Staff Response to Procedures Engagement Phase One Report
October 13, 2011

The Honorable Michael D. Antonovich
Chairman, Board of Commissioners
First 5 LA
750 N. Alameda Street, Suite 300
Los Angeles, CA 90012

SUBJECT: Staff response to “Procedures Engagement Phase One Report” submitted by Harvey M. Rose Associates, LLC on July 12, 2011

Dear Mayor Antonovich:

First 5 LA staff respectfully submits to the Board of Commissioners the attached report in response to the “Procedures Engagement Phase One Report” of July 12, 2011. Staff has reviewed the report in great detail, identified all of the significant findings, comments and recommendations from Harvey M. Rose Associates and has prepared a response to each one. Findings, comments and responses have been numbered in order to ensure a response is prepared for each one.

My staff and I look forward to the Commissioners’ review of the responses and to continuing to work with our Commission to maximize the use of public funds for the benefit of children from prenatal to 5 years old throughout Los Angeles County.

Sincerely,

Evelyn V. Martinez
Chief Executive Officer

First 5 LA
Champions For Our Children

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A public entity.
EXECUTIVE SUMMARY

BACKGROUND

As an independent county Proposition 10 Commission, First 5 LA must be accountable for the appropriate use of public funds on behalf of children prenatal to age 5 and their families in Los Angeles County. To that end, First 5 LA undergoes a thorough financial audit by an outside auditing firm which, among other things, verifies First 5 LA’s fund balance on an annual basis as reported in the Comprehensive Annual Financial Report (CAFR). Annual independent audits have consistently found that First 5 LA accounting practices are in compliance with Generally Accepted Accounting Principles (GAAP) and the Governmental Accounting Standards Board (GASB). In fact, for three consecutive years beginning in 2008, First 5 LA’s financial reporting has been recognized with a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA).

Annual audits that have without exception found First 5 LA’s accounting practices in compliance with government standards and three GFOA awards notwithstanding, in February 2011, Los Angeles County Mayor Michael D. Antonovich recommended to First 5 LA’s Board of Commissioners that First 5 LA retain another “independent auditor” to conduct “a complete financial audit...which would include a determination of the total amount of Commission funds currently available, the amount that is legitimately and legally committed to be spent, as well as funds available for further spending.” Mayor Antonovich also recommended a “quarterly and independent verification of First 5 LA’s available funding” and how those funds were categorized. The Mayor also stated that an independent audit would assure that the Commission did not “cook the books.”

The Commission approved Mayor Antonovich’s recommendation that First 5 LA undergo a second and separate independent audit from the one conducted annually. Subsequently, the San Francisco-based firm of Harvey M. Rose, LLC was retained by the Ad Hoc Committee appointed by Mayor Antonovich (membership included the Chair, the Vice Chair, Jonathan Fielding, Legal Counsel, Craig Steele, LA County Auditor-Controller), to perform a two-part audit. This report is First 5 LA’s staff response to the first phase of the Rose firm audit.

DISCUSSION

The Rose firm submitted a “Procedures Engagement Phase One Report” dated July 12, 2011, to the First 5 LA Board of Commissioners for review in a closed session meeting on the subject of Chief Executive Officer Evelyn Martinez’s performance evaluation on July 14, 2011. An earlier draft of the Phase One report had previously been submitted to First 5 LA’s Finance Department staff for review and response and underwent a number of revisions based on clarifications and error corrections made by the consultant’s staff, although First 5 LA staff did not find that all previously erroneous information was corrected for the final Phase One Report (see point-by-point response at the end of this Executive Summary).
In reference to Mayor Antonovich’s stated purpose for the audit – to establish First 5 LA’s fund balance – the final Phase One audit included Table 3.4 that estimated a fund balance of $925,391,252, but noted that “these amounts have not been adjusted to account for variances and recommended adjustments” discussed elsewhere in the report. “Rather, the Board should rely upon the audited financial statements as of June 30, 2011.” In other words, the Rose firm concluded that the Commission should rely upon the financial statements submitted to the Board of Commissioners that are based on the regular annual audit.

Further, while the Rose firm failed to conduct “a complete financial audit” – as the Mayor had indicated was his purpose for seeking the audit’s authorization from First 5 LA’s Board – the Rose firm concluded that staff had provided Commissioners adequate financial data upon which to make decisions regarding how to invest its remaining funds should the state succeed in diverting half of First 5 LA’s June 30, 2010 fund balance. Specifically, the report concluded that “sufficient data and information is known about reserves and designations for the Commission to determine how to prioritize funding in the event that it must remit $424,388,705 to the State pursuant to Health and Safety Code Section 130158.”

In addition to the fact that the Rose firm found that staff had provided sufficient information to Commissioners, it is important to note that the audit uncovered no misappropriation of funds, no malfeasance, and no other acts of wrong-doing that may otherwise be classified as a “cooking of books.”

Nonetheless, the Rose firm report makes a number of findings and recommendations for the Commission’s consideration and staff recommends that the Commission assess each to determine how it wishes to receive financial data and conduct its business and grant-making operations in the future.

**Rose Firm Findings**

Staff identified the most significant Rose Firm audit findings in italics below, and respectfully submits the following responses for the Commission’s consideration in the Staff Response:

1. **Rose Firm Finding:** Many Board actions are not clearly documented in meeting minutes. As a result, staff can be left in the role of interpreting or deciding allocations and budget changes and possibly making expenditure decisions inconsistent with Board direction.

Staff Response: This finding appears to be accurate. However, staff believes that it is important to clarify whether Board actions “are not clearly documented in meeting minutes” (which are approved by the Board) because of incomplete or erroneous minutes, or, as is more likely, because of meeting management and procedural deficiencies. For an example of meeting management and procedural deficiencies, refer to the Summary Action Minutes from the June 9, 2011 Commission Meeting (Exhibit A), in particular Item No. 11, *Increasing Investment in Autism*. At times, for example, the Commission neither tables nor takes an official vote on agenda items. Therefore, staff recommends that any motion before the Commission for approval be restated clearly for the record and voted on in accordance with the Brown Act and
established parliamentary procedures as part of any Board action. In order to ensure that meeting minutes are complete and accurate, staff further recommends that the Board retain outside stenography services to record Commission meetings.

2. **Rose Firm Finding**: A review of staff information packets provided to the Board in advance of Board meetings and Board and Operations Committee meeting agendas and minutes showed that information provided to the Board regarding establishment of and changes to allocations, the Program and Operating Budgets and contract and grant agreements is inconsistent.

**Staff Response**: This finding is faulty in a number of areas, a significant reason being that the variety of documents reviewed by the Rose firm auditors and deemed to be “inconsistent” consisted of a small sampling that were assessed without regard to the full context in which they were created (often at the direction of Commissioners and, in the case of the Countywide Augmentation proposals, by Commissioners themselves). Furthermore, the finding seems to infer that the Commission’s common practice of delegating authority to the CEO to execute contracts is inconsistent with the requirement for Board approval of contracts, which staff does not believe is the case.

To be certain, staff supports the use of consistent materials for Commissioners’ consideration of allocations, budgets, contracts and grant agreements. But staff also believes it is obligated to follow directives given by the Commission and Board-established committees that are often intended to provide Commissioners with specialized information requested by Board members, as well as to streamline Commission operations and ensure that investments are made in a timely manner. This sometimes results in a lack of consistency in how documents are formatted and in the information presented to Commissioners. Indeed, in several instances during the period covered by the audit, First 5 LA’s Operations Committee directed Finance Department staff to present financial data to the Committee and to the full Board of Commissioners in varying formats related to First 5 LA’s fund balance, allocations and expenditures.

With regard to the types of documents that were deemed “inconsistent” in the finding above, staff respectfully notes the following:

- **Staff information packets (Board meetings)** – Unless otherwise directed by Commissioners, staff typically utilizes an “Action Memo” format in presenting information needed for Commission action. However, the Rose Firm findings with regard to “information packets” are based on information provided to Commissioners during a period in which Board members submitted their own proposals for Countywide Augmentation investments. Staff did suggest that Commissioner-crafted proposals be submitted on a proposed template to ensure greater uniformity and more complete information among proposals. However, in most cases, Commissioners declined to utilize the template provided by staff for a variety of reasons, including that some did not have sufficient resources to complete the proposed template.
• **Staff information packets (Operations Committee)** – Similarly, with regard to information provided to the Operations Committee during the period reviewed by the Rose firm – much of it financial data that Commissioners requested with regard to fund balances and various "buckets" created to categorize Commission allocations – staff acted at the direction of Committee members in formatting documents.

• **Contract and grant agreements** – The Rose firm noted that some contracts and grants were taken to the Commission for direct approval, while others were not. However, staff notes that Board directives determined what items were taken to the full Commission for approval and what was delegated to the CEO and staff to execute.

The two findings noted above represent what staff believe to be the most significant findings raised in the Phase One Report, in part because each appears to be at the root of other findings about "inconsistencies" and "lack of documentation" in meeting minutes or information packets, and "lack of procedural consistency in the use of spreadsheets and manual calculations to determine reserved... fund balance." Those related findings are addressed more specifically in the remainder of this report.

**Rose Firm Recommendations**

The Rose firm report generally recommends that the Commission establish or tighten procedures and put controls in place to ensure compliance in Commission contracting and financial reporting. The report proposes that staff be directed to provide a number of written policies outlining these procedures and controls. With the understanding and assumption that any organization has room to improve and grow, staff would be pleased to make recommendations for additional policies and procedures to the Commission and craft any policies and procedures requested by the Commission, including some of those specified in the following recommendation:

1. **Rose Firm Recommendation**: Direct management to prepare policies and procedures for Board approval requiring: (a) Board approval, by vote, of changes to existing allocations and the establishment of new allocations; (b) the submission of standardized financial information to the full Board in advance of proposed allocations changes, and, (c) a standard approach to recording and maintaining records of Board approval of changes to allocations. (Note that a similar recommendation was made with regard to the Operations Budget.)

**Staff Response**: Staff endorses the recommendation to provide policies and procedures for Board approval requiring recommendations "(a)" and "(c)" above. Board adoption and implementation of such practices would help clarify and document allocations and changes to allocations in a consistent manner. With regard to item "(b)," it is unclear what is meant by "standardized financial information" and therefore difficult for staff to assess the value of either the information referred to or the proposed policy. As for similar recommendations made with regard to the operating budget, staff agrees that the proposed procedure in item "(c)"
would be helpful in documenting changes to that budget, but potential benefits related to the other two recommendations are unclear.

The most significant recommendation made in the Phase One Report is for a quarterly, rather than an annual verification of the Commission's fund balance, which echoes the suggestion made by Mayor Antonovich for a “quarterly and independent verification of First 5 LA’s available funding,” although the Phase One Report does not recommend that the fund balance be verified by an “independent” entity. Recommendations related to quarterly fund balance are below, followed by a staff response.

2. **Rose Firm Recommendation:** Direct management to conduct formalized and methodical quarterly reconciliations and compilations for financial reporting purposes that account for timing differences and required adjustments to better reflect financial status.

3. **Rose Firm Recommendation:** Direct management to prepare and submit quarterly financial reports to the Board based on full reconciliations of agency accounts and expenditures, and reporting fund balance elements as reported in the agency’s audited Comprehensive Annual Financial Report (CAFR).

**Staff Response:** These two recommendations pertain to different kinds of quarterly close outs of First 5 LA's books and would in fact provide accountings of the organization’s fund balance. The first recommendation is referred to as a “soft close” which recognizes only material transactions in reconciling books. The second is a “hard close” which recognizes all transactions in the period they were earned (revenue) and/or incurred (expenditures).

It is not industry standard for government agencies or non-profits to conduct either of these reconciliations on a quarterly basis, and doing so would be especially impractical given First 5 LA’s business environment. Moreover, a hard close would prove extremely burdensome for grantees, which would be required to invoice First 5 LA within the quarterly period. Many and possibly most grantees are small community-based organizations which lack the administrative and fiscal resources to invoice within such a short timeframe.

Moreover, it is important to note that due to First 5 LA's invoicing/payment cycles, the lag time between Commission meetings, and other delaying factors, the fund balance established in either of the recommended quarterly close outs would be out-dated by multiple months by the time it was presented to the Commission. In addition, producing such statements would require additional staff resources as the Finance Department would be engaged in some aspect of a quarterly close out nearly all year round.

Given these considerations, staff would urge the Commission to seriously consider whether the value added of conducting quarterly verifications of First 5 LA’s fund balance is sufficient to require such a time and resource-consuming practice.
CONCLUSION & STAFF RECOMMENDATIONS

The remaining recommendations in the Rose firm's Phase One Report are either too vague for staff to comment on in this Executive Summary or appear to be burdensome to staff and/or grantees such that the value gained in implementing them is questionable. Staff would respectfully recommend that the Commission appoint an ad hoc committee to discuss all recommendations and assess their feasibility and desirability. In addition, staff respectfully submits to the Board of Commissioners additional recommendations below, most of which have been discussed in this Executive Summary.

First 5 LA Staff Recommendations

Meeting management/procedural

- Retain outside stenography services to record Commission meetings.
- Any motion before the Commission for approval must be restated clearly for the record and voted on in accordance with the Brown Act and established parliamentary procedures as part of any Commission consideration process.
- The Board of Commissioners should take no action on written motions that are distributed at Commission Meetings but have not been agendized unless one of the following conditions is met:
  - Upon a determination by a majority vote of the Commission that an emergency situation exists, as defined in Section 54956.5 of the Brown Act.
  - Upon a determination by a two-thirds vote of the members of the Commission present at the meeting, or, if less than two-thirds of the members are present, a unanimous vote of those members present, that there is a need to take immediate action and that the need for action came to the attention of the local agency subsequent to the agenda being posted as specified in Section 54954.2, subdivision (a) of the Brown Act.
  - The item was posted pursuant to Section 54954.2, subdivision (a) of the Brown Act for a prior meeting of the legislative body occurring not more than five calendar days prior to the date action is taken on the item, and at the prior meeting the item was continued to the meeting at which action is being taken.
- Designate a parliamentarian on the Commission to clarify motions and policy direction.

Policies & Procedures

- Direct management to prepare policies and procedures as indicated for items "(a)" and "(c)" in the first Rose firm recommendation (Rose Firm Recommendation #1) listed above with regard to allocations, and item "(c)" only with regard to the operating budget.
- Designate an ad hoc committee of Commissioners to review all other recommendations in both the Phase One Report and this staff response; provide direction to staff with regard to policies and procedures that could be recommended to the full Board of
Commissioners; and identify and recommend approval of adequate resources needed to implement desired policies and procedures.

- Document clearly in each motion under consideration the delegation of specific authority to the CEO to take action with regard to contracting and restate verbally before a vote.

The remainder of this report responds point-by-point to issues raised in the Rose firm's Phase One Report. A number of points discussed in the Phase One Report were repetitive. Therefore, for the record, staff has noted below where responses to several issues have been consolidated.

Staff has attached the annotated Phase One Report (Exhibit B), including comment/finding numbers which correspond to the point-by-point responses in this report.
COMMENT / FINDING 1.01

A review of staff information packets provided to the Board in advance of Board meetings and Board and Operations Committee meeting agendas and minutes showed that information provided to the Board regarding establishment of and changes to allocations, the Program and Operating Budgets and contract and grant agreements is inconsistent. Many Board actions are not clearly documented in meeting minutes. As a result, staff can be left in the role of interpreting or deciding allocations and budget changes and possibly making expenditure decisions inconsistent with Board direction.

A review of First 5 LA Commission documents from FY 2010-11 shows that First 5 LA staff has not established policies or protocols governing information to be provided to the First 5 LA Board of Commissioners (Board) in advance of or at its meetings for Board action items on fiscal matters. Further, a standardized approach to recording Board approval of changes in allocations and to the Agency's Program and Operating Budgets is not in place.

Direct management to adopt the use of standardized forms and templates so that all items requiring Board approval of new or modified funding for allocations, budgets or grants and agreements are clearly identified in agenda packets and clearly recorded in Board minutes for staff use.

RESPONSE

With regards to the establishment of and changes to allocations, motions for the establishment of allocations come from a number of sources including Commissioners, staff and members of the Board of Supervisors. When staff receives motions from Commissioners and Supervisors to be included in the Board meeting packets, staff has recommended the information be reformatted to be consistent with other Board materials or re-worded to provide clarification. Commissioners do not always adhere to staff's recommendation on how materials should be organized for the sake of consistency, and the materials typically remain as originally presented.

There is no standard for how and when changes in the allocations that are reported in the monthly financial reports occur. In reviewing monthly financial reporting in the past, some changes in allocations are driven by documented Board actions and other changes have been made by staff as necessary. Staff recognizes that this practice could be more transparent with an established protocol including the development of a standardized approach to documentation changes in allocations. New protocols will be established to address this issue.

Changes in the annual operating budgets have been communicated to the Commission either by formal action or by updates in the monthly Chief Executive Officer's report included in the Board meeting agendas. However, staff recognizes that changes in amounts from one month to the next in both the Operating and Programmatic Budgets could be more clearly documented in the monthly financial reports transmitted in the Board agenda packets.
It is important to point out that the approval of the FY 2010-11 Programmatic Budget in June 2010 governing annual expenditures for programs was a new process documented and approved as part of the Implementation Plan for the FY 2009-2015 Strategic Plan. While the FY 2004-2009 Strategic Plan provided broad allocations, as programs came to fruition further refinements to these broad allocations were approved. This approval process of refined allocations was not necessarily on an annual or cyclical basis. Prior to June 2010, the approval of an annual Programmatic Budget was not part of the budgeting process.

