shared and indirect expenditures not consistently being allocated based on an appropriate cost allocation methodology.</p>	<p>Priority 1 - First Place management ensure their Plan complies with their County contracts and the A-C Handbook.</p> <p>Agency's Response: Agree Target Implementation Date: September 30, 2023</p>
4	<p>Questioned Expenditures - First Place inappropriately charged \$4,712 (8%) of the \$62,331 in FY 2019-20 non-payroll expenditures reviewed, for inadequately supported and unallowable expenditures. Specifically, First Place charged:</p> <ul style="list-style-type: none"> \$4,461 in inadequately supported property damage (i.e., carpet and door replacements), gift cards, temporary staffing services, and employee training expenditures. The Agency did not provide sufficient documentation (e.g., client move-out and damage reports, invoices, gift card logs, attendance sheets) to demonstrate whether the expenditures were reasonable, necessary, and benefited the County's Programs as required by Uniform Guidance Section 200.403, and Section A.3.2 of the A-C Handbook. \$251 for a client that was not enrolled in the County Programs. <p>Impact: In addition to the impacts noted in prior findings, increased risk of misuse and/or misappropriation of County Program funds.</p>	<p>Priority 3 - First Place management:</p> <p>a) Repay DCFS \$4,461 in inadequately supported expenditures, or provide documentation to support the Program expenditures.</p> <p>b) Repay DCFS \$251 in unallowable expenditures.</p> <p>c) Ensure all expenditures charged are adequately supported and allowable.</p> <p>Agency's Response: Agree Target Implementation Date: September 30, 2023</p>

For more information on our auditing process, including recommendation priority rankings and the resolution process, visit <http://auditor.lacounty.gov/contract-monitoring-audit-process-information/>.

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.



BRANDON T. NICHOLS
Director

County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

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(213) 351-5602



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TRANSMITTED BY ELECTRONIC MAIL

June 8, 2023

Thomas Lee, Chief Executive Officer
First Place for Youth,
429 17th Street, Suite 100
Oakland CA 94612

Via email to: tlee@firstplaceforyouth.org ; ejensen@firstplaceforyouth.org
kvazquez@firstplaceforyouth.org ; JMachin@firstplaceforyouth.org

**FIRST PLACE FOR YOUTH – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES
AND PROBATION DEPARTMENT PROGRAMS SERVICE PROVIDER - FISCAL
COMPLIANCE REVIEW**

We have reviewed your fiscal corrective action plan (FCAP) submitted in response to the Auditor Controller's fiscal audit draft report on June 1, 2023, for Fiscal Year 2019-20. The FCAP fully addresses the audit report four recommendations.

Additionally, to ensure compliance with implementation of the corrective actions, our Fiscal Compliance staff will conduct an on-site review within 90 days after the issuance of the final report.

If you have any questions, please contact Helga Kiaian, Financial Specialist IV, at (213) 212-0498.

Sincerely,

Enrique Valdez

Enrique Valdez, Fiscal Compliance Unit Manager
Administrative Support Bureau Contracts Administration Division

Attachments

- c: Sandra Gomez-Diaz, Chief Accountant-Auditor (via electronic mail only)
Lisa Campbell-Motton, Probation Director (via electronic mail only)
LaSonya Gibbs, MPA, Children Services Administrator III (via electronic mail only)
Diana Flaggs, Administrative Services Manager III (via electronic mail only)
Contract File

FIRST PLACE FOR YOUTH – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND PROBATION DEPARTMENT PROGRAMS SERVICE PROVIDER - FISCAL COMPLIANCE REVIEW

Note: Department of Children and Family Services (DCFS) will only review documentation not previously provided to the Auditor-Controller.

Summary of Recommendations

Based on the FCAP dated June 1, 2023, submitted by First Place for Youth, the status of each recommendation is summarized as follows:

- 4 Recommendations (1-4) were fully addressed.
- Recommendations () were partially addressed.
- Recommendations () directed to the Department were addressed.

