COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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RECOMMENDED FOR CARD AND DEBARMENT

NUMBER OF RECOMMENDATIONS

PRIORITY 1	PRIORITY 2	PRIORITY 3
6	1	0

March 6, 2025

TO: Each Supervisor

FROM: Oscar Valdez
Auditor-Controller

Robert G. Campbell
Assistant Auditor-Controller / Chief Audit Executive

SUBJECT: **FRED JEFFERSON MEMORIAL HOME FOR BOYS – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND PROBATION DEPARTMENT FOSTER FAMILY AGENCY AND SHORT-TERM RESIDENTIAL THERAPEUTIC PROGRAM PROVIDER - FISCAL COMPLIANCE REVIEW**

With the support and active participation of the Department of Children and Family Services (DCFS), the Probation Department (Probation), and Fred Jefferson Memorial Home for Boys (Fred Jefferson or Agency), we completed a fiscal compliance review of Fred Jefferson. DCFS and Probation jointly contracted with Fred Jefferson to provide Foster Family Agency (FFA) and Short-Term Residential Therapeutic Program (STRTP) services. Although these were joint contracts between DCFS and Probation, DCFS administered the contracts and paid the Agency during our review period. Fred Jefferson's STRTP and FFA (County's Programs) contracts with the County ended in December 2022 and December 2023, respectively, and the Agency does not currently have any other County contracts[1].

Our review noted significant financial viability concerns and other non-compliance issues that impact the Agency's ability to operate the County's Programs, and ensure County funds are appropriately used to provide program services. For example, Fred Jefferson('s):

FAST FACTS

DCFS paid Fred Jefferson approximately $4.4 million on a fee-for-service basis during CY 2021.

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

Fred Jefferson's STRTP contract was terminated for convenience in December 2022 and their FFA contract expired in December 2023.

Fred Jefferson does not currently have any other County contracts.

[1] According to Agency management, Fred Jefferson ceased operations in September 2024. However, as of February 27, 2025, our review of public records indicates Fred Jefferson has not dissolved the Agency.

- Calendar Year (CY) 2021 audited financial statements included a going concern qualification because the Agency reported an operating loss of $645,869 and negative net assets totaling $452,826 as of December 31, 2021. As a result, the independent auditor raised substantial doubt about the Agency's ability to continue their operations.

- Management interfered with our audit process and violated the terms of their County contract by not allowing us to complete an interview with an Agency employee. In addition, despite DCFS notifying Fred Jefferson the respective employee was prohibited from having contact with Los Angeles County (LAC) placed children/youth after DCFS investigated and substantiated allegations of abuse/neglect and potential endangerment to children/youth, we noted the employee was in a position that required contact with LAC-placed children/youth. Upon learning of this situation, we immediately notified DCFS, so they could take action to address any potential child safety concerns. Agency management's interference with our audit process and their decision to continue allowing employees to work in positions that were prohibited because of potential endangerment to children/youth, raises questions about Agency management's judgement and ability to serve vulnerable County clients. Should the Agency seek County contracts in the future, the contracting departments must ensure these issues are satisfactorily addressed before entrusting Fred Jefferson with the care of County-dependent youth.

- Inappropriately charged the County Programs $22,151 (30%) of the $73,161 in non-payroll expenditures reviewed for unallowable and inadequately supported expenditures. For example, Fred Jefferson charged $9,645 for unallowable penalties, their executive management's personal vehicle insurance, and interest charges for the Executive Director's life insurance policy.

- Did not equitably allocate 100% of the shared and indirect expenditures reviewed to all benefiting programs and funding sources as required.

- Did not always maintain adequate internal controls over their cash and payroll processes or financial records.

We noted some similar issues in our June 26, 2018, monitoring report of Fred Jefferson's FFA and Group Home Program contracts.

If Fred Jefferson does not immediately correct the significant and repeated non-compliance issues noted in this report, DCFS and Probation management should consider placing Fred Jefferson in the County's Contractor Alert Reporting Database (CARD). DCFS and Probation should also consult with County Counsel about the possibility of debarring Fred Jefferson and its principals for violating their contract and engaging in actions that indicate a lack of business integrity. For details of our review, please see Attachment. We shared our report with the Agency, DCFS, and Probation, which contains a total of seven recommendations, one is to DCFS and Probation, and six are to Fred Jefferson. DCFS and Probation management indicated they agreed to implement our recommendation in accordance with the County's and Departments' policies. However, Fred Jefferson waived their right to an Exit Conference and indicated they will not be submitting a Fiscal Corrective Action Plan to address our recommendations. If Fred Jefferson contracts with the County in the future, they will need to ensure their significant and repeated non-compliance issues have been corrected, 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 higher priority assignments. We thank Fred Jefferson, DCFS, and Probation management and staff for their cooperation and assistance during our review. If you have any questions please call us, or your staff may contact Sandra Gomez-Diaz at sgomez-diaz@auditor.lacounty.gov.