The Implementation Plan further discussed that the proposed annual budget process and implementation timeline was to provide the Commission with greater detail and discretion over implementation activities. As a result, critical policy and allocation decisions would be made with deeper and timelier information. This annual budgeting approach was to provide the Commission with a higher level of accountability in the allocation of resources, as well as greater flexibility and responsiveness to events as they unfolded both in the target communities and the County. This new zero-based budgeting platform was to provide the Commission with an annual planning process that would foster cross-departmental and agency-wide discussion and vetting of goals, allocations and performance-based measures.

The Commission, through various actions during FY 2010-11, deviated from the annual budgeting process adopted as part of the Implementation Plan and once again—as with prior Strategic Plans—approved multi-year allocations for a number of new programs that had not been previously contemplated in the FY 2009-2015 Strategic Plan. As a result, staff faces significant challenges with consistently and comprehensively planning, budgeting and accounting as well as with financial reporting for programs and activities that have different allocations and budgeting methodologies.

On September 8, 2011 the Commission approved a FY 2011-12 Programmatic Budget which provided greater detail for the annual spending plan than had been presented in prior years. Staff recommends that the Board of Commissioners forward the concern over the use of multiple budgeting methodologies to the Ad Hoc Executive Committee for further discussion and consideration of a single budgeting practice, which would reduce the challenges with consistent and comprehensive financial planning and reporting.

Inconsistent information regarding the approval of agreements and contracts is because it is generally an exception when the Board specifically requests that contracts return to them for approval. Typically, when staff requests that allocations or programmatic budgets be approved, requests for authorization to negotiate contracts and agreements necessary for implementation are included in the recommendation for Board approval.

The Board has never requested that financial information be provided for action items on fiscal matters in advance of, or at its meetings. If this is the Board’s desire, formal policies and protocols should be established. As part of these policies and protocols, the Board should articulate the format in which financial information should be presented and how far in advance Commissioners need the information in order to comfortably take action on fiscal matters.
The Board minutes accurately reflect what has occurred during the Board meetings. Unfortunately, final Board actions have not always been clear or definitive. Often, motions are amended during discussion and the final motion that is approved is not articulated by the Chair or legal counsel. As a result, staff recommends adherence to standard parliamentary procedures regarding the articulation of amended Commission motions and the use of standardized forms and templates so that all items requiring Board approval of new or modified funding for allocations, budgets or grants and agreements are clearly identified in agenda packets and clearly recorded in Board minutes for staff use.

COMMENT / FINDING 1.02

A review of minutes from Board meetings from July 1, 2010 through February 28, 2011 revealed that the Board clearly approved $127.5 million in new Fiscal Year 2010-11 allocations but that documentation of approval of $67.6 million in reductions to existing allocations was inconsistent, ranging from the approval of a formal motion for a change to one allocation to no record at all of Board approval for another allocation. Staff does produce monthly financial reports for the Board that incorporates the results of these changes but a standardized explanation of the changes is not presented with these reports.

Direct management to prepare policies and procedures for Board approval requiring: (a) Board approval, by vote, of changes to existing allocations and the establishment of new allocations; (b) the submission of standardized financial information to the full Board in advance of proposed allocation changes; and, (c) a standardized approach to recording and maintaining records of Board approval of changes to allocations.

RESPONSE

As indicated above, staff recognizes that changes in amounts from one month to the next in both the Operating and Programmatic Budgets could be more clearly documented in the monthly financial reports transmitted in the Board agenda packets. It should be noted that, per departmental policy, the statements are presented monthly to provide current financial data, as well as budget and expenditure data, on First 5 LA operations to the Board and to the public.

Staff supports the use of standardized forms and templates so that all items requiring Board approval of new or modified funding for allocations or budgets are clearly identified in agenda packets and clearly recorded in Board minutes for staff use. Staff is requesting that the Board articulate the format in which the financial information should be presented and how far in advance Commissioners would need the information in order to take action of fiscal matters.

COMMENT / FINDING 1.03

Neither the full Board nor the Operations Committee (a) receives information in a consistent, comprehensive format explaining changes to either budget that occur throughout the year; or (b) specifically approves changes to the Operating Budget that occur throughout the year. In FY 2010-11, the Operating Budget increased by approximately $5 million as of February 28, 2011 without
clear documentation of the reasons for the increase. Such changes are reflected in the Board-approved Monthly Financial Reports but without explanation.

Direct management to prepare policies and procedures for Board approval requiring: (a) Board approval, by vote, of mid-year line item changes in the First 5 LA Operating Budget in amounts greater than $25,000; (b) the submission of standardized comprehensive financial information to the Board in advance of Operating Budget line item changes in amounts greater than $25,000; and, (c) a standardized approach to recording and maintaining records of Board approval of changes in the Operating Budget.

RESPONSE

Changes in the annual operating budgets during the period covered by the first phase of the procedures engagement have been communicated to the Commission either by formal action or by updates in the monthly Chief Executive Officer's report included in the Board meeting agendas as follows:

Action: Implementation Plan for the FY 2009-2015 Strategic Plan
Action Date: June 10, 2010

Action: Building Improvements
Action Date: February 10, 2011

Update: Chief Executive Officer's Report
FY 2011-2012 Budget Mid-Year Review
School Readiness Initiative
Update Date: February 10, 2011

There is an approved policy by the Board of Commissioners adopted June 8, 2006 outlining Board approval by vote of mid-year line item changes in the First 5 LA operating budget in amounts greater than $25,000. The Board has delegated authority to the CEO to make changes to the Operation Budget involving less than $25,000.

COMMENT / FINDING 1.04

New contractor and grant agreements do not consistently undergo Board approval. The majority of grants and contracts are multi-year and renewal occurs under the supervision of First 5 LA staff. Agency records show 67 of the current grant agreements and contracts began after the FY 2010-11 Program Budget was approved in June 2010, but the Board did not approve all of these.

Direct management to prepare policies and procedures for Board approval outlining the Board approval process for new grant agreements and contracts with clearly designated annual dollar thresholds, even for multi-year agreements, and other characteristics triggering required Board approval.
RESPONSE

Typically, when staff requests that allocations or programmatic budgets be approved, staff also requests authorization to negotiate any contracts or agreements necessary for implementation. It is rare when the Board specifically requests that an agreement or contract return to them for approval. Recent examples of this include:

Action: Best Start Metro LA Communications Budget  
Action Date: June 11, 2009

Action: 211 LA County Performance-Based Contract  
Action Date: January 13, 2011

COMMENT / FINDING 2.01

The review found that program, contract compliance, and financial management controls over expenditures could use improvement.

RESPONSE

Since staff was not provided with the specifics of these findings, there is no way for staff to respond in detail. However, staff regularly reviews existing policies and procedures in these areas to ensure that they continue to provide appropriate financial and accounting controls and transparency of transactions.

COMMENT / FINDING 2.02

The transaction review showed that some grantees are spending in categories that do not match their approved grant agreement budget, or are submitting incomplete or inaccurate spending information. In cases where invoices and budgets differed, required paperwork authorizing the change was not on file with related documentation such as invoices, contract and grant agreements. Reporting associated with contractor invoices was inconsistent in terms of the level of detail included in both the contract’s budget document and in the invoice. Not all contract budgets specified level of services or materials to be provided, and even fewer invoices specified level of services or materials provided during the payment term. Non-grantee and contractor payments often lacked supporting documentation that identified initiatives or programs associated with the expenditures, making it difficult to determine if the expenditures support general First 5 LA activities and/or initiatives/programs.

Of the transactions reviewed, 49 percent of grantees and 21 percent of contractors in the sample did not submit their invoice within the required period, although First 5 LA provided payment for these invoices within the required period. Invoices that were not submitted on time were between one and four months late.

Finally, as with grantees, contractors are required to submit invoices by the 20th business day of each month for the previous month. The review of contractor transactions revealed that four of the
19 contractors in the sample, or 21 percent, did not submit their invoice within the required period. Invoices that were not submitted on time were between one and two months late.

RESPONSE

Since staff was not provided with the specifics as to which grantees had spending in categories that may not have matched their approved grant agreement budget, or are submitting incomplete or inaccurate spending information of these findings, staff is unable to respond in detail to this finding. However, the information staff could verify indicated that approvals for informal modifications were in place but not included in the Electronic Content Management (ECM) System. Rose staff gathered information from the ECM system but there were no follow-up conversations with First 5 LA staff requesting further information on the issue(s).

Given the fact that the Commission has engaged in a variety of different contracting and/or budgeting processes—e.g. performance-based, deliverables-based, and line-item budgeting—it is difficult to ensure consistency in documentation.

In addressing the issue of contractors being required to submit invoices by the 20th business day of each month for the previous month, it is important to note that many of First 5 LA’s grantees are small community-based organizations/non-profits that have very limited administrative infrastructures. The expectation that they will be able to meet the 20th business day of each month deadline for every invoice is unrealistic. Staff strives to be as accommodating as possible to ensure payment of late invoices since the priority is for services to continue to be provided to the children and families those organizations serve. There are no ramifications for submitting a late invoice other than the accompanying delay in payment to the contractor. Staff believes this flexibility is responsive to the business reality of working with the many small organizations with limited administrative capacity that nonetheless deliver the services First 5 LA financially supports.

COMMENT / FINDING 2.03

Direct management to report back on new procedures and controls in place to ensure that First 5 LA staff monitors grantees and contractors to ensure compliance with financial reporting policies which state that grantees and contractors must submit invoices that demonstrate spending in accordance with the line-item budgets approved in each contract or agreement.

RESPONSE

This recommendation would not be applicable to a number of First 5 LA contracts, specifically those that are performance and/or deliverable based. To implement this recommendation, the Commission would therefore need to revisit its practices regarding performance and deliverables based contracts.

COMMENT / FINDING 2.04

Implement a policy that requires that all contractors submit budgets and invoices that specify the units of goods or specific service to be provided during the contract term.
RESPONSE

This recommendation has implications for grantees, contractors, and First 5 LA. Staff recommends discussing the ramifications of implementation with the Ad Hoc Executive Committee.

COMMENT / FINDING 2.05

Implement a policy to ensure contractors consistently specify the initiative/program, or internal First 5 LA department associated with each invoice submitted.

RESPONSE

Staff will ensure that the invoice template includes a space for the contractor to indicate the appropriate initiative, program, or First 5 LA department.

COMMENT / FINDING 3.01

However, the accounting process for tracking and monitoring allocations, reserves and designations of fund balance has several weaknesses, including: (1) lack of procedural consistency in the use of spreadsheets and manual calculations to determine reserved and unreserved fund balance amounts; (2) lack of controls over allocation amounts; (3) lack of monthly reconciliations between amounts reported and financial records; and, (4) absence of written policies and procedures for agency financial processes.

Direct management to develop agency-specific written policies and procedures for (1) manual compilations of financial information, (2) allocations, reserves, and designations, and (3) quarterly reconciliations. Such policies and procedures should include adequate financial controls over the use of allocations.

RESPONSE

1) Procedural consistency is not lacking; however, procedures are now formally documented as a result of the adoption of the GASB 54 Policy.
2) There is not a lack of controls as the Board controls all allocations.
3) Monthly reconciliations are performed between amounts reported and financial records.
4) This is an extremely broad statement and more specifics would need to be provided. There are a number of written policies and procedures for agency financial processes.

The above responses to Items #1-4 notwithstanding, this directive to develop agency-specific written policies and procedures for (1) manual compilations of financial information, and (2) allocations, reserves, and designations, is complete as a result of the implementation of GASB 54 for the fiscal year ending June 30, 2011. A detailed discussion with the Ad Hoc Executive Committee regarding the implementation process thus far occurred on July 27, 2011. Further discussion is planned at the October 6, 2011, Ad Hoc Executive Committee meeting. The full Board of Commissioners will be briefed on the results of the implementation of GASB 54 during the October 13, 2011, Board meeting when the 2011 financial audit report is presented.
Staff would require further direction as to what type of quarterly reconciliation would serve the Commission’s purposes in a timely manner, taking into account both available staff resources and grantee administrative capacity (see also below).

**COMMENT / FINDING 3.02**

First 5 LA does not maintain an accounting month to month of fund balance and associated allocations, reserves and designations. Variances identified during reconciliation of accounts and transactions prevented our verifying reserves and fund balance components as of February 28, 2011. For example, reconciliations showed the remaining balance in eight allocations to be insufficient to cover total reserves for those programs/initiatives.

Direct management to report audited fund balance as of June 30, 2011 as soon as practicable to the Board.

Direct management to prepare and submit quarterly financial reports to the Board based on full reconciliations of agency accounts and expenditures, and reporting fund balance elements as reported in the agency’s audited Comprehensive Annual Financial Report (CAFR).

**RESPONSE**

It is accurate that First 5 LA does not maintain a month-to-month accounting of fund balance and associated allocations, reserves and designations. This would require that the Finance Department perform a “soft close” of the books every month which has never been requested by the Board of Commissioners nor is it a regular practice of public entities.

The finding that the remaining balance in eight allocations was insufficient to cover total reserves for those programs/initiatives is not accurate. Although this statement was addressed with the consultants and an explanation was provided by staff, the consultants failed to document staff’s explanation. Adequate allocations remain.

The audited financial report will be ready for the October 14, 2011 Board of Commissioners meeting. Staff has always provided the audited financial report to the Board at its regularly scheduled meeting in October each year in anticipation of transmission to the State by November 1 in accordance with state law.

To prepare the audited financial report ahead of schedule would require a significant increase in staff capacity. The accounting close-out process staff performs on an annual basis currently takes approximately 2 months and would then need to be conducted quarterly.

Furthermore, staff was not provided an explanation as to how the consultant’s calculations were arrived at and also was not given the opportunity to discuss any variances. Rose staff stated to First 5 LA staff that they did not take into consideration any other financial documentation transmitted to the Board of Commissioners over the last few months and only collected information from the Monthly Financial Reports. It has never been the intent of the Finance Department, nor, to staff’s knowledge, of the Board of Commissioners that the Monthly Financial
Reports were to be used for the purposes of determining actual reserves available at the end of any particular month. Staff is also aware that the Statement of Net Assets presented in the Monthly Financial Statements does not reflect the adjustments that would be necessary to reflect the true fund balance at that time.

A “soft close” would require a re-calculation of fund balance on a quarterly basis but would not include capturing all expenditures and revenue that could be attributed to the specific period of time. As stated above, a monthly “soft close” has never been requested by the Board of Commissioners nor is it a customary practice for public entities.

COMMENT / FINDING 3.03

Direct management to conduct formalized and methodical quarterly reconciliations and compilations for financial reporting purposes that account for timing differences and required adjustments to better reflect financial status.

RESPONSE

Compliance with this finding would require a “hard close” of the books very similar to the process staff conducts at the end of each fiscal year. This would take approximately two months to complete and additional staff resources would be required. The timeliness of information would be compromised because of the time required to prepare the quarterly statements as suggested above. Commissioners would not receive the information until three to four months after the close of each quarter.

COMMENT / FINDING 3.04

Direct management to present revised financial policies and procedures and financial controls to the Board for review and approval.

RESPONSE

Staff recommends that the Commission Chairman form an Ad Hoc Committee to review existing financial policies and procedures and financial controls and provide guidance to staff on revising existing policies or preparing new ones.

COMMENT / FINDING 4.01

The purpose of Phase One was to review and validate First 5 LA’s reserved and available funds, material changes in allocations, and to evaluate financial information reported to the Board of Commissioners.

RESPONSE

The consultant’s report indicated that staff had provided the Commission valid information on reserved and available funds and material changes in allocations.
COMMENT / FINDING 4.02

The overall objective of the project was to strengthen the criteria for defining and establishing reserves, the process by which reserve amounts are adjusted, and the reporting of such reserves to the First 5 LA Commission.

RESPONSE

The report provided some valid recommendations for strengthening the criteria for defining and establishing reserves, the process by which reserve amounts are adjusted, and the reporting of such reserves to the First 5 LA Commission.

COMMENT / FINDING 4.03

Finally, we obtained and reviewed key financial information prepared by First 5 LA staff for the First 5 LA Board of Commissioners in order to identify and make recommendations for any additional financial statements or reports that should be submitted.

RESPONSE

No response required.

COMMENT / FINDING 5.01

Information regarding changes in allocations provided to the Board by staff in advance of Commission meetings is inconsistent.

RESPONSE

A consistent format is provided in the monthly financial reports on allocations. Please see applicable responses above.

COMMENT / FINDING 5.02

Information about new allocations in the informational packets issued to the Board in advance of their meetings between March 1, 2010 and February 28, 2011 was also inconsistent.

RESPONSE

Inconsistency is a result of motions for the establishment of and changes to allocations coming from a number of sources including Commissioners, staff and members of the Board of Supervisors. When staff receives motions from Commissioners and Supervisors to be included in the Board meeting packets, staff has recommended the information be reformatted to be consistent with other Board materials or re-worded to provide clarification. Commissioners do not always adhere to staff's recommendation on how materials should be organized for the sake of consistency, and the materials typically remain as originally presented.
COMMENT / FINDING 5.03

Agendas and minutes from these meetings are not consistently provided to Board members and a formal structure for the Committee to report to the full Board is not in place.

RESPONSE

Board agendas and meeting minutes, in draft form, are provided to the Commissioners one week prior to the scheduled monthly Commission meeting. Commissioners are provided with two copies—an electronic copy transmitted via email and a hard copy that is mailed.

