



# 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

**OSCAR VALDEZ**  
AUDITOR-CONTROLLER

**CONNIE YEE**  
CHIEF DEPUTY AUDITOR-CONTROLLER

August 7, 2025

TO: Each Supervisor

FROM: Oscar Valdez  
Auditor-Controller

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

SUBJECT: **ANTI-RECIDIVISM COALITION – A DEPARTMENT OF YOUTH  
DEVELOPMENT CREDIBLE MESSENGERS PROGRAM SERVICES  
PROVIDER - FISCAL COMPLIANCE REVIEW**

With the support and active participation of the Department of Youth Development (DYD) and Anti-Recidivism Coalition (ARC or Agency), we completed a fiscal compliance review of ARC. DYD contracts with ARC to provide Credible Messengers (CM) Program services. The purpose of our review was to determine whether the Agency appropriately accounted for and spent CM Program funds to provide the services outlined in their County contract.

We noted opportunities for ARC to improve and strengthen controls over their CM Program expenditures. Specifically, ARC:

- Billed DYD and was reimbursed for \$249,000 in subcontractor expenditures when services were not provided in accordance with the subcontractor agreement.
- Did not maintain adequate internal controls to ensure CM Program funds were properly accounted for and safeguarded as required.

For details of our review, please see Attachment I. The Agency's response (included in Attachment II) indicates agreement with our findings and recommendations.

We thank DYD and ARC management and staff for their cooperation and assistance during our review. If you have any questions please call us, or your staff may contact Jeffrey Ho at [jeho@auditor.lacounty.gov](mailto:jeho@auditor.lacounty.gov).

OV:CY:RGC:JH:la

Attachments

c: Fesia A. Davenport, Chief Executive Officer  
Edward Yen, Executive Officer, Board of Supervisors  
David J. Carroll, Director, Department of Youth Development  
Audit Committee  
Countywide Communications

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NUMBER OF  
RECOMMENDATIONS

PRIORITY 1

2

PRIORITY 2

0

PRIORITY 3

0

## FAST FACTS

*DYD paid ARC approximately \$1.2 million from January 2023 through June 2024.*

*At the time of our review, ARC had an office in the First Supervisorial District and provided services to residents of all Supervisorial Districts currently or formerly housed within the County's Secure Youth Treatment Facilities.*

**REPORT #X24934**

# LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I  
Page 1 of 3

Robert G. Campbell  
ASSISTANT AUDITOR-CONTROLLER

Jeffrey Ho  
DIVISION CHIEF

## COUNTYWIDE CONTRACT MONITORING DIVISION

Report #X24934

### DEPARTMENT OF YOUTH DEVELOPMENT CREDIBLE MESSENGERS PROGRAM ANTI-RECIDIVISM COALITION FISCAL COMPLIANCE REVIEW

#### BACKGROUND AND SCOPE

We conducted a fiscal compliance review of Anti-Recidivism Coalition (ARC or Agency) at the request of the Department of Youth Development (DYD) and in accordance with our Fiscal Year 2023-24 monitoring plan. DYD contracts with ARC to provide Credible Messengers (CM) Program services, which include providing a holistic set of supports focused on youth development, promoting wellness, safety, and security inside the County's Secure Youth Treatment Facilities, and building meaningful and trustful relationships through positive interactions with youth.

We reviewed ARC's financial records covering the period from January 2023 through July 2024 and selected a sample of transactions to determine whether the Agency appropriately accounted for and spent DYD funds to provide the services outlined in their County contract. We also evaluated the Agency's financial records, internal controls, and compliance with their County contract and other applicable guidelines.

#### TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	<p><b>Inadequately Supported Expenditures</b> - For ARC's June 2024 invoice to DYD, the Agency billed and was reimbursed for \$249,000 in subcontractor expenditures when services were not provided in accordance with the subcontractor agreement. Specifically, ARC executed an agreement with the subcontractor in February 2024 to provide daily sessions on weight training, specialized balance techniques, and ballet-inspired exercises at the County's Barry J. Nidorf Juvenile Hall (Barry J.). The subcontractor billed ARC \$83,000 per month in their April through June 2024 invoices (totaling \$249,000), and ARC, in turn, billed these costs to DYD in their June 2024 quarterly invoice. However, when we requested supporting documentation, ARC did not provide adequate documentation, such as weekly attendance/sign-in sheets, monthly progress reports, or other proof of services provided, to support the expenditures as required by the subcontractor agreement to support the amounts billed.</p> <p>According to ARC, the billings were for the subcontractor's start-up costs (e.g., curriculum development), and program services at Barry J. did not begin until June 24, 2024. However, the</p>	<p><b>Priority 1 - ARC management:</b></p> <p>a) <b>Provide adequate documentation to support the expenditures, or work with the subcontractor and DYD to determine whether the \$249,000 should be repaid, in full or partial, for services not provided.</b></p> <p>b) <b>Ensure all expenditures charged to the CM Program are adequately supported.</b></p> <p><b>Agency Response:</b> Agree Implementation Date: April 30, 2025</p> <p>While ARC's response indicated agreement with our findings and recommendations, the Agency also stated that the subcontractor expenditures were adequately supported. However, as noted in the Issue section, ARC did not provide adequate documentation, such as weekly attendance/sign-in sheets, monthly progress reports, or other proof of services provided, to support the subcontractor expenditures as required.</p> <p>In accordance with their resolution process, DYD will work with ARC to ensure our recommendations are implemented.</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
	<p>subcontractor agreement did not include language to allow for start-up costs, and instead, required the subcontractor to operate the program seven days a week throughout the one-year contract term. While the agreement does specify that the commencement date is dependent on getting clearance for the subcontractor's staff to enter the facility, it does not specify whether the subcontractor will be paid, and for what amount, prior to commencing program services. ARC must work with the subcontractor and DYD to resolve this overpayment.</p> <p><b>Impact:</b> Increased risk of overbilling the County for services not provided.</p>	
2	<p><b>Inadequate Internal Controls</b> - ARC did not maintain adequate internal controls to ensure CM Program funds were properly accounted for and safeguarded as required by Generally Accepted Accounting Principles and Section 8.38.1 of their County contract. Specifically, ARC did not:</p> <ul style="list-style-type: none"> <li>Maintain adequate separation of duties over their cash handling and bank reconciliation functions. Specifically, the Finance Director is authorized to write checks, record cash receipts, and reconcile bank statements. While Agency management indicated the Executive Director also reviews and signs checks, there are no compensating controls to ensure adequate separation of duties over the Finance Director's cash handling and bank reconciliation responsibilities.</li> <li>Complete their June 2024 bank reconciliation appropriately. Specifically, the ending cash balance on the bank reconciliation did not reconcile to the ending cash balance in ARC's general ledger. Moreover, the bank reconciliation was not signed and dated by the reviewer, and the Agency did not ensure the bank reconciliation was reviewed within 30 days of the bank statement date.</li> </ul> <p>In addition, ARC did not resolve reconciling items timely. Specifically, the Agency had four outstanding items totaling \$6,230 between nine and 21 months old. Although Agency</p>	<p><b>Priority 1 - ARC management:</b></p> <ul style="list-style-type: none"> <li>a) <b>Establish and maintain adequate separation of duties over their cash handling and bank reconciliation functions.</b></li> <li>b) <b>Ensure bank reconciliations are completed appropriately, and signed and dated by the reviewer.</b></li> <li>c) <b>Ensure outstanding items are resolved timely.</b></li> </ul> <p><b>Agency Response:</b> Agree Implementation Date: April 30, 2025</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
<p>management indicated the outstanding items were not related to the CM Program, ARC should ensure all reconciling items are resolved within three months as required by their accounting policies and procedures.</p> <p><b>Impact:</b> Increased risk of accounting errors, fraud, and/or misappropriation of assets.</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.



Board of Directors

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07/30/2025

County of Los Angeles  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
Attn: Oscar Valdez, Auditor-Controller  
500 West Temple Street, Room 525  
Los Angeles, CA 90071

Mr. Valdez –

Please find attached a corrective action plan addressing two issues raised in ARC's recent program specific audit of the DYD funded Credible Messenger program.