OV:CY:RGC:SGD:hm

Attachment

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

LOS ANGELES COUNTY
AUDITOR-CONTROLLER

Robert G. Campbell ASSISTANT AUDITOR-CONTROLLER	Vacant DIVISION CHIEF

COUNTYWIDE CONTRACT MONITORING DIVISION

Report #X22315

DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND PROBATION DEPARTMENT
FRED JEFFERSON MEMORIAL HOME FOR BOYS
FISCAL COMPLIANCE REVIEW

BACKGROUND AND SCOPE

We conducted a fiscal compliance review of Fred Jefferson Memorial Home for Boys (Fred Jefferson 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) 2021-22 monitoring plan.

DCFS and Probation jointly contracted with Fred Jefferson to provide Foster Family Agency (FFA) and Short-Term Residential Therapeutic Program (STRTP) services. FFA Program services include recruiting, certifying, training, and supporting resource families (formerly referred to as foster families). STRTP services include providing an integrated program of specialized and intensive care services, support, treatment, and short-term 24-hour care and supervision to children placed in the Agency's residential facility.

We reviewed a sample of transactions from Calendar Year (CY) 2021 to determine whether Fred Jefferson appropriately accounted for and spent FFA and STRTP (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 two County contracts with Fred Jefferson to operate the County Programs. Although both contracts were joint contracts between DCFS and Probation, DCFS administered the contracts and paid the Agency approximately $4.4 million ($2.9 million for FFA and $1.5 million for STRTP) on a fee-for-service basis during CY 2021. At the time of our review, Fred Jefferson had offices in the Second and Fifth Supervisorial Districts and outside Los Angeles County (LAC), and provided services to residents of all Supervisorial Districts. Fred Jefferson's STRTP and FFA contracts ended in December 2022 and December 2023, respectively, and the Agency does not currently have any other County contracts.

	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
	ISSUE	**RECOMMENDATION**
1	**County's Contractor Alert Reporting Database (CARD) and Debarment** - DCFS and Probation management should consider placing Fred Jefferson in CARD if the Agency does not immediately resolve the significant and repetitive issues identified in our report. DCFS and Probation should also consult with County Counsel about the possibility of debarring Fred Jefferson and its principals for violating their contract and engaging in actions that indicate a lack of business integrity. Specifically, Fred Jefferson('s): • Calendar Year (CY) 2021 audited financial statements (AFS) included a going concern qualification and raised substantial doubt about the Agency's ability to continue their operations (Issue No. 2).	**Priority 1** - **a) DCFS and Probation management consider placing Fred Jefferson in CARD if the Agency does not immediately correct the significant and repeated instances of non-compliance noted in this report.** **b) DCFS and Probation consult with County Counsel about the possibility of debarring Fred Jefferson and its principals pursuant to County Code Section 2.202.040.** **Department's Response: Agree** Target Implementation Date: To Be Determined

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**
	• Management interfered with our audit process, violated the terms of their County contract, and allowed an employee to work in a position that was prohibited because of potential endangerment to children/youth, which brings into question Agency management's business integrity (Issue No. 3). • Inappropriately charged the County Programs $22,151 (30%) of the $73,161 in non-payroll expenditures reviewed for unallowable and inadequately supported expenditures (Issue No. 4). • Did not equitably allocate 100% of the shared and indirect expenditures reviewed to all benefiting programs and funding sources as required (Issue No. 5). • Did not always maintain adequate internal controls over their cash and payroll processes or financial records (Issue No. 6). We noted some similar findings in our June 26, 2018, monitoring report of Fred Jefferson's FFA and Group Home (GH) Program contracts, which indicates our prior findings were not addressed and/or corrective actions did not result in lasting changes to the Agency's disbursement, cost allocation, and internal control processes. According to the CARD Manual, a contractor should be placed in CARD if the contractor has experienced significant financial, administrative, programmatic, or legal issues that affect their ability to comply with their contract requirements or has not taken appropriate and timely steps to correct significant documented instances of contract non-compliance. According to County Code Section 2.202.040, Debarment of Contractors, the County may debar a contractor who has had a contract with the County in the preceding three years if the contractor has violated a term of its contract, committed an act or omission which negatively reflects on the contractor's quality, fitness, or capacity to perform, or engaged in a pattern or practice which negatively reflects on same, or has committed an act or omission which indicates a lack of business integrity or business honesty.	DCFS and Probation management indicated they agree to implement our recommendation in accordance with the County's and Departments' policies.

	TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
	ISSUE	**RECOMMENDATION**
	Impact: Increased risk: • Financial viability and unresolved non-compliance issues could go undetected by other County departments seeking to award future contracts to this Agency if they are not placed in CARD. • That other public agencies and non-profits might contract with this Agency if they are not debarred.	
2	**Financial Viability** - Fred Jefferson's CY 2021 AFS included a going concern qualification because the Agency reported an operating loss of $645,869 and negative net assets totaling $452,826 as of December 31, 2021. As a result, the independent auditor raised substantial doubt regarding the Agency's ability to continue their operations. As of December 10, 2024, DCFS indicated the Agency had not submitted their CY 2022 AFS to the County (which was due by September 30, 2023). **Impact:** Increased risk of service interruption.	**Priority 1** - **If Fred Jefferson contracts with the County in the future, Fred Jefferson management should provide the contracting department(s) with documentation detailing how Fred Jefferson improved their financial condition, and how the Agency plans to prevent future operating losses and negative net assets while providing the required level of care to County Program clients.** **Agency Response:** Fred Jefferson indicated they will not be submitting a Fiscal Corrective Action Plan to address our recommendations.
3	**Interference with Audit Process** - Fred Jefferson management interfered with our audit process and violated the terms of their County contract by not allowing us to complete an interview with an Agency employee. Specifically, Fred Jefferson management indicated four of our sampled employees could not be interviewed because they were no longer employed by the Agency. As a result, we did not interview the four employees. When reviewing a later listing of current employees, we noted one of the four employees was still included as a current employee. When we asked about the employee during our preliminary exit meeting with the Agency and DCFS, Fred Jefferson management confirmed the employee was still employed with the Agency, but did not explain why they did not allow us to interview the employee. In addition, despite DCFS notifying Fred Jefferson in June 2022 that a particular employee was prohibited from having contact with LAC-placed children/youth after DCFS investigated and substantiated allegations of abuse/neglect and potential endangerment to children/youth, we noted the employee was in a position that required contact with LAC-placed children/youth. Upon learning of this situation, we	**Priority 1** - **a) Fred Jefferson management repay DCFS for any unallowable payroll expenditures charged to the County, or provide documentation to demonstrate the Agency did not charge the County for any position that required the respective employee to have contact with LAC-placed children/youth after June 2022.** **b) If Fred Jefferson contracts with the County in the future, Agency management needs to ensure they do not violate the terms of their County contract by interfering with our audit process or allowing employees with a substantiated history of abuse/neglect to work in positions that require contact with LAC-placed youth.** **Agency Response:** Fred Jefferson indicated they will not be submitting a Fiscal Corrective Action Plan to address our recommendations.

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**
	immediately notified DCFS, so they could take action to address any potential child safety concerns. Agency management's interference with our audit process and their decision to allow an employee to continue working with children/youth after being expressly instructed otherwise by DCFS raises questions about Agency management's judgement and ability to serve vulnerable County clients. As noted above, Fred Jefferson's STRTP and FFA contracts ended in December 2022 and December 2023, respectively, and the Agency does not currently have any other County contracts. Since our review period was CY 2021, we do not know if the Agency charged the County for the respective employee's payroll expenditures after DCFS notified the Agency in June 2022 the employee was prohibited from having contact with placed children/youth. However, any payroll expenditures charged to the County after June 2022 for any position that required the respective employee to have contact with LAC-placed children/youth are unallowable. **Impact:** Increased risk of: • Potential endangerment to children/youth, and associated legal ramifications. • The County being overcharged. • Funding source disallowances and/or questioned costs. • Program funds not being used for client services in accordance with their County contract and applicable federal and State guidelines.	
4	**Unallowable and Inadequately Supported Expenditures** - Fred Jefferson inappropriately charged the County Programs $22,151 (30%) of the $73,161 in sampled non-payroll expenditures reviewed for unallowable and inadequately supported expenditures. Specifically, Fred Jefferson inappropriately charged: • $9,645 in unallowable expenditures for penalties, executive management's personal vehicle insurance, and interest charges for the Executive Director's life insurance policy. Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform	**Priority 1** - **a) Fred Jefferson management repay DCFS $12,336 ($9,645 + $2,691) in unallowable expenditures.** **b) Fred Jefferson management provide documentation to support the Program expenditures, or repay DCFS $9,815 ($4,116 + $3,250 + $2,449) in inadequately supported expenditures.** **c) Fred Jefferson management identify any other unallowable or unsupported**

