

SUMMARY MEETING NOTES

**FIRST 5 LA
SUMMARY MEETING NOTES
Meeting of the Budget & Finance Committee
June 1, 2015**

APPROVED: 09/16/15

COMMITTEE MEMBERS PRESENT:

Judy Abdo
Jane Boeckmann
Sandra Figueroa-Villa
Marvin Southard [Chair]

COMMISSIONERS PRESENT

Suzanne Bostwick [Alternate]

STAFF PRESENT:

Kim Belshé, Executive Director
Tara Ficek, Director
Grants Management
Faustino Genio, Staff Accountant
Alison Mendes, Interim Finance Manager
Raoul Ortega, Finance Director
Faith Ramirez, Program Officer
Grants Management
Linda Vo, Board Secretary
John Wagner, Chief Operating Officer

1. Call to Order/Roll Call

The meeting was called to order by Committee Chair Southard at 3:00 pm. Roll call completed.

2. Review of Meeting Notes – Budget and Finance Committee, May 4, 2015

The item was reviewed and received and filed with no deletions, additions, and/or changes.

3. Annual Audit

Mr. Ortega introduces Mr. Alfaro, who is the Managing Partner of Vavrinek, Trine & Day, Co. (VTD), our auditors for this year. He informs the committee that at today's meeting, Mr. Alfaro will be going over the scope and timing of the audit for Fiscal Year 14-15. Mr. Ortega also informs the Committee that this is a requirement of the State that First 5 LA be audited and that any findings be reported and communicated to the Commissioners and Public.

Mr. Alfaro now goes through his presentation. He informs the Committee that his firm will perform the audits of the:

- Comprehensive Annual Financial Report (CAFR)
- State Compliance – Standards and Procedures for Audits of California Counties Participating in the Children and Families Program issued by the State Controller's Office
- OMB A-133 Single Audit (as applicable)

His firm plans to abide by the following timeline:

- Planning and Interim Fieldwork – June
- Final Fieldwork – August
- Report Delivery – September/October

Mr. Alfaro states that it is his firm's responsibility in the audit process to do the following:

- Express opinions about whether the financial statements that have been prepared by management with the oversight of the Commission are presented fairly, in all material respects, in conformity with generally accepted accounting principles.

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He reminds the Committee that these opinions, though reasonable, are not necessarily absolute.

Other responsibilities include:

- Consider internal control and compliance; no opinion will be expressed
- Express an opinion on compliance applicable to major federal programs (OMB A-133 Single Audit), if applicable
- Issue a report on state compliance SCO guidelines
- Communicate other matters
 - Qualitative aspects of accounting policies and accounting estimates and note disclosures
 - Difficulties encountered
 - Uncorrected misstatements
 - Material corrected misstatements
 - Disagreements with managements
 - Management representations
 - Consultations with other accountants

Mr. Alfaro briefly explains VTD's approach in the audit process. VTD plans to meet with management to identify audit risk areas or unusual transactions. As a part of this process, they will also inspect financial and other information to ensure that First 5 LA is operating in compliance with state guidelines.

Mr. Alfaro says that the final stage of the audit will be to perform substantive tests, on a sample basis, on account balances and transactions. These tests include, but are not limited to:

- Analytical procedures
- Third party confirmation
- Tracing/vouching to supporting documentation

He informed the Committee that VTD will also determine the adequacy of the financial statements and disclosures, including assessing accounting principles used.

Once the audit is completed, VTD will do an exit by:

- Discussing audit adjustments
- Presenting findings and recommendations
- Providing required communications

Mr. Alfaro now asks the Committee if there are any questions about the audit process.

Committee member Figueroa-Villa would like to know that if there are any findings that have already been corrected, if the auditors will still report them.

Mr. Alfaro says that as part of their final written report, they will make a note of these findings, despite them having already been discussed and corrected.

Ms. Belshé asks Mr. Alfaro to discuss VTD's approach on sample and size of sample.

Mr. Alfaro says that annually, VTD revisits the risk assessment process, despite their past experience working with First 5 LA. They even have to incorporate an aspect of unpredictability to ensure that they cover all aspects as part of the audit process. They even sometimes incorporate areas that may have not risen to the level of an audit in the past, but will now go through the audit process to understand all internal controls.

Mr. Alfaro informs the Committee that the requirement of an audit process to understand internal control is to look at least one transaction. However, given the complexity and size of First 5 LA, VTD

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expands that testing to about 40-60 transactions, depending on the sample size, to verify expenditures. With respect to the balance sheet, VTD will cover 50% to 2/3 of the account balance as a part of their audit.

Commissioner Bostwick asks how they go about getting information about how a check gets cut to grantees.

Mr. Alfaro says that they would look at how the contract was set up to ensure that everything is consistent with practices and is in compliance.

There is no further discussion on this item.

4. Monthly Financial Statements

Mr. Ortega goes over the current monthly financial statements for the month ending April 30, 2015. As anticipated, the statements represent business as usual and current revenue is coming in on time. Expenditures are also tracking a bit lower than other months due to last month having a lot of the quarterly invoices processed.

Mr. Ortega informs the Committee that staff plan on taking these financial statements to the June Commission meeting for approval.

5. Program Expenditures Review: Information Resource & Referral Program

Ms. Ramirez gives a brief presentation on the Information Resource & Referral program. She informs the Committee that since 2005, \$15.1 million has been allocated to support comprehensive information and referral services on a broad range of issues such as child care, parenting support, and health care services.

She informs the Committee that First 5 LA funds approximately 20% of 211's total agency budget and that the other 80% comes from the County. This funding covers 9 community Resource Advisors, 4 program staff and 9 administrative staff.