Sincerely,

A handwritten signature in black ink, appearing to read "Laura Minzenberg".

Laura Minzenberg

Chief Financial Officer

**DEPARTMENT OF YOUTH DEVELOPMENT  
CREDIBLE MESSENGERS PROGRAM SERVICES  
ANTI-RECIDIVISM COALITION  
AGENCY ACTION PLAN/ RESPONSE**

<b>ISSUE 1: Inadequately Supported Expenditures</b>	
<b>A/C Recommendation</b>	<p><b>ARC management:</b></p> <p>a) Provide adequate documentation to support the expenditures, or work with the subcontractor and DYD to determine whether the \$249,000 should be repaid, in full or partial, for services not provided.</p> <p>b) Ensure all expenditures charged to the CM Program are adequately supported.</p>
<b>Priority</b>	<b>PRIORITY 1</b>
<b>Agree/Disagree</b>	<b>Agree</b>
<b>Agency Action Plan<sup>1</sup></b>	<p>a) We have, and will continue to in the future ensure that subgrantee agreements, if any, incorporate start-up phase language. The error that was made in this situation working with Swan Within at Nidorf and Kilpatrick is that no start up phase was described in the MOU between ARC and Swan. In the future, if a start up phase will be necessitated with any subgrantee, ARC will be sure to describe the timing and compensation for the start up period. We will further ensure that we understand, ahead of time, all reporting requirements that the auditor controllers office will ultimately seek to support payments to the subgrantee. ARC, as an agency has, further, hired a grants and contracts compliance staff person to inspect these type of issues before they arise.</p>
<b>Target Implementation Date</b>	Fully implemented as of April 30, 2025.
<b>Additional Information (optional)<sup>2</sup></b>	<p>All direct expenditures charged to DYD by ARC were adequately supported. The agency acknowledges that the dollars described above were paid to the subgrantee, Swan Within, as specified by the funding agreement with DYD. The MOU with Swan Within was created in full consultation with DYD. We recognize with the benefit of hindsight that the MOU should have specified a ramp up period to allow the subgrantee to arrange for Probation clearances, required PRIA training, and scheduling groups/classes with Probation staff.</p>

<sup>1</sup> In this section the Agency should only describe the efforts they plan to take, or any steps already taken to implement the recommendation. Any other information should be included in the Additional Information section below.

<sup>2</sup> In this section the Agency can provide any background or clarifying information they believe is necessary.



ISSUE 2: Inadequate Internal Controls	
A/C Recommendation	<p>ARC management:</p> <ul style="list-style-type: none"> <li>a) Establish and maintain adequate separation of duties over their cash handling and bank reconciliation functions.</li> <li>b) Ensure bank reconciliations are completed appropriately, and signed and dated by the reviewer.</li> <li>c) Ensure outstanding items are resolved timely.</li> </ul>
Priority	PRIORITY 1
Agree/Disagree	Agree
Agency Action Plan <sup>1</sup>	<ul style="list-style-type: none"> <li>a) We will assign a Finance Associate or a Finance Manager</li> <li>b) We will assign Director of Finance or Executive Director</li> <li>c) We will complete an uncashed checks review every month. (Assigned to Finance Specialist)</li> </ul>
Target Implementation Date	Already implemented and completed - 04/30/2025
Additional Information (optional) <sup>2</sup>	<p>Staffing limitations required ARC's Finance Director to reconcile the main ARC operating account in many instances during FY 23-24. The ARC Finance Department has already hired additional staff capacity, and this process has already been revised so that an ARC Finance Associate will complete this bank reconciliation, and the Finance Director will review. Pdfs of signed reconciliation reports are now saved in an encrypted cloud based folder. Should staffing limitations arise again, ARC's Executive Director will act as bank reconciliation review as a compensatory control.</p>

<sup>1</sup> In this section the Agency should only describe the efforts they plan to take, or any steps already taken to implement the recommendation. Any other information should be included in the Additional Information section below.

<sup>2</sup> In this section the Agency can provide any background or clarifying information they believe is necessary.