Recommendation Status

1. First Place management:

- a) Reallocate FY 2019-20 shared and indirect expenditures based on an allowable, equitable, and supported cost allocation methodology, or provide documentation to support the rates used were appropriate.
- b) Ensure shared and indirect expenditures are equitably allocated to all benefiting programs based on an allowable and supported allocation methodology.
- c) See Recommendation #2 regarding the utilization of unspent revenue resulting from these issues, if applicable.

Agency's Response: Partially Agree

Agency Proposed FCAP:

- a) First Place for Youth will be able to show that the allocations do not impact the revenue received for these programs as the variance is immaterial. First Place for Youth will provide additional direct costs that were not charged to the programs.
- b) In FY23 First Place for Youth started to implement allocations based on actual bed nights by program to ensure that those cost are equitably allocated to all benefiting programs.
- c) See response on (a).

Agency Corrective Action (Target) Implementation Date:

- a) Information will be sent before or by September 30, 2023.
- b) Fully implemented in FY24

DCFS Response: The DCFS Contracts Administration Division (CAD) Fiscal Compliance Unit staff will conduct a follow up within 90 days of the final report date to assess the Contracted Sub-recipient's implementation of the Auditor-Controller's recommendations.

2. First Place management:

- a) See Recommendation #1 regarding the reallocation of all shared and indirect expenditures.
- b) Submit revised FY 2019-20 County Program Cost Reports to DCFS.
- c) Submit a plan to DCFS and Probation on how they will utilize unspent County Program revenue, if applicable.

Agency's Response: Partially Agree

Agency Proposed FCAP:

- a) First Place for Youth will be able to show that the allocations do not impact the revenue received for these programs as the variance is immaterial. First Place for Youth will provide additional direct costs that were not charged to the programs.
- b) First Place for Youth will re-submit FY20 County Program Cost reports to DCFS, if applicable.
- c) See response on (b).

Agency Corrective Action (Target) Implementation Date: September 30, 2023

DCFS Response: The DCFS Contracts Administration Division (CAD) Fiscal Compliance Unit staff will conduct a follow up within 90 days of the final report date to assess the Contracted Sub-recipient's implementation of the Auditor-Controller's recommendations.

3. First Place management ensure their Plan complies with their County contracts and the A-C Handbook.

Agency's Response: Agree

Agency Proposed FCAP:

First Place for Youth will update the Cost Allocation Plan based on county contracts and the A-C Handbook.

Agency Corrective Action (Target) Implementation Date: September 30, 2023

DCFS Response: The DCFS Contracts Administration Division (CAD) Fiscal Compliance Unit staff will conduct a follow up within 90 days of the final report date, to assess the Contracted Sub-recipient's implementation of the Auditor-Controller's recommendations.

4. First Place management:

- a) Repay DCFS \$4,461 in inadequately supported expenditures, or provide documentation to support the Program expenditures.
- b) Repay DCFS \$251 in unallowable expenditures.
- c) Ensure all expenditures charged are adequately supported and allowable.

Agency's Response: Agree

Agency Proposed FCAP: *Agency's proposed FCAP will be inserted here.*

- a) First Place for Youth will repay \$4,461 to DCFS for expenditures without adequate supporting documentation
- b) First Place for Youth will repay \$251 to DCFS for unallowable expenditures.
- c) In the future, First Place for Youth will ensure that all expenditures charged to the programs are adequately supported and allowable

Agency Corrective Action (Target) Implementation Date: September 30, 2023

DCFS Response: For 4- a & b Please pay by check or money order, made payable to:

DCFS Cashier
510 South Vermont Ave., 14th Floor #187
Los Angeles, CA 90020.

For 4- c The DCFS Contracts Administration Division (CAD) Fiscal Compliance Unit staff will conduct a follow up within 90 days of the final report date to assess the Contracted Sub-recipient's implementation of the Auditor-Controller's recommendations.