Per the direction of the Commission, only minutes from Committee meetings are provided in the FYI folder at each monthly Commission meeting. Not all Committees have standing monthly meetings. For example, the Ad Hoc Executive Committee (formerly the Operations Committee) met on “as needed” basis. As a result, there would be an extended period of time from when the Commissioners were provided with copies of the Committee minutes since copies are only provided.
### COMMENT / FINDING 5.04 – Exhibit 1.1

**Changes to Allocations: June 30, 2010 through February 28, 2011**

<table>
<thead>
<tr>
<th>Multiple Year Grants and Contracts</th>
<th>Total Allocation as of June 30, 2010</th>
<th>Total Allocation as of February 28, 2011</th>
<th>Changes in Allocation</th>
<th>Date of Change in Monthly Statements</th>
<th>Commission Packet Reference to Proposed Changes to Allocation</th>
<th>Commission Packet Details Proposed Changes to Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family, Friends and Neighbors</td>
<td>$3,600,000</td>
<td>$4,583,722</td>
<td>$983,722</td>
<td>July 31, 2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Workforce Development</td>
<td>11,400,000</td>
<td>6,547,029</td>
<td>(4,852,971)</td>
<td>July 31, 2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Family Literacy Expansion Grants</td>
<td>20,800,000</td>
<td>20,278,341</td>
<td>(521,659)</td>
<td>July 31, 2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Partnership for Families</td>
<td>50,000,000</td>
<td>53,413,279</td>
<td>3,413,279</td>
<td>July 31, 2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Altmayer Consulting</td>
<td>98,999</td>
<td>149,159</td>
<td>50,160</td>
<td>July 31, 2010</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>LA Best Babies Network (Healthy Births)</td>
<td>28,000,000</td>
<td>29,244,627</td>
<td>1,244,627</td>
<td>July 31, 2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>La Petite Academy</td>
<td>92,500</td>
<td>49,803</td>
<td>(42,697)</td>
<td>July 31, 2010</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>LAUP</td>
<td>580,000,000</td>
<td>580,000,000</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAA - LA County Charges</td>
<td>260,000</td>
<td>287,716</td>
<td>27,716</td>
<td>July 31, 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Education</td>
<td>10,258,768</td>
<td>10,258,768</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best Start LA</td>
<td>125,000,000</td>
<td>55,000,000</td>
<td>(70,000,000)</td>
<td>July 31, 2010</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>MRMIB</td>
<td>3,809,286</td>
<td>2,446,368</td>
<td>(1,362,918)</td>
<td>July 31, 2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oral Health Community Development (OHCD)</td>
<td>20,000,000</td>
<td>13,100,000</td>
<td>(6,900,000)</td>
<td>Jan 31, 2011</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Oral Health/Nutrition Expansion</td>
<td>10,000,000</td>
<td>16,900,000</td>
<td>6,900,000</td>
<td>Jan 31, 2011</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Technical Assistance Institute</td>
<td>612,500</td>
<td>450,058</td>
<td>(162,442)</td>
<td>July 31, 2010</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Black Infant Health</td>
<td>2,323,972</td>
<td>5,809,930</td>
<td>3,485,958</td>
<td>July 31, 2010</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Sub-Total Multiple Year Grants and Contracts</td>
<td>1,288,322,943</td>
<td>1,220,706,666</td>
<td>(67,616,277)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Countywide Investments</td>
<td>Total Allocation as of June 30, 2010</td>
<td>Total Allocation as of February 28, 2011</td>
<td>Changes in Allocation</td>
<td>Date of Change in Monthly Statements</td>
<td>Commission Packet Reference to Proposed Changes to Allocation</td>
<td>Commission Packet Details Proposed Changes to Allocation Amount</td>
</tr>
<tr>
<td>------------------------</td>
<td>-------------------------------------</td>
<td>------------------------------------------</td>
<td>-----------------------</td>
<td>--------------------------------------</td>
<td>---------------------------------------------------------------</td>
<td>---------------------------------------------------------------</td>
</tr>
<tr>
<td>East LA College Child Care Providers</td>
<td>1,057,952</td>
<td>1,057,952</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Tot Parks and Trails</td>
<td>10,000,000</td>
<td>10,000,000</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Infant Safe Sleeping</td>
<td>1,500,000</td>
<td>1,500,000</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Connecting Risk and Perinatal Service</td>
<td>200,000</td>
<td>200,000</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Data Partnership With Funders</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>ECE Workforce Consortium</td>
<td>37,079,667</td>
<td>37,079,667</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Peer Support Groups for Parents</td>
<td>2,200,000</td>
<td>2,200,000</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Substance Abuse Services</td>
<td>15,000,000</td>
<td>15,000,000</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Healthy Food Access Initiative</td>
<td>7,500,000</td>
<td>7,500,000</td>
<td>Dec 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>One Step Ahead</td>
<td>30,000,000</td>
<td>30,000,000</td>
<td>28 Feb 2011</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Workforce Development</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>Jul 31, 1010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Cal-Works 3 Funding</td>
<td>15,000,000</td>
<td>15,000,000</td>
<td>Oct 31, 2010</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Sub-Total Countywide Investments</td>
<td>52,617,750</td>
<td>180,155,369</td>
<td>127,537,619</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$1,340,940,693</td>
<td>$1,400,862,035</td>
<td>$89,921,342</td>
<td>✓</td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

COMMENT / FINDING 5.05

No easily accessible record provides a history of Board approval, making it difficult to review annual changes in allocations and to ensure staff is adhering to Board policy direction.

RESPONSE

An accessible record providing a history of Board approval, facilitating the review of annual changes in allocations and ensuring that staff is adhering to Board policy direction has been created by the Finance Department staff.
COMMENT / FINDING 5.06

The Fiscal Year 2010-11 First 5 LA Operating and Program budgets were approved by the Board during the June 10, 2010 Commission meeting. Prior to the meeting Board members received packets containing a detailed proposed $12.7 million Operating Budget. In contrast, members received very limited details regarding the proposed $162.9 million Program Budget. Whereas Monthly Financial Reports list expenditure amounts for all approved allocations, the Board packet with information addressing the proposed Program Budget had no specific annual budget information for multi-year grants and contracts that were not part of the new Countywide Investments allocations. With the exception of Los Angeles Universal Preschool (LAUP), the Table detailing the 2010-11 Program Budget listed all existing allocations as a single line-item categorized as “Prior Strategic Plan Investments” in the amount of $56.5 million for FY 2010-11. No additional information about the proposed annual spending for each of these 31 program/initiative allocations that fall under “Prior Strategic Plan Investments” was provided to Board members. Thus members had limited information available when making the Program Budget approval decision.

RESPONSE

A much more detailed Programmatic Budget for FY 2011-12 was presented and approved by the Board of Commissioners on September 8, 2011.

COMMENT / FINDING 5.07

All mid-year line item changes to the Fiscal Year 2010-11 Operating Budget identified in the Monthly Financial Reports were greater than $25,000.

RESPONSE

The above paragraph was not in the initial draft Phase One audit reviewed by Finance staff. As a result, staff did not have an opportunity to discuss with Rose firm staff. It appears to be an incorrect statement.

COMMENT / FINDING 5.08

Further, because the monthly statements include budgets only for one month, Board members cannot easily identify changes to the Operating Budget from one month to the next.

RESPONSE

Staff can provide more detail in the monthly financial reporting outlining changes from month to month.
COMMENT / FINDING 5.09

Exhibit 1.2: Changes to the Annual Operating Budget Total per Monthly Financial Reports: June 30, 2010 - February 28, 2011

<table>
<thead>
<tr>
<th>Monthly Financial Report Date</th>
<th>Total Budget</th>
<th>Change from Previous Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adopted 6/10/10</td>
<td>$12,709,972</td>
<td></td>
</tr>
<tr>
<td>7/31/10</td>
<td>12,651,511</td>
<td>($58,461)</td>
</tr>
<tr>
<td>8/31/10</td>
<td>12,651,511</td>
<td>0</td>
</tr>
<tr>
<td>9/30/10</td>
<td>15,408,647</td>
<td>$2,757,136</td>
</tr>
<tr>
<td>10/31/10</td>
<td>16,671,147</td>
<td>$1,262,500</td>
</tr>
<tr>
<td>11/30/10</td>
<td>16,671,147</td>
<td>0</td>
</tr>
<tr>
<td>12/31/10</td>
<td>16,642,003</td>
<td>($29,144)</td>
</tr>
<tr>
<td>1/31/11</td>
<td>17,685,821</td>
<td>$1,043,818</td>
</tr>
<tr>
<td>2/28/11</td>
<td>17,685,821</td>
<td>0</td>
</tr>
<tr>
<td>Cumulative Change</td>
<td></td>
<td>$4,975,849</td>
</tr>
</tbody>
</table>

RESPONSE

The following responses are provided as explanations for variances shown above in Exhibit 1.2 in the column labeled "Change from Previous Month":

7/31/10: This was an error in the summary pages of the adopted operations budget which was subsequently reported correctly.

9/30/10 Action: Implementation Plan for the FY 2009-2015 Strategic Plan
Documented Commission Action Date: June 10, 2010

1/31/11 Action: Building Improvements
Documented Commission Action Date: February 10, 2011

12/31/10: Error in accounting system that was subsequently corrected.

10/31/10 and 1/31/11:

Update: Chief Executive Officer’s Report
FY 2011-2012 Budget Mid-year Review
School Readiness Initiative
Update Date: February 10, 2011
COMMENT / FINDING 5.10

First 5 staff advised that these changes were addressed in information in Board packets distributed to members in advance of the June 10, 2010 and February 10, 2011 Board meetings. However, we did not locate the specific dollar amounts related to these changes in the Board packets, nor did the minutes from the corresponding Board meetings indicate that the Board specifically approved changes to the Operating Budgets in the amounts listed in Exhibit 1.2.

RESPONSE

Rose staff did not inquire about documentation of the above changes to the annual operating budget despite repeated conversations between them and Finance Department staff. Staff was not given the opportunity to explain the minor variances of $58,461 and $29,144 which are clarified above.

COMMENT / FINDING 5.11

The multi-year grant agreements and contracts reviewed as part of our transaction review (see Section 2) did not require re-approval by the Board, with the exception of the LAUP agreement, which requires that the Board review and approve the LAUP budget on an annual basis.

RESPONSE

Multi-year grant agreements such as Family Literacy and Healthy Births generally do not require annual approval from the Commission because approval was obtained at the beginning of the grant period. So, for example, if an initiative was approved for five years then at the beginning of that initiative the Commission would be asked to approve the grant for the entire length of the initiative.

COMMENT / FINDING 6.01

In all grantee invoices reviewed, individual expenditure amounts accurately added up to the total amount invoiced and corresponding payment issued by First 5 LA. However, in seven cases, the amounts invoiced in particularly expenditure categories were inconsistent with the amounts allowed in the Exhibit B budget. While the amounts invoiced did not exceed the total annual amount allowed for the year in each agreement, the amounts allowed for specific line items such as Personnel Costs, Materials and Expenses on invoices exceeded the amounts allowed in the Exhibit B budgets.

According to the standard grant agreement, which contains the same budgetary reporting requirements for all grantees, expenditures must be in accordance with the approved line item in the Exhibit B budget. Grantees may modify line items but must submit a Memorandum to First 5 LA staff if the modified line item is equal to or less than $5,000, or 10 percent of the original line item. If the modified line item is more than $5,000 or 10 percent of the original line item, the grantee must obtain approval of a Formal Budget Modification form. The required memoranda or Formal Budget Modification forms for these seven cases were not on file with other financial documentation.
such as invoices, contract and grant agreements. Although the total budget did not change as a result of these line item differences, insufficient or unavailable documentation for line item changes suggests that First 5 LA staff may not always be aware of changes in the intended use of First 5 LA funding, or that documentation of line-item changes to the approved budget is not obtained by staff and filed in a timely manner.

RESPONSE

Staff was not provided with the specifics as to which grantees may have had spending in categories that did not match their approved grant agreement budget or may have submitted incomplete or inaccurate spending information. However, staff believes that approvals for all informal modifications are in place but not entered yet in the Electronic Content Management System (ECM). The ECM system is where the auditors gathered their information but, again, HMR staff did not engage First 5 LA staff in conversations that could have provided further information on the issue(s).

COMMENT / FINDING 6.02

Finally, all grantees are required to submit invoices by the 20th business day of each month for the previous month. Twenty of the 41 grantees in the sample, or 49 percent, did not submit their invoice within the required period but were still paid. Invoices that were not submitted on time ranged from between one and four months late. This indicates that program staff overseeing grantees and Finance Department staff are not ensuring adherence to the invoice cutoff date.

RESPONSE

As noted above, in addressing the issue of contractors being required to submit invoices by the 20th business day of each month for the previous month, it is important to note that many of First 5 LA’s grantees are small community-based organizations/non-profits that have very limited administrative infrastructures. The expectation that they will be able to meet the deadline of the 20th business day of each month for every invoice is unrealistic. Staff strives to be as accommodating as possible to ensure payment of late invoices since the priority is for services to continue to be provided to the children and families those organizations serve. There are no ramifications for submitting a late invoice other than the accompanying delay in payment to the contractor. Staff believes that this flexibility is responsive to the business reality of working with the many small organizations that deliver the vital services that First 5 LA financially supports.

COMMENT / FINDING 6.03

As with grant agreements, First 5 LA practice calls for contractor expenditures to be in accordance with an approved line item budget included in each contractor’s agreement (the Exhibit B budget). However, of the 19 contractors for whom payments were reviewed in our sample, agreements for only 15 contractors included Exhibit B budgets that identified levels of service or supplies based on (a) hourly rates and number of hours of service designated, (b) units of service provided, or (c) units
of supplies provided. The other four agreements did not specify service levels or include a line item budget.

RESPONSE

Specific grant agreements were not shared with staff, however, it is likely that the four agreements could have been deliverables-based contracts in which the standard Exhibit B would not be applicable.

COMMENT / FINDING 6.04

However, with the exception of the MAA reimbursements, supporting documentation for these transactions did not identify which specific initiatives/programs were associated with the expenditures, making it difficult to understand how the money spent relates to First 5 LA budgeting or programming.

RESPONSE

The Commission could require contractors and staff to ensure that specific initiatives/programs are associated with the expenditures included on the supporting documentation if desired. It is not currently a requirement. This would affect contractors, grantees and staff and further evaluation of this comment would be necessary to determine whether there would be sufficient value added given the additional information being requested.

COMMENT / FINDING 6.05

Some grantees submitted invoices listing spending in budget line items that did not match the line item amounts approved in their grant agreement budget, or submitted incomplete or inaccurate spending information in their invoices. In cases where amounts in the invoice differed from amounts in the approved budget, documentation of the change, or approval of the change if above $5,000, was not found.

RESPONSE

Staff was not provided with the specifics as to which grantees had spending in categories that may not have matched their approved grant agreement budget or may have submitted incomplete or inaccurate spending information. However, the information staff could verify indicated that approvals for informal modifications were in place but not included in the Electronic Content Management System (ECM). Again, the auditors gathered information from the ECM System but chose not to engage staff in clarifying conversations that could have provided further information on the issue raised here.

COMMENT / FINDING 6.06

Reporting associated with contractor invoices was inconsistent in terms of the level of detail included in both agreement budget documents and invoices. Not all budgets in the agreements
specified level of service or supplies to be provided, and even fewer invoices specified level of services or supplies provided during the payment term.

RESPONSE

Levels of detail in reporting regarding contractor invoices differ based on whether the agreement is a deliverables-based or performance-based contract.

COMMENT / FINDING 7.01

To review and validate the First 5 LA accounting processes and procedures for compiling fund balance reserves, designations and unreserved amounts, we reviewed agency supporting documentation for the amounts presented in the Comprehensive Annual Financial Report (CAFR) as of June 30, 2010. Supporting documentation was a series of spreadsheets that were manually prepared, some of which were incomplete. Support was not provided reconciling reported expenditures with amounts recorded in the agency's accounting system.

RESPONSE

All spreadsheets provided to the consultants were complete and included the information needed to fulfill their intended purpose.

COMMENT / FINDING 7.02

In summary, the year-end process relied upon manual compilation of financial data and information derived from multiple sources, but which was not thoroughly documented in a comprehensive set of work papers that could be readily transmitted upon request by the project team.

RESPONSE

This has been resolved as a result of the implementation of GASB 54, which requires year-end financial data to be compiled in specific categories.

COMMENT / FINDING 7.03

In response to a proposal by the Governor of California to take away part of reserves from First 5 agencies in every county in California, First 5 LA staff prepared an estimate of the agency's reserves and fund balances for the Board, as of February 28, 2011. However, because of its highly manual accounting process, a full reconciliation of accounting records and compilation of fund balance as of February 28, 2011 consistent with reported fund balance as of June 30, 2010 could not be completed for the Board.
RESPONSE

The process could not be completed only because the information for a full reconciliation would have to come from grantees and contractors and, as with the year-end process, would have taken a number of weeks to collect.

COMMENT / FINDING 7.04

The Board was not presented a full accounting of allocations, expenditures, reserves, designations, and fund balances as of February 28, 2011.

Further, management presentation of fund balance to the Board as of February 28, 2011 did not present fund balance components consistent with the annual financial statement presentation.

RESPONSE

The process could not be completed only because the information for a full reconciliation would have to come from grantees and contractors and, as with the year-end process, would have taken a number of weeks to collect.

COMMENT / FINDING 7.05

Finance Department staff account for and report on all programmatic transactions as though they offset allocations even though there may not have been an established allocation for each expenditure or other transaction.