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TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION		
	ISSUE	**RECOMMENDATION**
	Guidance), Sections 200.441, 200.445, and 200.449 prohibit program funds from being used for these purposes. We noted a similar finding in our June 26, 2018, monitoring report of Fred Jefferson's FFA and GH Program contracts. • $4,116 in inadequately supported utilities the lease agreement indicated should have been paid by the lessor (instead of the Agency), and payments to an independent contractor for building improvements (e.g., painting/graffiti removal, ceiling/wall repairs) at two STRTP homes. The Agency's Financial Manager owns the two homes and leases the homes to the Agency. The Agency did not provide sufficient documentation, such as lease amendments or client incident reports demonstrating damages were caused by LAC clients. • $3,250 in inadequately supported cash advances paid to the Chief Executive Officer (CEO) and three employees. According to the Agency's financial records, Fred Jefferson issued a total of $5,500 in cash advances during CY 2021, and the employees repaid the Agency $2,250 as of December 31, 2021, resulting in an outstanding balance of $3,250 ($5,500 - $2,250). The Agency did not provide any other documentation to demonstrate the outstanding cash advances, totaling $3,250, were repaid to Fred Jefferson. • $2,691 for an unallowable bonus paid to the Chief Administrative Officer that did not benefit the County Programs/clients. • $2,449 for inadequately supported vehicle gas expenditures, amusement park tickets, toy store purchases, and personal care products. Fred Jefferson did not provide sufficient documentation (e.g., original receipts, vehicle mileage logs, client distribution logs, client acknowledgment forms, sign-in sheets) to demonstrate the expenditures were reasonable, necessary, and benefited the County Programs and/or were provided to Program clients as required by Uniform Guidance, Section 200.403, and Section A.3.2 of the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) published in March 2014.	**expenditures from CY 2021 and repay DCFS, if applicable.** **d) If Fred Jefferson contracts with the County in the future, Agency management needs to ensure all expenditures charged are allowable and adequately supported.** **Agency Response:** Fred Jefferson indicated they will not be submitting a Fiscal Corrective Action Plan to address our recommendations.

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**
	Since some of these expenditures are recurring in nature, Fred Jefferson will need to determine the total amount of unallowable and unsupported expenditures for CY 2021. We noted similar findings in our June 26, 2018, monitoring report of Fred Jefferson's FFA and GH Program contracts, which indicates our prior findings were not addressed and/or corrective actions did not result in lasting changes to the Agency's disbursement processes. **Impact:** See Issue No. 3, bullets 2 through 4.	
5	Inappropriate Cost Allocation - Fred Jefferson did not equitably allocate 100% of the shared and indirect expenditures reviewed to all benefiting programs and funding sources as required by Uniform Guidance, Section 200.405, and Section C.2.0 of the A-C Handbook. Specifically, Fred Jefferson received funding from multiple counties to provide FFA Program services. However, the Agency did not allocate their shared FFA Program expenditures to all benefiting funding sources (e.g., by County), and inappropriately included expenditures and revenue from other counties in their CY 2021 FFA Program Cost Report. In addition, we noted Fred Jefferson miscalculated their indirect expenditures reported in their CY 2021 County Program Cost Reports. Although the calculation errors resulted in undercharges to the County Programs, the Agency needs to ensure indirect costs are equitably allocated to all benefiting programs. We noted similar findings in our June 26, 2018, monitoring report of Fred Jefferson's FFA and GH Program contracts, which indicates our prior findings were not addressed and/or corrective actions did not result in lasting changes to the Agency's cost allocation processes. **Impact:** In addition to the impacts noted in the prior findings, 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.	Priority 1 **- Fred Jefferson management:** **a) Reallocate CY 2021 shared and indirect expenditures.** **b) Ensure shared and indirect expenditures are equitably allocated to all benefiting programs and funding sources based on an allowable and supported allocation methodology.** **c) Ensure County Program Cost Reports include only LAC revenue and expenditures.** **d) Submit revised CY 2021 County Program Cost Reports to DCFS.** **e) Work with DCFS and Probation to determine the disposition of any unspent County Program revenue, if applicable.** **Agency Response:** Fred Jefferson indicated they will not be submitting a Fiscal Corrective Action Plan to address our recommendations.