RESPONSE

Staff identified an established allocation for each expenditure or other transaction in question. It is unclear to staff why the Rose firm did not acknowledge this action and report it factually.

COMMENT / FINDING 7.06

Not all programmatic expenditures are necessarily required to be charged against an allocation, but there does have to be appropriation authority approved by the Board. This should occur during an annual budget process during which the Board also designates an annual updated appropriation for allocations, in addition to a designation for allocations for the duration of the current strategic plan.

RESPONSE

A programmatic budget for FY 2011-12 encompassing this recommendation was adopted on September 8, 2011.
COMMENT / FINDING 7.07

The Finance Department lacks a methodical and formalized approach to reconciliation that would ensure that transactions are classified correctly and identify errors or required adjustments in a timely manner.

RESPONSE

Additional resources would be required to comprehensively review every transaction that occurs to ensure correct classifications of all transactions. Further, the Finance Department relies on the other Departments to accurately and correctly code invoices for payment. Staff relies on a monthly general review of material transactions, but does not have the resources to double check all transactions, nor would staff recommend engaging in such a process. The annual independent audit also controls for incorrect expenditure classifications.

COMMENT / FINDING 7.08

The Finance Department notes that the implementation of GASB 54 in accordance with GAAP will greatly increase First 5 LA's documented policies and procedures, and reduce management's discretion, with regard to the classification of the agency's fund balance.

RESPONSE

GASB 54 has been implemented with the June 30, 2011 audited financial statements.

COMMENT / FINDING 7.09

The First 5 LA staff reported four financial measures to the Board that, together, amounted to a total fund balance as of February 28, 2011 of $925,391,252 (though the total fund balance amount was not included in the report). This fund balance is presented on cash basis, which is different than the modified accrual basis used in the presentation of the Comprehensive Annual Financial Report. Therefore, this amount is not comparable to the $848,777,410 fund balance reported as of 6/30/10 on a modified accrual basis.

RESPONSE

Staff concurs with this statement.

COMMENT / FINDING 7.10

Most governmental and quasi-governmental agencies do not prepare financial statements on a monthly basis due to the time requirements and the use of estimates and assumptions that are vetted during the year-end closing and auditing process. Thus, consistent with industry practice, the February 28, 2011 reporting of fund balance was neither intended to be comprehensive nor intended to be comparable with the year-end financial statements.

Page 21 of 26
RESPONSE

Staff concurs with this statement.

COMMENT / FINDING 7.11

Compilation of the reports from un-reconciled data and information from the accounting system and other financial documents further reduces their usefulness. Consistent with best practices in governmental accounting and reporting, the Finance Department should shift its resources from preparing monthly financial reports to preparing comprehensive quarterly reports after reconciliation of agency accounts as detailed above.

RESPONSE

Staff would look for guidance from the Commission on this issue.

COMMENT / FINDING 7.12

Discrete allocations have been established but have been merged for expenditure purposes. Thus, the allocations are not clearly defined and controlled. The Finance Department reports that negative variances are offset by positive balances in other allocations. For example, the 2-1-1 Line allocation in Exhibit 3.3 has a negative balance of $982,555. The Finance Department reports that under the new strategic plan, these activities and associated contract are funded by the Information Resource Referral allocation.

RESPONSE

Staff reports all expenditures associated with the correct allocations. The published finding is not consistent with the explanation of negative and positive variations that staff provided to the HMR auditors. It is unclear why HMR did not acknowledge that staff provided this information.

COMMENT / FINDING 7.13

Regarding Medi-Cal Administrative Activities (MAA), this funding is received from the Federal and State government to augment Medi-Cal and pay for associated administrative costs. All funding that is received is expended for program purposes, but the funding is not approved as an allocation by the Board. While the financial reports include an allocation of the portion of the funding paid to Los Angeles County, the allocation amount had not been updated for the current year in error resulting in an over-obligation of fund balance. Further, because there is no allocation related to the portion of funding paid to providers, total unexpended allocations are understated because this program is included. Consistent with other allocations and programs, the Board should review and authorize allocations for the MAA program in its entirety in order to track, monitor, control, and report on program activity.
RESPONSE

This program is a pass-through and the Commission has not historically approved allocations for pass-through dollars.

COMMENT / FINDING 7.14 – Exhibit 3.3

Fund Balance Reserves and Designations When Allocations are used as Controls, as of February 28, 2011

<table>
<thead>
<tr>
<th>Data Source</th>
<th>Monthly Financial Report</th>
<th>Agency Staff Calculation</th>
<th>HMR Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Allocation</td>
<td>YTD Actual</td>
<td>Cumulative Actual</td>
</tr>
<tr>
<td><strong>Multiple Year Programs, Initiatives, and Grants</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2-1-1 Line</td>
<td>$11,000,000</td>
<td>$831,706</td>
<td>$10,231,302</td>
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<tr>
<td>ARRA Funds TA</td>
<td>250,000</td>
<td>27,300</td>
<td>50,067</td>
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<tr>
<td>ARRA Matching</td>
<td>4,000,000</td>
<td>422,932</td>
<td>731,338</td>
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<tr>
<td>Best Start LA (P-3)</td>
<td>55,000,000</td>
<td>2,939,707</td>
<td>10,960,991</td>
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<tr>
<td>Black Infant Health</td>
<td>8,099,930</td>
<td>374,112</td>
<td>1,508,215</td>
</tr>
<tr>
<td>Children’s Planning Council - SP II</td>
<td>4,250,000</td>
<td>304,005</td>
<td>3,071,658</td>
</tr>
<tr>
<td>Community Opportunities Fund</td>
<td>13,500,000</td>
<td>1,250,933</td>
<td>4,815,277</td>
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<td>Conference Sponsorship</td>
<td>154,117</td>
<td>63,760</td>
<td>62,760</td>
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<td>Cross-Cutting Approaches (GM &amp;E)</td>
<td>5,317,165</td>
<td>25,487</td>
<td>2,186,126</td>
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<tr>
<td>Early Childhood Education (4 Yr Olds)</td>
<td>590,000,001</td>
<td>601,272,372</td>
<td>307,622,179</td>
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<tr>
<td>ECE - Family, Friends and Neighbors</td>
<td>4,583,722</td>
<td>580,887</td>
<td>3,984,005</td>
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<tr>
<td>ECE Workforce Development</td>
<td>6,647,024</td>
<td>846,272</td>
<td>4,350,285</td>
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<td>Family Literacy Expansion Grants</td>
<td>20,273,343</td>
<td>1,108,155</td>
<td>19,095,497</td>
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<td>Healthy Kids</td>
<td>100,000,000</td>
<td>3,310,475</td>
<td>14,147,450</td>
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<td>LA Best Babies Network (Healthy Births/Expansion)</td>
<td>29,244,827</td>
<td>1,816,847</td>
<td>26,737,307</td>
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<tr>
<td>La Petitie Academy</td>
<td>49,800</td>
<td>-</td>
<td>49,800</td>
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<td>MAA - LA County</td>
<td>287,716</td>
<td>18,831</td>
<td>306,677</td>
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<td>MAA - Participation Payment</td>
<td>-</td>
<td>240,406</td>
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<td>MRMIB</td>
<td>2,446,286</td>
<td>-</td>
<td>2,446,286</td>
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<td>Oral Health Community Development</td>
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<td>Oral Health/Novilis Expansion</td>
<td>16,500,000</td>
<td>357,335</td>
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<td>Performance Based Contract (Altmyer)</td>
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<td>Public Education (PA)</td>
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<td>8,933,669</td>
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<td>Research and Evaluation</td>
<td>35,000,000</td>
<td>1,218,917</td>
<td>12,443,723</td>
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<td>Research and Evaluation (Early Learning)</td>
<td>20,000,000</td>
<td>977,645</td>
<td>10,955,129</td>
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<td>Technical Assistance Institute (Strategic Plan)</td>
<td>450,058</td>
<td>45,242</td>
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<td>Implementation Planning Activities (Strategic Plan)</td>
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<td>Workforce Development</td>
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<td>702,500</td>
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<td>Cal-Works 3 Funding</td>
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<td>4,642,540</td>
<td>4,642,540</td>
</tr>
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<td>First 8 California Initiatives - School Readiness</td>
<td>230,516,553</td>
<td>11,695,674</td>
<td>201,313,651</td>
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<td>First 8 LA Operating Designations</td>
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<tr>
<td>PY 10/11 Operating</td>
<td>17,685,821</td>
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<td>8,186,879</td>
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<td>Operation Sustainability</td>
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<td>-</td>
<td>7,571,922</td>
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<tr>
<td>New Strategic Plan - Countywide Investments</td>
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<tr>
<td>Public Policy</td>
<td>2,000,000</td>
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<td>1,688</td>
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<tr>
<td>Public Education</td>
<td>1,500,000</td>
<td>-</td>
<td>1,500,000</td>
</tr>
<tr>
<td>Resource Mobilization</td>
<td>11,000,000</td>
<td>-</td>
<td>11,000,000</td>
</tr>
<tr>
<td>Workforce Development</td>
<td>3,000,000</td>
<td>-</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Data Systems Integration</td>
<td>200,000</td>
<td>-</td>
<td>200,000</td>
</tr>
<tr>
<td>Health Access</td>
<td>9,650,000</td>
<td>-</td>
<td>9,650,000</td>
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<td>Information Resource and Referral</td>
<td>3,195,183</td>
<td>-</td>
<td>3,195,183</td>
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<tr>
<td>Transition</td>
<td>5,100,000</td>
<td>26,144</td>
<td>26,144</td>
</tr>
</tbody>
</table>

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RESPONSE

There are adequate adopted allocations for all contractual obligations. This format (above) presented by the consultants has not correctly classified new allocations, specifically in the areas of 211 and Healthy Kids. Staff indicated to the Rose firm during their fieldwork where those new allocations were reported.

COMMENT / FINDING 7.15 - Exhibit 3.3 - Continued

<table>
<thead>
<tr>
<th>Data Source</th>
<th>Monthly Financial Report</th>
<th>Agency Staff Calculation</th>
<th>HMR Calculation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Allocation</td>
<td>YTD Actual</td>
<td>Cumulative Actual</td>
</tr>
<tr>
<td>New Strategic Plan - Place-Based investments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Partnership Development Process</td>
<td>10,303,500</td>
<td>156,266</td>
<td>158,317</td>
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<td>Community Capacity Building</td>
<td>3,545,000</td>
<td>107,387</td>
<td>107,387</td>
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<tr>
<td>Data Systems Integration</td>
<td>200,000</td>
<td></td>
<td>200,000</td>
</tr>
<tr>
<td>Public Education</td>
<td>1,500,000</td>
<td></td>
<td>1,500,000</td>
</tr>
<tr>
<td>Transition</td>
<td>1,700,000</td>
<td>34,225</td>
<td>34,225</td>
</tr>
<tr>
<td>Countywide Augmentation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consulting Services</td>
<td>33,721</td>
<td>33,721</td>
<td>33,721</td>
</tr>
<tr>
<td>Early LA College Child Care Providers</td>
<td>1,057,265</td>
<td>1,057,265</td>
<td>1,057,265</td>
</tr>
<tr>
<td>Tel Pairs and Trails</td>
<td>10,000,000</td>
<td></td>
<td>10,000,000</td>
</tr>
<tr>
<td>Infant Safe Sleeping</td>
<td>1,500,000</td>
<td></td>
<td>1,500,000</td>
</tr>
<tr>
<td>Connecting Aid and Perinatal Services</td>
<td>200,000</td>
<td></td>
<td>200,000</td>
</tr>
<tr>
<td>Data Partnership with Funders</td>
<td>5,000,000</td>
<td></td>
<td>5,000,000</td>
</tr>
<tr>
<td>ECE Workforce Consortium</td>
<td>37,079,647</td>
<td>37,079,647</td>
<td>37,079,647</td>
</tr>
<tr>
<td>Peer Support Groups for Parents</td>
<td>2,200,000</td>
<td></td>
<td>2,200,000</td>
</tr>
<tr>
<td>Substance Abuse Services</td>
<td>15,000,000</td>
<td></td>
<td>15,000,000</td>
</tr>
<tr>
<td>Healthy Food Access Initiative</td>
<td>7,500,000</td>
<td></td>
<td>7,500,000</td>
</tr>
<tr>
<td>Nutrition and Physical Activity Format</td>
<td>6,197,400</td>
<td></td>
<td>6,197,400</td>
</tr>
<tr>
<td>Nutrition and Reduce the Obesity Epidemic</td>
<td>35,000,000</td>
<td>35,000,000</td>
<td>35,000,000</td>
</tr>
<tr>
<td>Parent Child Interactive Therapy</td>
<td>20,000,000</td>
<td></td>
<td>20,000,000</td>
</tr>
<tr>
<td>Community Family Hub/ Family Literacy</td>
<td>13,100,000</td>
<td></td>
<td>13,100,000</td>
</tr>
<tr>
<td>One Step Ahead</td>
<td>30,000,000</td>
<td></td>
<td>30,000,000</td>
</tr>
<tr>
<td>Universal Assessment of Newborns</td>
<td>54,100,000</td>
<td></td>
<td>54,100,000</td>
</tr>
<tr>
<td>Totals</td>
<td>1,556,263,391</td>
<td>1,556,263,391</td>
<td>$ 759,218,169</td>
</tr>
</tbody>
</table>

RESPONSE

The expenditure of $46,533 that is reflected as an unbudgeted expenditure was a result of the Board's direction to hire consultants to review the Countywide Augmentation proposals submitted by Commissioners. The Board did not take action to allocate funds for these services.

COMMENT / FINDING 7.16

A number of variances were identified that pertain to reported expenditures. For example, for the Cal-Works 3 allocation, the Monthly Financial Report for February 28, 2011 reports a total remaining allocation balance of $10,357,460 due to a $4,642,540 expenditure in January 2011 while the February 28, 2011 Fund Balance Projections prepared by agency staff reported a total remaining reserve of $15,000,000. According to the Finance Department, the $4,642,540 is anticipated to be reimbursed from various grantees due to funding received subsequently from the State and, therefore, the expenditure was only a temporary bridge loan. While this issue is only a
timing difference, it is reported differently as of the same time period and has resulted in an error in the compilation of fund balance. While the reserve was increased by the $4,642,540 in the projection of fund balance, the transaction was not removed from the expenditure total. Thus, the total February 28, 2011 fund balance amount reported to the Board was understated by this amount.

Conversely, no FY 2010-11 expenditures are reported as of February 28, 2011 for Early Childhood Education (Los Angeles Universal Preschool or LAUP). LAUP receives advances throughout the year and, according to the Finance Department, expenditures against these advances are not reconciled and posted until year-end. As of December 31, 2011, these expenditures totaled $23,901,630. First 5 LA has not determined LAUP expenditures for January and February, 2011. Thus, expenditures have been understated, and the February 28, 2011 reserve amount and fund balance have been overstated by $23,901,630 plus two additional months of LAUP expenditures.

RESPONSE

The finding is accurate but at the time that the Phase One report was completed staff had yet to reconcile the quarterly advance as of December 31, 2010. It was completed shortly thereafter and the above discrepancies were reconciled.

COMMENT / FINDING 7.17

Exhibit 3.4: HMR Presentation of Fund Balance as Determined by Agency Staff, as of February 28, 2011

<table>
<thead>
<tr>
<th>Fund Balance</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserved for:</td>
<td></td>
</tr>
<tr>
<td>Encumbrances</td>
<td>$103,268,129</td>
</tr>
<tr>
<td>Obligations</td>
<td></td>
</tr>
<tr>
<td>First 5 California Initiatives</td>
<td>$29,202,918</td>
</tr>
<tr>
<td>Subtotal Reserves</td>
<td>$132,471,047</td>
</tr>
<tr>
<td>Unreserved, Designated for:</td>
<td></td>
</tr>
<tr>
<td>Operating Sustainability</td>
<td>$7,571,922</td>
</tr>
<tr>
<td>Operation Budget</td>
<td>$9,498,942</td>
</tr>
<tr>
<td>Local Initiatives</td>
<td>$647,503,231</td>
</tr>
<tr>
<td>Subtotal Designations</td>
<td>$664,574,145</td>
</tr>
<tr>
<td>Unreserved and Undesignated</td>
<td>$128,346,080</td>
</tr>
<tr>
<td><strong>Total Fund Balance</strong></td>
<td>$925,391,252</td>
</tr>
</tbody>
</table>

While this table has been compiled to present fund balance in a format similar to the annual financial statements, these amounts have not been adjusted to account for variances and recommended adjustments discussed above. Further, a more extensive reconciliation of agency accounts may identify additional required adjustments. Such adjustments individually and overall may have a material impact on each component of fund balance as well as the total estimated fund
balance of $925,391,252. Therefore, while these amounts may be used to gain a general understanding of the agency’s financial position as of February 28, 2011, these amounts should not be relied upon to take specific actions. Rather, the Board should rely upon the audited financial statements as of June 30, 2011. Beyond that, quarterly reconciliations should be conducted to allow for more reliable reporting of fund balance and its' key components: reserves; unreserved designations; and unreserved undesignated funds.

RESPONSE

Staff was not provided any information as to how the above totals were calculated; therefore it is difficult to determine the accuracy of the above statement with regard to the fund balance estimated by HMR. However, staff concurs with the recommendation that the Commission should “rely upon” the audited financial statements in determining fund balance.

COMMENT / FINDING 7.18

Pursuant to California Health and Safety Code Section 130158, First 5 LA is currently required to remit to the State 50 percent of total fund balance as of June 30, 2010. Based on an audited fund balance of $848,777,410, First 5 LA remittance in FY 2011-12 would be $424,388,705. As shown below, $792,920,205 is available to cover this cost, or the difference between estimated fund balance of $925,391,252 and reserves for encumbrances and First 5 California initiatives ($103,268,129 and $29,202,918, respectively).

RESPONSE

Staff was not provided any information as to how the above totals were calculated. Again, staff concurs with the recommendation to rely on the annual audited financial statements.

COMMENT / FINDING 7.19

| Undesignated, Unreserved Fund Balance | $128,346,060 |
| Designated for Operating Budget | $9,498,942 |
| Designated for Operating Sustainability | $7,571,922 |
| Designated for Local Initiatives: |
| - Old Strategic Plan/Multi-Year Programs and Other | $353,770,432 |
| - New Strategic Plan/Place-Based and Countywide | $50,844,363 |
| - Countywide Augmentation | $237,888,486 |
| Total Unreserved Fund Balance Available for Reallocation | $792,920,205 |

5 Governmental agencies do not typically designate fund balance generated in prior years for operating and administrative costs. Rather, these types of costs are typically paid for from current year revenues. Thus, such a designation is unnecessary.

RESPONSE

Staff was not provided any information as to how the above totals were calculated.
SUMMARY ACTION MINUTES

FIRST 5 LA

SUMMARY ACTION MINUTES
Commission Meeting
June 9, 2011

COMMISSIONERS PRESENT:
Commissioners:
Michael Antonovich [Chair]
Jane Boeckmann
Jonathan Fielding [Vice Chair]
Neal Kaufman
Alma Martinez
Marvin (Marv) Southard
Evangelina (Angie) Stockwell
Antronette Yancey

Ex-Officio Commissioners:
Duane Dennis
Deanne Tilton
Harriette Williams

STAFF PRESENT:
Evelyn V. Martinez, Chief Executive Officer
Yolanda Bosch, Chief Administrative Officer
Antonio Gallardo, Chief Program Officer
Tracey Hause, Director of Finance
Elizabeth Iida, Director of Program Development
Teresa Nuno, Director of Community Investments
Maria Romero, Executive Assistant

LEGAL COUNSEL:
Craig Steele, Attorney-at-Law

CALL TO ORDER / ROLL CALL:
1. Vice Chair Fielding called the meeting to order at 1:39 pm. Quorum was present.

COMMISSION: (Items 2 – 17)
2. Approval of Commission Meeting Minutes – Thursday, May 12, 2011

Commissioner Tilton submitted minor corrections to the minutes. The changes were not substantive.

M/S (Alma Martinez / Marv Southard)
APPROVED AS AMENDED

NOTE: The agenda items were discussed out of order. The following represents the order in which items were discussed during the meeting.

5. Chief Executive Officer’s Report

CEO Martinez submitted her report as presented. In addition, CEO Martinez provided the following verbal update.
Summary Action Minutes

- Assembly Proposition 10 Proposal: Both the State Assembly and Senate took action on the May Revise budget, with differing results. While the Senate approved the Governor's proposal with regard to Proposition 10, the Assembly passed an alternative proposal that puts First 5 County Commission funding of $500 million, back on the table for the 2011-2012 fiscal year.

The Assembly proposal, introduced by Assemblywoman Holly Mitchell, would rescind AB99, the law which directs Proposition 10 Commissions to surrender $1 billion to the State. However, this repeal would only be acted upon if County Commissions voluntarily gave $500 million to local programs that are no longer receiving State funding. The Assembly proposal also assumes that First 5 California would relinquish $50 million to the State Department of Developmental Services. A number of First 5 County Commissions have discussed the Assembly proposal and are fairly resolute that Commissions should respectfully reject the offer. Relying on Proposition 10 funding to fill a budget gap, even if given voluntarily, would amount to fund supplantation, which is one of the main arguments lawyers are using to challenge AB 99.

First 5 Association Director, Sherry Novick, will draft a letter for our joint signatures to the Assembly subcommittee chair, Assemblywoman Mitchell, expressing thanks to the subcommittee for its proposed compromise, but indicating the proposal would not be possible to implement at this late date in the budget process. She will emphasize that given the legal issues and actions County Commissions have already taken in response to AB 99, it would be unlikely that individual local County Commissions could respond to the proposal.

- Forgivable Loan – The idea of a forgivable loan was floated by one of the County Commission’s Executive Directors that would avoid supplantation, but would still be responsive to the Assembly proposal and would offer the State a forgivable loan that would direct $500 million, or an amount agreed upon by County Commissions, to a universal screening program for Medi-Cal children ages prenatal to five years. This idea was discussed but ultimately viewed by a majority of Executive Directors as not feasible, at least not at this time with a number of County Commissions in litigation with the State.

- Legislative Outreach - First 5 LA staff met with elected officials or their legislative directors during a visit to Sacramento this past month. The purpose of the meetings was to urge legislators to repeal AB 99 since the law has led to Commissions making painful cuts in order to be in compliance with the law even though the funds would not be used to close the budget gap. Staff met with Assemblywoman Julia Brownley of Santa Monica and wish staff from the following offices: Governor Jerry Brown, Senators Fran Pavley of Agoura Hills, and Ed Hernandez of Los Angeles, and Assemblymembers Bonnie Lowenthal of Long Beach, Mike Gatto of Burbank, and Bob Blumenfield of Van Nuys.

- Promise Neighborhoods - One of the bills First 5 LA is actively supporting is AB 1072 by Assemblymember Felipe Fuentes. This bill would create 40 “Promise Neighborhoods” in California, adding to the three communities within the State that have won federal pilot planning grants. Promise Neighborhoods is President Obama’s signature anti-poverty program that invests resources in high-need communities. This place-based program
reflects a growing interest in targeting and consolidating resources in economically distressed neighborhoods.

3. Approval of Monthly Financials – April, 2011

M/S  (Nancy Au / Marv Southard)
APPROVED AS RECOMMENDED

12. Approval of the GASB 54 Policy

Director Hause reported that in order for the Commission to be in conformance with generally accepted accounting standards, the Commission must report the fund balance consistent with Statement 54 of the Government Accounting Standards Board (GASB). Comprehensive Annual Financial Reports for fiscal years beginning after June 15, 2010 must report fund balances consistent with Statement 54.

The purpose of the GASB 54 Policy is to classify current fund balance categories in accordance with the new pronouncement. The proposed categories are (1) non-spendable fund balance; (2) restricted fund balance; (3) committed fund balance; (4) assigned fund balance; and, (5) unassigned fund balance.

Director Hause recommended adoption of the policy for the Commission to be in compliance. She also reported that the Executive Committee had previously reviewed the policy at their meeting of June 2, 2011 and recommended adoption by the full Board of Commissioners.

Commissioner Williams commented that the attack of the State Legislature on Commission funds has been related to the fund balance. In the Executive Committee’s review, she asked if reporting the fund balance in a different way would put the Commission in more jeopardy as the policy makes the fund balance more specific.

Legal Counsel Steele responded that adopting the GASB standard, which is required in order for the Commission to receive a clean audit, is not going to have an impact on AB 99. Furthermore, Legal Counsel Steele commented that AB 99 does not look at the classifications of the fund balances.

Commissioner Yancey asked what is the current criteria for taking action and reallocating funding. As she understood it, at the County-level, it required four votes. Vice Chair Fielding commented that GASB 54 was not related to the reference that Commissioner Yancey was making.

Commissioner Au commented that although it may not have an impact on AB 99, for her, as a Commissioner, this policy helps her to work out the fund balance in a more informed way. Prior to this, when the Commission was under scrutiny, it was very difficult to really identify what funds were committed. Commissioner Au commented that GASB 54 was helpful and lent itself for clearer articulation and clearer responses by the Commission when asked about unspent funds.

M/S  (Neal Kaufman / Nancy Au)
APPROVED AS RECOMMENDED

Prior to the introduction of this item by Director Hause, Vice Chair Fielding proposed new language under Section II – Goals of the Long-Term Financial Plan. The proposed new language stated that action to be taken by the Commission as set forth in this section will be taking place later this year based on the disposition of Item 6 of the current Commission Agenda.

M/S (Jonathan Fielding / Jane Boeckmann)
AMENDMENT WAS APPROVED AS RECOMMENDED

Director Hause reported that the Commission has historically approved the Long-Term Financial Plan in June of every year for the following ensuing year. There is uncertainty with the resources available, and since the time of the report, things have changed.

Director Hause recommended adoption of the Long-Term Financial Plan, recognizing the uncertainty of the amount of revenue available with the current State budget and the Commission's actions on further allocations. She also stated the Long-Term Financial Plan could be amended during the year, dependent upon the actions to be taken over the next few months.

Vice Chair Fielding commented the Commission was required to have a Long-Term Financial Plan that could be changed at any given point by the Commission. The recommendation complies with the annual requirement.

Director Hause reported that the Ad Hoc Executive Committee has reviewed the document and recommends approval.

Vice Chair Fielding commented that the action to be taken was more administrative in nature and could be amended at any point.

Commissioner Yancey commented that the worst case scenario was assumed when the Long-Term Financial Plan was developed. She said that if the challenge to AB 99 was not successful, then next year's revenue ($100 million) would be withheld the following year until the Commission paid out whatever amount required by the State.

Vice Chair Fielding commented that the action being taken did not change anything pertaining to the fund balance and lawsuit.

Legal Counsel Steele commented that the Long-Term Financial Plan provided a snapshot of the Commission's financial position. There is a statutory requirement to do this approval within the timeline being proposed. He reiterated that the Long-Term Financial Plan could be changed based on subsequent events.

M/S (Nancy Au / Alma Martinez)
APPROVED AS AMENDED
15. UPDATE: Countywide Augmentation – Data Partnership with Funders Project

During the Special Commissioner Workshop, held on November 15, 2010, the Commission approved the County-wide Augment proposal introduced by Commissioner Kaufman. The proposal was the Data Partnership with Funders Project and was approved for $5 million over a five year period.

Director Jimenez reported that upon the approval of the County-wide Augmentation Projects, he felt a sense of urgency to start thinking about how to build the partnership and how to have discussions around this partnership; and how to divide the funding among the buckets. Staff has been actively involved in coordination meetings and discussions around this project. The sense of urgency was that staff felt they could potentially be some information that staff could produce to be helpful in the context of the discussions currently taking place.

Director Jimenez reported on the process that has been engaged. There have been several meetings and conversations have taken place on what the Data Partnership would look like, how it might be composed, the kind of membership needed, and the focus. As the meetings were convened, it was realized that the Data Partnership could do something to help the decision-making of not only the Commission but also of other agencies in Los Angeles County. In the spirit of one of the elements of the Data Partnership, the Rapid Response Research, it was determined that, perhaps, there were some Rapid Response Research action items that could be done as a partnership right away. As a result, two critical areas were identified—(1) child care; (2) maternal and child health access. The latter area would support women who are pregnant and want to produce good birth outcome.

The Data Partnership brought collective resources together and thought about the implication of the State budget. If there was a specific reduction, this group could look at the implications resulting from the reduction. Two different discussion groups were coordinated to address the possible implications of the funding cuts and how this might reflect upon Los Angeles County.

Director Jimenez shared a couple of maps with the Commissioners that demonstrated the significant change in child care capacity among the communities and the capacity of child care seats per 100 children, ages prenatal to four years in Los Angeles County.

In closing, Director Jimenez reported that the Data Partnership has created momentum where the membership is vesting its time and efforts without spending any funds from the allocation. He also committed himself to providing handouts to the Commissioners after the meeting.

Commissioner Stockwell asked if the educational institutions were going to be included in the training to be provided through the Data Partnership. Director Jimenez clarified that education institutions were going to be included.

Vice Chair Fielding commented that the $5 million allocation was a significant amount and mentioned that the Data Partnership should not feel obligated to spend it all. He asked what had been the cost of the analyses that were acquired. Director Jimenez commented that the analyses were all efforts that individuals voluntarily produced. There was existing
data and the meetings that were held to discuss maternal child health were coordinated by members of the team at no cost. The only expenditure has been the hiring of a consultant to provide facilitation. At this point, what has been used of the allocation has been extremely small.

Vice Chair Fielding praised the Data Partnership for its cost-effectiveness and hoped that this would continue.

Director Jimenez also commented that one of the top priorities of the Data Partnership was the leveraging of funds. He felt that the relationship with other funders would help expand and sustain the Data Partnership through their knowledge and resources.

Vice Chair Fielding commented that it was important to see how the Data Partnership was bearing fruit and its low cost. He stated that the work of the Data Partnership would help in making informed decisions at the local level.

Commissioner Yancey asked to what extent the assessment included elements of healthy food choices and increasing physical activity in child care centers. In terms of gathering data, she asked if the Commission would be assessing the extent to which child care centers are adhering to those guidelines.

Director Jimenez responded that one of the things that the Department of Research & Evaluation is working separate from this project is how child care centers are moving toward a standard rating. Through the Office of Child Care and the Commission’s work with the STEP Project, one of the areas of concern and of great interest is to what extent can the quality rating involve nutritional and physical activity elements. This is something that Director Jimenez would like to very much integrate into the work moving forward. A lot of the individuals within Los Angeles County are in tune with this more than some of the individuals outside the County. He said that he was not sure if this had resonated at the State level as much as at the local level.

Commissioner Stockwell commented that educational institutions are great at data gathering. However, the big flaw comes on the application and utilization of data to make real changes like in the school’s instruction. She asked if anything regarding the application and utilization of data had been included in the Data Partnership.

Director Jimenez commented that the Data Partnership was working on how to take all the data that has been collected, has been underutilized or not used at all, and be brought into the context of the prenatal to five year old population. The next step is to talk about what are the implications for policy and programs. This is the educational piece of the Data Partnership.

Commissioner Dennis commented that the degree to which the Commission can make informed decisions was very important. First 5 LA cannot work in a vacuum and must be aware of what is going on in the external world. The preliminary charts shared with the Commissioners reflect this. He felt the Commission had the responsibility of supporting the areas where gaps will be formed due to State and federal cuts.

Commissioner Kaufman commended Director Jimenez for the Logic Model that had been developed but felt that it did not emphasize enough the effort of the Data Partnership in
making sure that data was used in policy decisions. He suggested that “strengthening data use and need” should be moved to the activities and outcomes sections to emphasize the importance of data. He asked that the Data Partnership help the Commission to show how the data is used and what policy change it can bring about.

Vice Chair Fielding thanked Director Jimenez for an excellent and useful presentation.

14. Role and Structure of the Program & Planning Committee

Commissioner Kaufman commented that in thinking about the Program & Planning Committee, he wanted to present to his fellow Commissioners his view of how it would function. The Committee has five members. The meetings must be public and comply with the Brown Act. As Commissioner Kaufman understood it, any Commissioner could attend the meetings as well as the public. Any Commissioner could speak as they chose to speak. If there is a particular vote that has to happen, such as the Committee making a recommendation to the full Board of Commissioners, only the five members of the Committee are eligible to vote. In order to have a vote, it is presumed that three out of the five Committee members must be present at the meeting. Commissioner Kaufman also stated that the Committee meetings could also be scheduled as a full Commission Meeting with all voting members being eligible to vote.

Commissioner Kaufman commented that the Program & Planning Committee would meet monthly and would be a forum for staff to seek guidance on a particular strategic question or activity. Occasionally, the Committee would also set up ad hoc subcommittees that are time limited, have set goals or objectives, with membership being composed of Commissioners, staff and members of the public. The assumption behind setting up ad hoc subcommittees is for such committees to make suggestions to the full Commission on specific topics; for example, looking more closely at place-based strategies.

Commissioner Southard asked if the agenda for the Program & Planning Committee would be set by the Committee or the Commission. Commissioner Kaufman stated that the agenda would be set by the Committee. Commissioner Southard commented that one of the problems that may happen in a venue such as this one, was that the Committee’s agenda could end up being different or more specialized than the Commission as a whole. He wanted to make sure that there was a way of sorting these kinds of issues. Commissioner Southard said that he wanted to avoid “subcommittee circles” when addressing issues so that this would not become a venue for “continuous re-dos.”

Using realignment as an example, Commissioner Southard commented that the Program & Planning Committee could look at the effects of realignment and analyze how this affects the Commission’s programs. The ad hoc subcommittees could focus on different components with all information then being shared with the Program & Planning Committee who would then bring a recommendation forward to the Commission. Commissioner Southard suggested that in an effort to eliminate continuous re-dos, that the Program & Planning Committee not take up an issue that has not been approved by the Commission.

Commissioner Kaufman was in agreement with Commissioner Southard’s suggestion about how the Committee’s charge would be delegated by the full Commission for more discussion specific to an issue.
Commissioner Williams offered clarifying language on the appointment of members to a subcommittee. She suggested that subcommittee members should be appointed by the Chair of the Program & Planning Committee.

Commissioner Kaufman stated that he was making the assumption that an ad hoc subcommittee would have a limited number of members, no more than three Commissioners (who do not have to be a member of the Program & Planning Committee), staff as appropriate, and members of the public.

Commissioner Martinez asked if the meetings of the Program & Planning Committee would take the place of the strategic planning meetings that were previously scheduled. Commissioner Kaufman responded in the affirmative and stated that ad hoc subcommittees would only be created as appropriate.

Commissioner Martinez further asked if the practice of having working groups would no longer apply. Vice Chair Fielding commented that the Commission Chair could still appoint working groups.