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**
6	Inadequate Internal Controls - Fred Jefferson did not always maintain adequate internal controls over their cash and payroll processes or financial records as required by Uniform Guidance, Sections 200.302 and 200.303, and Sections A.3.2, B.1.4, B.2.3, and B.3.1 of the A-C Handbook, and the Agency's Accounting Policies and Procedures Manual. Specifically, Fred Jefferson did not: • Provide any justification or documentation (e.g., policies, Board of Directors' (Board) meeting minutes) to demonstrate whether a total of $5,500 in cash advances paid to the CEO and three employees were allowable and approved by the Agency's Board. • Provide documentation to demonstrate Fred Jefferson filed and issued an Internal Revenue Service (IRS) Form 1099 to an independent contractor for building improvements at two STRTP homes as required by the IRS. • Appropriately complete their October 2021 operating bank account reconciliation. Specifically, the ending book balance Fred Jefferson reported on their bank reconciliation was not supported by the Agency's accounting records, and Fred Jefferson did not provide an explanation or any additional documentation to support the $14,388 difference. • Ensure three (38%) of the eight timecards reviewed were signed and dated by the employee or their supervisor to certify the accuracy and approval of reported time worked as required. • Obtain written approval from DCFS to establish a petty cash fund of $3,900. Section B.2.3 of the A-C Handbook allows contractors to establish petty cash funds up to $500 for payment of small incidental expenses. Contractors must obtain written approval from the County to establish a petty cash fund greater than $500. We noted some similar findings in our June 26, 2018, monitoring report of Fred Jefferson's FFA and GH Program contracts, which indicates our prior findings were not addressed and/or corrective actions did not	Priority 1 **- If Fred Jefferson contracts with the County in the future, Agency management should establish and maintain adequate internal controls over their cash and payroll processes and financial records, and maintain supporting documentation to ensure:** **a) Cash advances paid to employees are allowable and approved in accordance with the Agency's policies and procedures and their Board.** **b) The appropriate IRS Forms are filed and issued.** **c) Bank reconciliations are appropriately completed, and variances are resolved timely.** **d) Timecards are signed and dated by employees and their supervisors to certify the accuracy and approval of the reported time.** **e) The Agency limits their petty cash fund to $500, or obtains written approval from DCFS to establish a petty cash fund greater than $500 for their County Programs.** **Agency Response:** Fred Jefferson indicated they will not be submitting a Fiscal Corrective Action Plan to address our recommendations.

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.

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	ISSUE	**RECOMMENDATION**
	result in lasting changes to the Agency's cash and payroll processes. **Impact:** In addition to the impacts noted in the prior findings, increased risk of: • Undetected errors, fraud, misuse and/or misappropriated funds, and inaccurate cash balances. • Compensation errors when employees and supervisors do not review and certify the accuracy and approval of reported time worked.	
7	**Stored Data Not Encrypted** - Although Fred Jefferson provided evidence their transmitted data was adequately encrypted, the Agency did not provide documentation to demonstrate they utilized encryption software to safeguard their stored data against unauthorized access and use of Personal Information (PI), Protected Health Information (PHI) and/or Medical Information (MI) of County clients. If Fred Jefferson contracts with the County in the future, Agency management must ensure compliance with LAC Board of Supervisors Policy 5.200 - Contractor Protection of Electronic Information (County's Policy). **Impact:** Increased risk of unauthorized access or use of confidential information in violation of the Health Insurance Portability and Accountability Act and other regulations.	**Priority 2 - If Fred Jefferson contracts with the County in the future, Agency management must comply with the County's Policy to ensure adequate security measures are in place to safeguard the PI, PHI, and/or MI of County clients.** **Agency Response:** Fred Jefferson indicated they will not be submitting a Fiscal Corrective Action Plan to address our recommendations.

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.