Commissioner Martinez then asked how Commissioners who were non-members would be notified of the Program & Planning Committee meetings. Commissioner Kaufman responded that Commissioners will be notified by email and the agendas would be posted on the website 72 hours in advance per the Brown Act guidelines.

Commissioner Au asked for distinction. She stated that the Committee was subject to the Brown Act because it had five Commissioners appointed to it. Since the Committee was not going to take action, she wanted to know if this Committee would have the same requirement of having all agenda items posted one or two weeks before. Commissioner Au asked if items could be added to the agenda at the time of the Committee meeting because things do happen.

Legal Counsel Steele commented that the agenda requirement is 72 hours in advance. The Commission receives a meeting packet earlier than the 72 hours.

Commissioner Au pressed and asked that since no action was to be taken by the Committee, why could agenda items not be added when the Committee met.

Legal Counsel Steele responded that the action part of an agenda did not make a difference whether an item was going to be discussed, deliberated or presented.

Commissioner Kaufman commented that there would be a standing agenda item for updates. The real reason for letting the public know about the meetings was for transparency. If there was an issue of interest to the public, then the public should be at the Committee meeting.

Commissioner Au asked how requests made by the public during Public Comment would be handled. Commissioner Kaufman commented that the Committee could take into consideration the public's request and asked that it be placed on the agenda of a future Committee meeting or on the Commission agenda, as appropriate.
SUMMARY ACTION MINUTES

Legal Counsel Steele commented that the Program & Planning Committee could decide to place the public's request on a future agenda or give direction to staff, even if the item does not appear on the agenda. If the issue is of importance, the Committee could ask that such issue be placed on the next Commission agenda.

Commissioner Dennis said that the very nature of public comment is that there is no control over it. Even during the Commission meetings, someone can come to the microphone during Public Comment and the Commission cannot address an issue just because it was not on the agenda.

Commissioner Stockwell asked for clarification on the Commissioners who were eligible to serve on ad hoc subcommittee. Commissioner Kaufman responded that all Commissioners were eligible to serve on an ad hoc subcommittee, not just those Commissioners on the Program & Planning Committee.

Commissioner Tilton asked if subcommittee membership would be limited to two or three Commissioners so as not to get into Brown Act issues. Commissioner Kaufman responded in the affirmative.

Commissioner Tilton asked if Commissioner participation in the subcommittee needed to be in person. Commissioner Kaufman responded that participation could also be via conference call.


Director Nuno commented that the presentation by staff was in response to the request for a progress update on the oral health and nutrition project. As requested by Mayor Antonovich’s motion in February, the activities being reported also reflect an update that was provided to the Commission in March with regard to plans of disbursing some RFPs for direct services as well as capital improvements and other leveraging activities to enhance oral health and nutrition services across the County. Several strategic partnerships have been established on oral health and nutrition. Director Nuno reminded Commissioners that this effort did require collaboration across the entire organization.

Staff presented an overview of the activities that have taken place highlighting the strategic partnerships that have been established with The Children's Clinic in Long Beach and South Bay Children's Health Center. Potential future strategic partnerships include the Western University of Health Sciences and LA CARE Health Plan. These four strategic partnerships are expected to expend $2.6 million over a three year period.

Staff are also in the process of developing several RFPs with different outcomes—(1) aiming to strengthen the dental safety net in Los Angeles County through capacity building, policy change, and leveraging of funds related to oral health provisions in the Patient Protection and Affordable Care Act (ACA); (2) supporting direct services by funding a broad partnership that will include up to 12 community clinics; and, (3) support the expansion and enhancement of the medical safety net by establishing new dental access points.
SUMMARY ACTION MINUTES

Staff also reported that the Oral health Ad Hoc Committee was convened. Members of the Committee were selected based on their expertise of working on early childhood oral health issues.

Commissioner Martinez asked what was the policy with respect to treating the other family members of children who were within the prenatal to five year old population. Staff responded that the Commission would fund programs that provided services for the prenatal to five year old population and did not make policy as to who could receive services.

Commissioner Martinez commented that part of policy change was to change the whole dynamic with respect to education and early screenings. If there is a child who is four years old with two siblings that are nine and 10 years old, were these siblings excluded?

Staff responded that although programs are only funded if they serve the prenatal to five year old population, capacity is being built by the providers; therefore, providing educational services to the entire family. Direct services funded by the Commission are only for the prenatal to five year old population.

Regarding the funding of dental clinics, Commissioner Martinez asked if new sites were included. Staff responded that it did.

Commissioner Martinez asked when in June would the RFPs be released. She was concerned about the moving timeline. CEO Martinez commented that the RFP would be released by June 30, 2011.

Commissioner Au asked why there seemed to be hesitation regarding the date for releasing the RFP. She asked if there was something that needed to be addressed so that staff could be more definitive as to when the RFP could be issued.

Director Nuno commented that staff has been prepared and the RFP will be released in June. Perhaps some of the hesitation is simply that the RFP has been on hold due to the discussions around the budget considerations. It is her understanding that the Commission is moving forward in June.

Vice Chair Fielding commented that there was $17.8 million in total and asked for the period of time in which this funding was going to be disbursed. Staff responded that the RFPs covered a three-year period.

Vice Chair Fielding asked what was being done about the issue of sustainability. Staff responded that the RFP related to capacity building will help providers look for sustainable options because many of the innovative practices will be funded through the Patient Care and Protection Act of health care reform. Regarding other strategic partnerships, the partners have helped support program funding as well as infrastructure changes that will either help improve operations or allow for the provision of services in a different way resulting in long term sustainable practice change.

Commissioner Kaufman requested more specificity on the number of children served, per child charge and the type of service received. This information should be provided at a later time, perhaps when the contract comes back to the Commission for approval.
Director Nuno commented that this information would be provided at the next scheduled update to the Commission. Based on the last update, approximately 80,000 children had received services.

Commissioner Au also requested that staff provide information on unmet need in those communities that are getting funding for direct services. This would be helpful information to the Commission.

Commissioner Williams asked for clarification on why OBGYN clinics were being included in the oral health activities. Staff responded that the connection was for OBGYN clinics to refer pregnant women to dental clinics.

Commissioner Dennis inquired if there were other models that took into consideration hard to reach populations. He further inquired if there was some type of mobility service that could go to clinics and provide services. Staff responded that there is consideration for this type of direct service through the RFP that focuses on capacity building.

Commissioner Dennis asked that staff work with entities that represent child care programs such as HeadStart and preschool where children can easily be reached.

Vice Chair Fielding thanked staff for an excellent progress report and was glad to hear that the RFP would be released at the end of the month. He stated this was the type of progress that the Commission hopes to see with all initiatives.

6. Motion to Continue Discussion and Action on Allocations of Remaining Commissioner Funds Within Each of the Five Approved Funding Strategies

Commissioner Au commented that during the CEO Report, it was said that there would be an opportunity for the Commission to get an update on the status of the lawsuit. She asked for the update as the uncertainty created by the Commission’s funding status has created some problems in terms of the staff being able to move forward in many of the projects that have been authorized by the Commission.

Legal Counsel Steele reported that the First 5 Commission for the County of Los Angeles joined a number of other counties in filing a lawsuit challenging the validity of AB 89. The lawsuit was filed in the Los Angeles Superior Court in May and served the Governor, Attorney General and State Controller. The other County Commissions, approximately a dozen, have filed similar lawsuits.

The Attorney General’s first response to the lawsuit was consolidating the cases in Orange County. A motion was made to consolidate Orange County and Riverside County challenges before the judge in Orange County. The motion was denied and advised that these two counties go through a different process to try to bring all the lawsuits together. Subsequent to this hearing, all of the County Commission lawyers came together and agreed that all of the cases would be consolidated in Fresno County. The Fresno County and the Central California County Commission cases were the first ones to be filed. These County Commissions moved very quickly, had already a hearing date scheduled, and were very happy with the judge that was drawn to hear the case. At first the Attorney General did not want to agree to that consolidation. The Attorney General did not want to be in
Fresno County but once the motion in Orange County was lost, they became more agreeable to consolidating the cases.

As a matter of strategy, based on the judge assigned to the case, Fresno would be a good place to be because of their advanced state in the case. In addition, the Fifth District Court of Appeals where Fresno County is located and where the case would go, if it ever went on appeal, is considered to be a very conservative panel and deferential to voters' decisions. This is also the panel from which the recently appointed Chief Justice of the Supreme Court was taken from. This is a good form of pedigree for a lawsuit that could reach the Supreme Court. All of the County Commissions signed a stipulation to have the case litigated in Fresno County. A court appearance took place on Monday and Legal Counsel Steele is confident that the judge will approve the stipulation and take consolidation of case. A hearing will be held in the summer with a decision forthcoming by the end of the summer. This is a good timeline considering it would have been well into the fall for a court appearance based on Los Angeles County cases.

The agreement between the Counties is that the lawyers for Fresno County and Los Angeles County will take the lead in legal issues briefs, the merits of the case and the motive of AB 99. The other Counties will file factual briefs that are going to be shorter and focus on the effect of AB 99 in each one of their counties. The court will have the full view of the legal issues as well as the practical impact of AB 99. The Attorney General's position seems to be lax with no real rush to resolve this issue as AB 99 takes effect July, 2012. The County Commissions will continue to press for an earlier resolution as AB 99 will impact programs and people receiving services.

Based on the stats of the lawsuit, Legal Counsel Steele requested that the Commission continue its discussion of the budget related allocations until after the hearing is held. Not knowing what the results of the litigation will be, it will be difficult for the Commission to make a fully informed decision on what the allocations are going to be going forward. Legal Counsel Steele would also like to present to the court an accurate picture of the Commission waiting to decide what to do with $450 million until a decision is rendered by the judge.

Commissioner Au commented that there seems to be some hesitation to move forward on many of the projects that have been added. In the context of strengthening the Commission's position, if the Commission was to present to the judge the fact that a number of RFPs have been released and also demonstrate that the Commission is in the process of entering into contracts, would this help to make the point that it is imperative that a decision be made quickly.

Legal Counsel Steele commented that the incremental help of adding facts is going to be any more or less effective. Legal Counsel Steele said that the strategic plan will be used to let the judge know what is dependent upon having a decision made. The meeting minutes reflecting the Commission's action of not adopting an allocation plan going forward pending the judge's decision will also be presented. This should be a sufficient level of urgency to present. All of the other County Commissions will be doing the same.

Commissioner Au commented that she was engaging in this type of conversation because she wanted to communicate to the staff that they should be moving forward while being fiscally responsible.
CEO Martinez clarified that she has directed staff to move forward with all the research, issue RFPs and RFQs up to the point of not signing any contracts until it is known what is the financial situation is. Staff has not been idle waiting for a decision to be made. There is a timeline that must be adhered to, unless different direction is given to staff by the Commission.

Commissioner Au stated that the directive to the staff is that they proceed forward as if there has been no reduction to the allocation and act accordingly. If there is any question regarding allocations, the response is to move forward with what has been approved as of the present time.

CEO Martinez commented that if there was an RFP or an RFQ that required an amount, the last agreed funding amount up to the strategic plan amount would be used with an explanation that based on the current budget situation, the numbers could change. It is challenging to release an RFP/RFQ that makes sense and have the right number of responses and potential grantees or contractors.

Vice Chair Fielding commented that staff had direction on how to proceed but with respect to clarity on some of the allocations, there needs to be a discussion once the judge’s decision is rendered.

CEO Martinez commented that there seems to be confusion as to which funding source is being used for projects. The funding source for the oral health activities is from the prior strategic plan and is not impacted by the current hold on the County-wide augmentation projects pending the outcome of the lawsuit.

Commissioner Martinez reiterated that the oral health program was passed and supported many years ago and has not moved forward. She commented that this particular program should not be jeopardized even if the $424 million is taken away.

Vice Chair Fielding was in agreement and stated that funding for this project was from the prior strategic plan and was never on the table for reduction.

Commissioner Stockwell expressed concern over making certain commitments in November, particularly the ECE Consortium, where the partners are still waiting for contracts to be executed. She was concerned about the timing of these types of programs.

CEO Martinez clarified that Workforce Development was part of the original strategic plan and was not part of the County-wide augmentation. What will be part of the bucket allocation discussion are the County-wide augmentation projects and the place-based strategy, whether there will be the $848 million fund balance or whether it will be less. The systems changes, public education, policy issues and community mobilization were part of the original plan. CEO Martinez commented that further clarification was needed for these components.

Vice Chair Fielding commented that everything was on the table for potential cuts and believed that nothing was exempted.
Vice Chair Fielding asked Legal Counsel Steele when it would be reasonable to expect a decision from the Fresno County court. Legal Counsel Steele commented that it would be late summer pending the approval of the court schedule.

Vice Chair Fielding suggested that the Commission would be better off waiting a couple of months to have the discussion on bucket allocations.

Commissioner Dennis said that part of what has been done over the last six months, in reduction type frenzy, is not to spend money. His concern is that there has not been an aggressive implementation plan for spending. Now, the Commission is going to wait another two months, leading to eight months of not spending anything. At the same time, there are new initiatives that are being voted on. There seems to be a level of insanity that really needs to be set straight. The Commission really needs to be clear on its position because the Commission continues to fund previously funded as well as new programs, then delays funding, yet the Commission is not broke. Commissioner Dennis stated this was not good public policy, not a good practice, and politically, it does not show well for when cuts are being done at the State and County levels. Waiting another two months before moving forward with spending is not the path that this Commission should take.

Commissioner Williams concurred with Commissioner Dennis. She asked why new programs are being funded when the period for introducing new programs was during the County-wide augmentation process. She said that the Commission needed to quit doing this and go back to where the Commission was prior to placing funding on hold.

Commissioner Dennis commented that the strategy of being stagnant now with regard to funding is not a good policy taking into consideration the need in Los Angeles County. Having a large sum of unspent funds is what got the Commission in trouble with the State. The fund balance being too high is not a good political practice at this particular time.

Commissioner Martinez asked if all the RFPs for the County-wide augmentation would be in alignment over the next three months. CEO Martinez clarified that this was not correct. Staff has been working on RFPs up until the point in which contracts need to be awarded.

Vice Chair Fielding asked what was the cycle time for the augmentation contracts. In other words, is it likely that most of these contracts would be ready by September for execution. CEO Martinez commented that it was dependent upon the stage that the County-wide augmentation project was at. There were 22 original proposals. A couple of the proposals could be consolidated. The only County-wide proposal that had an executed contract prior to the funding freeze was the $1.5 million allocated for the Funders' Partnership. No contracts have been issued.

CEO Martinez clarified that no money has been spent on the countywide augmentation proposals, but the work that has been done on them is internal to staff. The only funding that has been expended was for those projects under the place-based strategy up until June 30, 2011 that had been previously approved.

Commissioner Martinez commented that saying that the Commission has not spent money is incorrect. The Commission has not had the opportunity to do this. She further stated that she would be the first one to move forward with spending money if the Commission
was at a point where RFPs were released, finalists had been selected, and the only pending thing would the execution of a contract.

Vice Chair Fielding asked when the RFPs would be ready for release of the County-wide augmentation projects.

CPO Gallardo commented that it was important to clarify that this matter refers only to those projects that are subject to solicitations. There are projects that will move forward with exceptions or strategic partnerships. This can happen within the next two weeks but are being held until the “green light” is given. There is a RFQ for ECE Workforce, a project with ELAC (East Los Angeles College), and a project with CFS which are all very specific. The approval is pending.

Commissioner Stockwell asked for clarification on what is meant by approval. CPO Gallardo responded that it was dependent upon Commission action to move forward.

Vice Chair Fielding asked if there were no constraints, what would be the timeline for the County-wide augmentation projects. CPO Gallardo commented that some projects are ready to be issued by the end June or July.

Vice Chair Fielding clarified that if the RFPs and RFQs to be released in June or July, they will not be ready for contract status until September, after going through the process. CPO Gallardo reiterated that there are some projects that were ready to go.

Commissioner Martinez asked what projects were ready and what were the amounts of each project. CPO Gallardo reported that the projects were the ECE Consortium ($37 million), ELAC ($1,057,000), physical activity ($6 million), nutrition and reduction of obesity ($35 million), One Step Ahead Initiative ($18 million), and substance abuse services ($15 million).

Commissioner Dennis commented that the obesity project could move forward. This is an important issue, especially among the African-American community.

Commissioner Martinez asked who was receiving the $6 million for physical activity. Director Elizabeth Iida responded that the $6 million would be award through a strategic partnership with the Department of Public Health.

Vice Chair Fielding commented that two issues were being confused—what can move ahead and what contracts or MOUs could be signed now. He asked for clarification.

Commissioner Dennis stated that those projects that were ready to go were those projects that involved strategic partnerships as there is no requirement of a competitive bid.

CAO Bosch commented that there still needed to be a negotiation with a strategic partner to ensure that they can do the work, that there is a scope of work and a budget.

Commissioner Dennis commented that staff cannot do these things until the Commission grants them approval to move forward with these types of things.
Commissioner Martinez commented that these projects should not be on hold and should move forward. CEO Martinez clarified that this was not possible as a specific amount was required for the negotiation of the scope of work and budget.

Commissioner Martinez commented that the State has decided that contracts entered before the cuts are made are null and void. She felt that these contracts should not be any different and should move ahead.

CEO Martinez commented that there was a 30-day cancellation clause in the First 5 LA contracts but felt this was not the proper way to treat strategic partners and grantees. Commissioner Martinez stated that the partners could also choose not to participate.

Commissioner Au asked at what mindset does the Commission move from at this juncture in time. It seems that there is so much up in the air and all of this is creating an unintentional stoppage in the Commission's ability to move forward. As Commissioners, staff must be provided with clarity—at this point in time, the Commission will move forward with the notion that it is all in tact, as there are strategic partnerships that are waiting for contracts to be executed, there are RFPs that are waiting or about to be launched. Until the Commission hears more definitively, then at that time the Commission can come back with different direction.

Vice Chair Fielding stated the issue was how to prudently and fairly go through all of the different buckets. Initially, the Program & Planning Committee was to make a recommendation to the Commission; however, this was not done as it seemed that the Commission was going to get a decision from the court fairly quickly.

Commissioner Au commented that the so-called bucket allocation discussion was cancelled and the message was sent that it would be a wasteful activity because there was a level of confidence that the lawsuit would prevail. She urged Commissioners to move forward with the provision that if the Commission needs to deal with reduction, then it should be dealt with when it happens.

Commissioner Kaufman said he was quite ambivalent to the discussion. Going forward, he imagined negotiating contracts to go as quickly as possible given standard practices, assuming the Commission has the money. He suggested a reasonable approach would be to take some proportion of the total allocation toward a particular project line item and have this be the working number—something like 70 percent for example. It is easier to increase an allocation than to decrease it, especially if the $424 million is not taken away by the State.

Commissioner Southard commented that a simple way needed to be decided; otherwise, the Commission could not move any faster than it would have anyway. He suggested that staff continue with negotiations at the full allocation with the recognition that the final signature will not take place until the lawsuit is resolved. This should be made known up front; so, if and when the Commission has the money, the process continues rather than beginning the process at that point.

Commissioner Kaufman commented that if the 70 percent approach was taken, then this would be a realistic number to consider given the pending cuts of approximately 28 percent across all buckets, and staff could negotiate scope of work at that minimum level.
SUMMARY ACTION MINUTES

Commissioner Southard stressed that there should be a process that staff can implement within a timeline. Sometimes, in an effort to be quick, the Commission slows down the process.

Commissioner Tilton commented that she completely agreed with Commissioner Southard. One of the problems is that people do believe the Commission has come to a halt and there is no expectation for RFPs and RFQs to be released. She believes that the Commission should move forward as though it was going at 100 percent with the understanding that there may be cuts. Each of the projects is different and to try to do an across the board percentage does not take into account the amount of money that is going out and who can actually be hired or what could be implemented. The Commission should not be worried about something that has not happened. The direction should be to move forward assuming that there is 100 percent funding.

Commissioner Yancey commented that it did not make a lot sense to not move forward given the need of the communities and the money just sitting in the bank.

Commissioner Williams commented that the penalty for not returning $424 million to the State was $100 million. She said one of the things that could be done was ignore the State and pay the $100 million penalty as it was a lot less than the $424 million.

Commissioner Kaufman asked Legal Counsel Steele that if the Commission chose to take this approach, could staff be given direction without the Commission taking a vote or was this a policy decision and a vote was then required.

Legal Counsel Steele commented that staff could be given direction since the bucket discussion is on the agenda although it was being continued.

Commissioner Kaufman commented that theoretically staff could be given direction to go through the allocations that have been approved as it if there were no concern, just as the Commission would have done so normally.

Commissioner Yancey commented that the other point to make was that the allocations in question are for a period of several years. With budgets being approved on a year-to-year basis, there is enough funding for the first year with the opportunity of adjustments, if necessary, in future years.

Vice Chair Fielding commented that there seemed to be a consensus of wanting to move ahead at the amounts that have been approved with the understanding and explicit proviso in the contracts that allocations may have to be reduced based on what happens as a result of the court case.

Commissioner Southard asked if the Commission wanted the final commitment to come back to the Commission for review and discussion prior to being made. The Commission does not want to stop the negotiation process but does want approval of final allocation pending the outcome of the lawsuit.
SUMMARY ACTION MINUTES

Commissioner Yancey suggested having only those projects with a significant allocation come back for final approval. With the smaller projects of $100,000, delegated authority could be given to the CEO.

Commissioner Williams asked if this meant the approval of the signing of the final documents or would it mean looking at the funding itself.

Vice Chair Fielding commented that it would only be for approval of the signing of the final documents. It would behoove the Commission to take a look at projects once again as in all fairness, staff have been given general direction on some instances and very specific direction in other instances.

Commissioner Kaufman stated this is the normal process for the Commission. CEO Martinez clarified that the normal process would have been to present a programmatic budget in June. She said that staff could come back in July with a programmatic budget for approval; otherwise no determination can be made on what can be spent. Once the programmatic budget has been approved, then strategic partnerships can be negotiated and RFPs/RFQs can be released.

Vice Chair Fielding commented that his understanding of the discussion was that staff would recommend a programmatic budget for approval that was reflective of today’s action.

Commissioner Kaufman thought that the way CEO Martinez explained the process was very logical.

CEO Martinez commented that once the programmatic budget was approved, staff could be authorized, as usual, to negotiate contracts based on the approval granted. This would eliminate the extra step of coming back to get approval because it already has been given.

Commissioner Au asked that this question be taken up again for discussion when the programmatic budget is presented in July. In the context of approving the programmatic budget, the Commission can then make a decision regarding authorization to move forward with completing contracts.

Vice Chair Fielding suggested that the programmatic budget be presented in July and based on the already approved amounts, they may be some contracts that are ready to move forward. These contracts would already have been negotiated and which are then up for final approval. The RFP process can also begin for other projects pending the approval.

Vice Chair Fielding stated that it was the consensus of the Commission to ask staff to go ahead with previously approved projects, bring back the program budget in July and any contracts that are ready at that point for final approval by the Commission as well as to move ahead on RFPs and other strategic partnerships for projects previously authorized.

M/S (Jonathan Fielding / Neal Kaufman) 
APPROVED AS AMENDED

Note: Mayor Antonovich arrives and assumes chairing of the meeting.
4. Announcements by the Commission Chair

Mayor Antonovich announced that a Policy Roundtable was scheduled on Tuesday, June 21st. The focus would be sugary beverages as well as the preview of the Policy Brief being released by the Commission on this topic.

During the February Commission Meeting, the Commission approved the need for an outside financial audit to independently verify the obligated reserves and the fund balance. The auditors have spoken to various staff and thank them for their cooperation. The results of Phase I are anticipated by the end of the month.

Last month, Legal Counsel Steele had been asked to distribute the evaluation materials for the annual CEO evaluation with a return deadline of June 3rd. Under the newly adopted bylaws, participation of Commissioners on the Executive Committee is expanded through the ad hoc committee structure. Under the leadership of Vice Chair Fielding, Mayor Antonovich appointed Commissioners Neal Kaufman, Marv Southard and Jane Bockmann to the Ad Hoc Evaluation Subcommittee for the CEO to compile the evaluation results based on the agreed upon process, in preparation for an Executive Session which will be held prior to the regular Commission Meeting on July 14, 2011.

8. Approval of $2.9 Million to Fund the Cal-Learn Program For One Year for High Risk Parent Teens

On May 17, 2011, the Los Angeles County Board of Supervisors requested in a resolution that the First 5 LA Commission consider bridge funding for the Cal-Learn Program. This is an urgency item. As a Commission, there has been discussion about creating a bucket for emergencies and this program would fit in that bucket. There is good evidence-based research to support the work that has been happening with Cal-Learn.

On March 24, 2011, the Governor signed SB 72 which cut $6 billion to health and human services State-wide. As a result, funding for the Cal-Learn Program was suspended. Cal-Learn is a County-wide program that deals with teens. In general, the population served by this program is at high risk because they are teens having to deal with pregnancies and parenting. There is an even more high risk population within that group of young women. This population is comprised of individuals who are dealing with risk factors such as homelessness, problems with substance abuse, domestic violence, mental health and involvement with gang activities and law enforcement. This is an enormously vulnerable community.

The State budget has eliminated this critical program that deals with teens and is very intense in its case management for the purpose of making sure they do not drop out of high school, get either their high school diploma or GED, and prenatal care. Data shows that teens in the Cal-Learn Program graduate with high school diplomas and GEDs and significantly have higher survival rates and successfully get off welfare programs. The Cal-Learn Program is a component of the CalWORKs Program. Case managers are the "moms and dads" who guide youth in the right direction and hold them accountable. The current Cal-Learn Program is dealing with the most troubled teens. All of these teens generally have children under the age of five years. The bridge funding from First 5 LA will sustain
the program for high-risk teens. There are current 3,256 participants in the program and
the bridge funding will support 1,304 teens.

Supervisor Molina and Mayor Antonovich introduced a motion requesting First 5 LA to
consider bridge funding for one year. Coincidentally, this program was first introduced by
Supervisor Molina when she was in the State Assembly. Providing bridge funding for this
program would also send a message to the State about the local efforts to fund programs
that it is cutting.

M/S (Alma Martinez / Michael Antonovich)
APPROVED AS AMENDED

Note: The discussion was combined for Agenda Items 9 and 10.

9. Approval of Motion Extending Funding for the School Readiness Initiative (SRI) Grantees

10. Approval of Motion Extending Funding for the School Readiness Initiative (SRI) Grantees

Mayor Antonovich commented that the two motions before the Commission extend funding
for the School Readiness Initiative (SRI) which were filed independently by Commissioners
Yancey and Au. This was done following the unfortunate failure of the motion by
Commissioner Kaufman last month. The School Readiness Initiative is an eight-year
partnership between First 5 California, First 5 LA and the 42 agencies County-wide,
including 20 agencies within the Best Start Communities and 22 agencies outside. The 42
contracts will terminate in three weeks on June 30, 2011 for no other reason than First 5
California no longer being a financial participant.

Commissioner Au commented that Commissioner Yancey and she had a prior conversation.
Commissioner Yancey is willing to fold her motion into Commissioner Au's motion as one.

As a result of this informal agreement, Commissioner Yancey's motion was tabled.

M/S (Antronette Yancey / Michael Antonovich)
WITH NO FURTHER DISCUSSION, THE MOTION WAS SO ORDERED

Commissioner Yancey requested that the italicized language on page 63 of the meeting
packet which begins with “I, therefore, also move...” within Commissioner Au’s motion be
tabled until the discussion on bucket allocations takes place in September.

Commissioner Au was in agreement with Commissioner Yancey’s request. She also added
that such language had been included as a courtesy to Commissioner Kaufman.

Commissioner Southard introduced an amendment to Commissioner Yancey’s motion
which had the intention of doing what Commissioner Au was trying to do. To him, the
important thing is that the Commission was trying to accomplish something in continuing
the School Readiness Programs but not confuse those issues with the issues that are related
to the approach for the proper implementation of the place-based services. These are two
separate issues.
Commissioner Southard’s amendment focuses specifically on what the Commission would like to do in support of bridge funding for the School Readiness programs and does not get into policy matters with regard to implementation of the place-based strategy. The amendment was Commissioner Southard’s attempt for bridge funding.

Commissioner Kaufman asked for clarification on the amount of bridge funding being proposed by Commissioner Au. In her motion, the total funding request was approximately $16 million. Commissioner Au commented that she meant this funding to be for one year and wanted to be focused on retaining the SRI’s parent engagement piece. The $400,000 allocation per grantee was a number that she came up with as a result of talking with a number of SRI’s. This is what it will take for them to retain and continue the two components—parent engagement and transitional kindergarten.

Commissioner Kaufman stated that a $400,000 allocation would be a significant cut to some SRI grantees as well as a significant increase to others.

Commissioner Kaufman asked if it would be simpler from a staff perspective to say that the ceiling is whatever the SRI grantee got last year (the 35 percent allocation made by First 5 LA). The $6.8 million constituted full funding for those agencies within the area. This is the upper limit.

Commissioner Au asked if those providers that have larger populations they are working with, be able to continue doing this with that kind of limitation because of the loss of the State funding.

Vice Chair Fielding said that he was back to the point of last month where there was a motion which basically provides 35 percent of funding from First 5 LA and not the 50 percent funding from the State. He was not in favor of increasing funding beyond 35 percent. Vice Chair Fielding commented that he was in favor of a motion with a 35 percent level of funding, if in fact, it is limited to one year.

Commissioner Au commented that she could appreciate such a comment. Yet, on the other hand, she was coming from a position that she had been at when wanting to capitalize on community capacity that has been invested in and has been already created as the Commission moves forward with Best Start Communities and initiatives. Commissioner Au commented that the Commission is running into a danger of allowing the funding to erode some of that capacity. Therefore, the Commission would no longer have the ability to capitalize on that capacity.

Referencing Commissioner Yancey’s proposal, the focus was on those SRI programs within the Best Start Communities. Commissioner Au stated that her vision of Best Start went beyond the 14 targeted communities. This is the vision that the Commission operated from when the new strategic plan was created. The 14 communities were going to be the starting point that based on the data and understanding of those communities, they were most challenged. Ultimately, Best Start was going to become a County-wide focus and a mechanism would be in place to have Best Communities not only in Best Start Central Long Beach, but Best Start in all of Long Beach for example. Commissioner Au said this was her thrust in doing this.
SUMMARY ACTION MINUTES

While $16 million may sound like a large amount of money, but given what has been invested and allocated for universal assessment and other projects, this is still a reasonable investment to make. The investment also speaks to the notion that Best Start is not just for 14 communities. Best Start is a County-wide effort of the Commission.

Commissioner Dennis commented that he did not disagree with Commissioner Au but was unsure if he agreed. The point is that one of the things these SRI sites will have to do is to regroup and rethink. They will go from 65 percent to 35 percent of funding. Prior to allocating more money to a grantee, the Commission needs to see what they are going to do as they revamp and restructure the existing programs. Commissioner Dennis recommended having grantees try to figure the 35 percent level of funding and then revisit next year this issue.

Commissioner Martinez commented there was some spirited conversation at the May Commission Meeting where the focus was that outcomes, deliverables and evidence based data for some of the star initiatives were not the same. Commissioner Martinez's expressed concern about giving back the money for a six-month period followed by a RFP with the new version of SRI and the releasing more funding with such varied outcomes within the collaboration.

Commissioner Au commented that the reason why she resurrected this motion again was that when Director Jimenez spoke quite eloquently about all the SRI projects, one thread that ran through all of the SRIs was that they had a very effective or required a parent engagement piece and required a transition piece to kindergarten. In all of these projects, Director Jimenez was able to say that each had done great work. The issue of not being able to determine the impact and outcome for all of the SRIs has to do with each SRI being somewhat different beyond those two components. It is really these two components that Commissioner Au would like to capitalize on. The Best Start Communities is really about parent engagement and about institutional or systems changes where these institutions begin to do a shift in terms of them having to tailor their services in response to the children and families rather than the other way around.

Commissioner Martinez commented this was a great response but this would mean that a budget adjustment would need to take place since these SRIs would need to focus in two strategic areas. She suggested having an RFP go out on these two items in six months.

Commissioner Au commented that she was gun shy about the RFP process because of what has been transpiring with the County-wide augmentation. Commissioner Au commented that in her motion she was requesting an up to $400,000 funding level and it may not add up to $16 million. Presently, she does not know the cost of the individual SRI projects.

Commissioner Martinez commented there have been many years of good results but very different among all groups. This is a golden opportunity to get the train going in the same direction. This does not mean that each group loses its own individuality.

Commissioner Au is envisioning having the contractors or grantees retain their parent engagement piece and their transitioning piece. These are the only two components she views as important as the Commission moves forward with the Best Start Communities project. The other thing is when capitalizing on capacity, these SRI projects are slated to sunset at the end of June. Her fear is that these SRI projects will be dismantling their
capacity. Realistically, through an RFP process, contracts are not going to be executed until next year.

Commissioner Martinez also commented that some of the SRIIs have already closed. Her concern is that allocating funds to groups that may no longer exist.

Assistant Director Ellis clarified a few points. Out of the 42 SRI grantees, only six grantees receive $400,000 in funding. The bar would be raised for everyone in terms of funding. The SRI programs are scheduled to end June 30, 2011 and a number of programs have already given notice to their staff and parents. To have the programs end and then ramp them back up would mean that they are dismantling their infrastructure. It does not seem that an RFP process is the most feasible. The decision can be determined by deciding what is the ultimate outcome.

Commissioner Au asked if the providers would be able to continue, at least the two components of parent engagement and transitioning, at a lesser level of funding. For the First 5 LA share of funding, the lowest amount funded is $92,000 for the smallest program.

Assistant Director Ellis asked Commissioner Au what she meant by parent engagement. The School Readiness Initiative has four components; one is directly related to parent engagement but the types of services provided vary across programs. She asked if Commissioner Au had a particular model of parent engagement in mind or was that being opened up for discussion.

Commissioner Kaufman asked to be reminded of the four components of SRI. The four components are (1) improve family functioning; (2) improve child development; (3) improve health; and, (4) improve systems of care. The systems of care component is where kindergarten transition takes place.

For purposes of focusing the discussion, Commissioner Southard proposed that his motion be substitute motion to get toward some decision.

Commissioner Martinez commented that Commissioner Southard's motion did not address the two components in Commissioner Au's motion.

M/S (Marv Southard / Jonathan Fielding)

Vice Chair Fielding reminded Commissioners that one of the reasons why there was a different approach to the strategic plan and the various modifications was that the Commission was concerned that SRI and other programs that had been funded were serving too few kids. This was very expensive to do although the programs were doing an excellent job with the families that they serviced. Common outcomes could not be achieved because it was a State-run program. As far as he was concerned, he would like to see SRI continue because there is an opportunity in the Best Start Communities. Funding SRI grantees at the level for last year is the right amount and there is flexibility for staff to provide more funding to some and less funding to others. Vice Chair Fielding commented that he fully supported the motion by Commissioner Southard.

Commissioner Stockwell asked if, indeed, $1 billion had been spent on SRI. Director Hause responded that according to Commission records, $1 billion had not been spent. CEO
Martinez commented that the correct amount was closer to $205 million. Furthermore, CEO Martinez commented that it was important to have the correct budget numbers as the motion presented was a public document.

Commissioner Au commented that according to Commissioner Yancey, the $1 billion figure included the State portion as well. Assistant Director Ellis stated that with the State portion of funding was $226 million over eight years.

Commissioner Au asked where the $1 billion figure came from. CEO Martinez commented that this figure as included in the motion from Supervisor Ridley-Thomas’ office. Commissioner Au was under the impression that First 5 LA’s contribution was less than $1 billion but still significant.

Commissioner Yancey commented that her understanding of the shift toward place-based was that the direct service investments would be in those communities to generate the greatest return on investment because of concerns about relatively large dollar investments for relatively small numbers when the need is so great across the board. Commissioner Yancey asked if the movement toward the most disadvantaged communities was where the Commission directed its direct services and where it also had infrastructure investments for the rest of the County.

Commissioner Au said this was not as simple. During the course of the planning conversation, when the Commission came up with the concept of Best Start, it was really about a systems change approach in a real paradigm shift. In looking not only at direct services but also in terms of community capacity and the fact that First 5 LA dollars were time limited, the Commission was expending dollars that which in five or six years or sooner would have less dollars available to allocate.

The Best Start approach was to utilize what dollars the Commission had in unspent dollars to focus in on those initial 14 communities because they were the communities that presented the Commission with the most challenges. There were two considerations in selecting these communities—(1) compelling needs existent in the communities; and, (2) the communities had some infrastructure that could be utilized by the Commission to move those communities towards wellness and Best Start. In the course of doing this, the Commission could take a look at a finite community and actually be able to track where those resources are coming from because it is not all going to be from First 5 LA investments. It is going to be other sources as well. The Commission will be able to track how its dollars were going to facilitate the communities’ ability to then be able to address those challenges that erode the positive outcomes for their children and families. It was going to be that learning opportunity as well, for the Commission to then look at other communities and say based on the Commission’s learning and understanding of what is happening in those initial 14 communities, that other communities could come to First 5 LA and request a nominal amount of investment to galvanize the community so that everyone would be on the same page on how to address those compelling changes within the communities. These communities would become Best Start communities but not at the same level as the initial 14 communities.

Commissioner Yancey commented that the commonality between motions is to invest heavily in those communities to try to generate that change, treating them as models to figure out what the best investments are. She said that funding other communities outside
the Best Start Communities at the same level would defeat the purpose of concentrating the investment to see what kind of infrastructure could be built.

Commissioner Au commented that with the information just learned, the allocation is no way near $16 million. She stated that the allocation should be closer to the allocation being requested in Commissioner Southard's motion.

Mayor Antonovich stated that viable real numbers were needed, not approximations.

Commissioner Au asked for the assistance of staff.

Commissioner Stockwell commented that she was a strong supporter of School Readiness when they are effective programs and have given the Commission results. Being a school professional, she strongly supported School Readiness; however, when she looked at the amount of $400,000, she knew that some SRI's programs were small and others were large. Commissioner Stockwell asked if parameters would be set on administration versus direct services. Secondly, Commissioner Stockwell expressed concern over the restructuring that is being proposed because School Readiness addresses child growth, child development, and getting kids ready for school. By taking only the parent piece and the transitional piece, there is nothing to communicate and articulate with parents if the preschool component has been removed. Thirdly, there are 50 grantees that have the preschool component. She was concerned about taking this component away. Commissioner Stockwell asked for clarification on what was meant by kindergarten transition. Furthermore, Commissioner Stockwell stated that there was a strong need to tie the school districts into the concept of kindergarten transition. She also asked why the Commission could not have its own School Readiness program and suggested ending the current school readiness programs and putting out an RFP for its own program. Currently, the grantees are being set up to fail since they will be back in six months to ask for more funding.

Commissioner Kaufman commented the Commission should not micro-manage. This is not good governance. Good governance is to say that the Commission has outcomes that it wants to see, there are partners we want to work with, the Commission either wants or does not want to maintain the infrastructure of SRI, and the instruct staff to come back with a new model. For today's vote, what is needed is a funding allocation up to a certain amount, it does not have to be an RFP since it is a contract negotiation, and then just move on to the next item.

Commissioner Martinez commented that this Commission made the decision to cut the funding of this organization for real reasons. She also commented that she did not want to see high salaries being paid to SRI program coordinators when funding has been cut in half.

Commissioner Au said that she was open to a provision in her motion that would not fund SRI program in excess of current Commission funding levels and expected staff to moderate funding levels of grantees to reflect the two components of the motion.

Commissioner Williams suggested language extending grantees to June 30, 2012 without a funding allocation. Commissioner Southard stated that he would like to leave the language in his motion as presented.
SUMMARY ACTION MINUTES

Commissioner Williams also suggested that convening the delegate SRI agencies to design a project unique to First 5 LA. Commissioner Southard was agreeable to this suggestion if this SRI redesign was delegated to the Program & Planning Committee for further discussion.

Legal Counsel Steele commented that whichever motion gets approved, the Commission should consider directing the CEO that prior to extending funding, the grantees must be in compliance with the existing contract. There is one contract compliance issue right now and the CEO should be granted the authority to not extend that contract. Mayor Antonovich agreed to have this language apply to whichever motion passed.

VOTE #1 – SOUTHARD AND YANCEY MOTION

M/S (Marv Southard / Jonathan Fielding)
APPROVED AS AMENDED
(6-3-0)

Roll Call Vote:

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VOTE #2 – AU MOTION

M/S (Nancy Au / Antronette Yancey)
MOTION FAILS
(2-7-0)

Roll Call Vote:

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Public Comment:

Delmy Pereira, Parent

11. Approval of Motion for Increasing Investment in Autism

Commissioner Yancey commented that this was a motion that originated in the recommendation from the Board of Supervisors to put a greater focus on the issue of
Commissioner Stockwell asked if there was a way to broaden the motion because developmental disabilities come in many forms. By broadening the motion, the Commission may be able to deal with some of the disabilities that could be taken care of quickly and soon so that children can go on to having a successful life in preschool and kindergarten.

Commissioner Yancey said that this issue has been emerging as a major problem and providers are needed with specific expertise in autism.

Commissioner Stockwell asked what would be the focus of the RFP. Commissioner Yancey commented that she would rely on staff writing the RFP in such a way that it would seek the best of what a community can offer in terms of how best to strengthen the existing services.

Commissioner Stockwell asked if the universal assessment of newborns project would include this type of screening. Commissioner Kaufman responded that it was not as it is generally not possible to see the early warning signs of autism in babies. The recommendation is actually 18 to 24 months when formal screening is done.

Commissioner Kaufman commented that what Commissioner Stockwell was referring to is early intervention and diagnosis. He made the following suggestions:

a. Use the term autism and other developmental conditions of abnormal child development.

b. There are a range of approaches that staff could choose to use for the same goal. The RFP process is too specific. Staff should be requested to develop a mechanism to get the approach desired by the Commission through an RFP, RFQ or strategic partnership.

c. A period of 30 days does not make sense. Typically, the Commission grants 90 or 120 days for staff to report back.

d. Part B of the motion is dependent upon what approach staff will pursue. Staff may be granted authority to negotiate with individuals rather than providers which has a different meaning.

e. An allocation of $150,000 is not a mini-grant. This is a significant amount of funding.

Commissioner Yancey stated that the spirit of the motion was to focus on autism. Commissioner Kaufman stated that he did not like this because if there is discussion on diagnosed autism, there is a treatment component and the Commission may not want to engage in required treatment components. As a Commission, better work is done if the focus is not on a particular subset of vulnerable children.

Commissioner Yancey asked if language such as development disorder with a focus on autism be an appropriate compromise.

Mayor Antonovich agreed with the language suggestion.

Commissioner Tilton commented that there is a Senate select committee on autism and related disorders which created a State Council with a network of 12 community councils—six in Northern California and six in Southern California. The Commission has the
autism. There is evidence that autism spectrum disorders which includes issues from the milder forms like Asperger Syndrome to the severe forms that pose a greater compromise to functioning for the child and challenges to the family.

There are a substantive number of children in Los Angeles County that are affected by this condition and that it is one very much in alignment with First 5 LA’s desire to improve outcomes for children and families, especially those with these kinds of challenges. Staff provided documentation that explained and provided background information on developmental disorders. Staff also identified three key factors to ensure that children with developmental disabilities, including autism, are supported to reduce the impact of the disability and to improve development factors. These factors were (1) early identification; (2) appropriate referral and referral follow-up; and, (3) availability and quality of services.

The purpose of the mini-grants, not to exceed $150,000 per grant, would authorize a budget totaling $900,000 and would initiate a RFP process for expanded autism investment to identify providers that are currently serving this population with a report back in 30 days on the status of the RFP and a recommendation for provider approval.

Commissioner Au commented that staff responded to a number of her requests from the May Commission Meeting through a report attached to Commissioner Yancey’s motion. She really appreciated the good job done by staff in outlining the Commission’s previous investments through the EDSI project. In being in alignment with her thinking and principle of operation at his juncture, she also believes that the Commission needs to capitalize on its investment in EDSI. Knowing that particular contract did sunset in January, Commissioner Au still believes there is still an important role for an EDSI component to Commissioner Yancey’s motion. Even though her motion is focusing on mini-grants in terms of service support, there is still a need for an EDSI piece. She proposed as a friendly amendment that the Commission consider a strategic partnership with the UCLA Center for the Healthier Children, Families and Communities.

Legal Counsel Steele commented that there were two issues to be addressed before embarking on this issue. There are two Commissioners, who have a conflict of interest regarding the UCLA center. These Commissioners cannot participate in the full discussion. Secondly, this is not an item on the agenda relating to the issue of a strategic partnership.

Mayor Antonovich stated that this issue would be placed on next month’s Commission Meeting agenda.

CAO Bosch reminded Commissioner Au that there is a rigorous test that has to be applied to any strategic partnership.

Commissioner Kaufman asked that this discussion not take place as he is one of the Commissioners who have a conflict of interest.

Commissioner Au commented that she was looking to capitalize on Commissioner Yancey’s mini-grants and make certain that there is a connection to the EDSI component as well by creating a strategic partnership that would act as a consortium and would be able to connect with other individuals in the Los Angeles County community dealing with autism, spectrum disorder issues, and other special needs. She said that the Commission should move away from silo funding with investments capitalizing and complementing each other.
opportunity to glean and integrate and coordinate this incredible wealth of knowledge through the autism investment.

Vice Chair Fielding commented that staff has done a very good job of pointing out current investments. What is missing is a clear recommendation. He suggested that staff come back with a recommendation, however long it takes, where primary gaps are identified. Vice Chair Fielding commented that he felt that staff needed to come back with specific recommendations. While he does not have a problem with the allocation, he feels the motion is not sufficiently cooked.

Commissioner Stockwell commented that there are a lot of experts such as Barbara Firestone from The Help Group that could make recommendation on how to spend the funding. She suggested staff reach out to here.

Public Comment:

John Fairamond
LaShawna Grant
Whit Hayslip
Laura Mabie

M/S (Antronette Yanoey / Michael Antonovich)
WITH NO FURTHER DISCUSSION, THE MOTION WAS SO ORDERED

7. Approval of the First 5 LA Operations Budget for FY 2011-2012

Mayor Antonovich commented that in 1999, the Economy Efficiency Commission, was charged with the review of the County's one year compliance in implementing provisions of the initiative that was approved in November, 1998. The Commission conducted a presentation on the status of Proposition 10 implementation in the County of Los Angeles. Following this presentation before the Board of Supervisors, two questions were interjected by Commissioner Philosbian as to the overhead expenses of Proposition 10 asking if they have been determined; and, since the revenue is a flexible stream that may diminish over time, he asked how would this impact overhead expenses which could be a fixed cost. Philosbian also stated his concern that by increasing the bureaucracy, this would use up undetermined amounts of money and reduce the amount of available funds for the children intended to serve.

The proposed operating budget has a fixed overhead expense which also affirms reduced revenues over the last few years primarily as a result of the decrease in the sale of tobacco. The proposal further affirms the uncertainty of the impact of the State taking Commission approved programs; yet, the proposed budget includes a $300,000 increase over the 2010-11 adopted spending plan and a cost of living increase of two percent. In the County, there has been no cost of living increase for the past three years which the Board of Supervisors has unanimously approved as have the labor organizations. In addition, the County achieves maximum cost-effectiveness whenever possible through contracting out, relying on technology, eliminating and consolidating various functions and agencies. The fiscal restraints have been beneficial because the State wanted to borrow from the County because of its high bond rating.
SUMMARY ACTION MINUTES

Mayor Antonovich stated the problem he has is that what has been done at the County is the opposite of what is being proposed by the Commission especially not knowing what the fiscal realities are going to be in the coming year because of the federal and State budget crisis.

Vice Chair Fielding commented that he was sensitive to the issue of staff raises but it was true that the County has not had a cost of living adjustment for the past three years. Although the Commission is not part of the County, it is closely aligned in many ways. As a placeholder, Vice Chair Fielding ask if the budget for this year could be adopted going into next year. The Commission is open to looking at the budget for potential revisions.

Vice Chair Fielding further commented that if Mayor Antonovich was suggesting that the two percent cost of living adjustment not be approved, he wondered why the Commission would want to increase the budget beyond last year given the fact that there is reduced revenue.

CEO Martinez commented that is important to know that the proposed budget reflects a flat budget from the previous year given the budget cuts. The increase of $306,000 reflects the need to have back on staff a Grant Management Department, given all of the previous initiatives that the Commission keeps refunding. In addition to these grants, there are the County-wide augmentation programs that will, hopefully, be implemented within the next fiscal year. At this point is it undetermined how many grantees or contractors will be assigned per initiative.

CEO Martinez stated that she was sensitive to the cost of living adjustment issue. At the request of the Ad Hoc Executive Committee, a quick survey was done of the 10 largest County Commissions. For some commissions, if they are part of the County, they are not getting increases for cost of living; some are getting very small merit increases. Overall, most are not getting increases in the next fiscal year.

Commissioner Williams stated she could agree with what is being said. She does not feel that the Commission needs to do what the County does. The Commission is smaller than the County and believes Commissioners are not sensitive to what has been done to staff. A strategic plan has been put in place that is very ambitious, staff is being stretched, and she is absolutely opposed to trying to hold staff down while at the same time, the Commission is trying to go up. It makes no sense.

Commissioner Kaufman asked that when operating expenditures total $15.4 million in FY 2010-11, was this number projected or actual. Given that there is a projected $1.2 million in budget savings, he asked if there was a way to make this year's budget more than last year's expenditure. Commissioner Kaufman commented that he did not understand why each year's operating amounts are budgeted at eight percent higher than what is actually spent.

CEO Martinez stated that the savings are from salary savings as a result of positions not being filled by the original timelines. Due to the significant savings this fiscal year, she requested that her senior management team look closely at their budgets for the FY 11/12 and prepare a more realistic budget.
Director Hause commented that the newly approved SRI extension was not reflected in the budget being recommended.

Commissioner Stockwell echoed Commissioner Williams comments on staff increases. She also asked if any hiring freeze took effect. CEO Martinez commented that certain staff salaries were frozen as a result of a compensation study that was never adopted by the Commission. The employees who had their salaries frozen were Administrative Assistants.

Mayor Antonovich asked how many positions were vacant longer than 10 months. Director Hause commented that there were not many and he guessed that the cost of these positions was approximately $600,000.

Mayor Antonovich commented that he could see positions not being filled for up to three months. Many times when there are unfilled positions, this is a way of building up a budget to be used for other purposes.

CEO Martinez commented that this is not how the commission's budget is prepared. When the budget was prepared last year, a timetable was provided as to when these new budgeted positions would be coming on board. These were positions that were geared specifically to the new strategic plan and the reorganization. Although things have changed along the way, the number of people and staff that were required did not change. One of the discussions had in the Ad Hoc Executive Committee was whether Program Development had sufficient staff given their overall responsibilities while in the opinion of one commissioner, another department had more than sufficient staff. These are things that a CEO tries to balance in an organization that is constantly under public scrutiny. CEO Martinez commented that her aim was transparency. She said that as the CEO of the organization, she has tried to be as fiscally conservative as possible. In fact, she has a meeting scheduled next week where there is a vacancy in one of the departments and she is questioning if the position really needs to be filled.

Commissioner Au suggested that approving funding based on last year's level, eliminating the $906,000 increase. At the six-month interval, a budget amendment could be considered at that time.

M/S (Nancy Au / Michael Antonovich)
WITH NO FURTHER DISCUSSION, THE MOTION WAS SO ORDERED

Commissioner Dennis asked if the savings have been consistent throughout the past three years or if last year was an anomaly. Director Hause commented that there are always some budget savings but this year was certainly an anomaly.

Commissioner Dennis asked what was the percentage of budget savings. Director Hause commented that it was typically four to five percent.

17. Public Comment

Celia Ayala, LAUP
SUMMARY ACTION MINUTES

ADJOURNMENT

The meeting adjourned at 5:37 pm.

The next regularly scheduled Commission meeting will be on:

July 14, 2011 at 1:30 pm
Multi-Purpose Room
750 N. Alameda Street
Los Angeles, CA 90012

Meeting minutes were recorded by Maria Romero.