Ms. Ramirez states that between July 2014 and April 2015, the following callers were served:

- 69,109 callers-pregnant women and/or have children through age 5
- 432,441 general population callers

Based on these numbers, Ms. Ramirez indicates that 211 is on track to serve 500,000 general population callers in FY 14-15.

As part of the reporting process and requirement, Ms. Ramirez informs the Committee that reports are conducted monthly and that 211 must meet an "Abandonment Rate" of 15% or less and must maintain an "Average Time to Answer" at 2 minutes or less.

Ms. Ramirez goes on to remind the Committee of the last action taken back on May 2015 that extended the current contract with 211 for an additional fiscal year for \$1,239,535 and that further research will be done on both informal and formal information resource and referral programs.

There is no further discussion on this item.

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6. Final FY 2015-16 Budget

Mr. Ortega goes over the final draft of the FY-15-16 budget. He says that the goal of today's meeting will be to provide the following information to the Committee:

- Budget context and observations
- Changes since the draft Proposed Budget presented on May 14, 2015
- Projected Fund Balance and GASB 54 Commitments
- Request for approval
- Board engagement and next steps

He goes over the following budget timeline:

- May 4, 2015 – Budget & Finance Committee
- May 14, 2015 – Commission
 - Informational Item: Presented for Discussion
- May 21, 2015 – Executive Committee
 - Discussion of FY 2015-16 proposed operating costs
- May 28, 2015 – Program & Planning Committee
 - Discussion of FY 2015-16 proposed programmatic costs, focusing on resources for the 2015-2020 Strategic Plan
- June 1, 2015 – Budget & Finance Committee
 - Review changes to the FY 2015-16 Proposed Budget
- June 11, 2015 – Commission
 - Action Item: Presented for Commission Approval

Mr. Ortega proceeds with his presentation by providing the following context to Committee members:

He states that the FY15-16 budget represents a transitional budget. Meaning, it reflects costs for ongoing legacy initiatives that continue into the new Strategic Plan timeframe. It also reflects funding for work that is associated with the new strategic plan: priority anchor investments and evolving and new work under development.

In developing the FY15-16 budget, the following key observations were made:

- Legacy Investments continue to represent nearly 60% of the First 5 LA budget
- Anchor Investments of new Strategic Plan reaching full implementation
 - Welcome Baby/Select Home Visiting
 - Best Start Community Capacity Building
- New resources needed to advance the Strategic Plan
 - Policy and Advocacy
 - Strategic Communications
 - Developmental Activity (Strategic Plan Implementation Fund)
- Workload demands are multi-faceted, requiring continued dedication of staff time
- Estimated FY 2015-16 tobacco tax revenue = \$85.6 million □ Demand on fund balance = \$144.2 million

Mr. Ortega now hands the presentation over to Ms. Mendes who begins by doing a budget overview:

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BUDGET CATEGORY	Draft Proposed FY 2015-16 Budget (May 2015)	Final Proposed FY 2015-16 Budget (June 2015)	Variance
Program			
<i>2015-2020 Strategic Plan: Focusing for the Future</i>			
a. Investments/Approaches Reaffirmed by the Board and Aligned with SP	\$ 61,301,000	\$ 61,301,000	\$ -
b. Existing Investments Potentially Aligned with SP	3,610,000	3,610,000	-
c. New Investments Under Development (Strategic Plan Implementation Fund)	3,136,000	3,136,000	-
<i>Total 2015-2020 Strategic Plan</i>	\$ 68,047,000	\$ 68,047,000	\$ -
<i>Legacy Investments</i>	131,556,000	133,228,000	1,672,000
<i>Research & Evaluation</i>	7,914,000	7,667,000	(247,000)
Total Program	\$ 207,517,000	\$ 208,942,000	\$ 1,425,000
Operating	20,684,362	20,794,362	110,000
TOTAL BUDGET	\$ 228,201,362	\$ 229,736,362	\$ 1,535,000

Ms. Mendes says that the primary reasons for the changes are due to the following:

1. New data available to inform budget development (\$1.04 million increase)
2. Delay in current year activity (\$440,000 increase)
3. Inadvertent omission in the May budget (\$60,000 increase)

She then covers in detail the changes made to the budget since the last draft.

INITIATIVE	PROGRAM	DRAFT FY 2015-16 BUDGET (MAY)	CHANGE	FINAL FY 2015-16 BUDGET (JUNE)	% CHANGE	REASON FOR CHANGE
LEGACY INVESTMENTS						
Black Infant Health	Black Infant Health Program	\$ 1,455,000	\$ 20,000	\$ 1,475,000	1%	ND
Children's Dental Care	Children's Dental Care Program	9,260,000	1,396,000	10,656,000	15%	ND
Children's Vision Care	Children's Vision Care	1,395,000	(54,000)	1,341,000	-4%	ND
Tot Parks and Trails	Tot Parks and Trails	350,000	310,000	660,000	89%	D
RESEARCH AND EVALUATION						
Data Development & Integration	Los Angeles County Health Survey	28,000	80,000	108,000	286%	D
Program Evaluation	Professional Development Program Evaluation	1,743,000	(242,000)	1,501,000	-14%	ND
	Welcome Baby Impact Study	360,000	(85,000)	275,000	-24%	ND
INTERNAL OPERATIONS						
Information Technology	Consultant Fees	250,000	110,000	360,000	44%	D, O
TOTAL FIRST 5 LA		\$1,535,000				

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Ms. Mendes says that the most significant changes to the budget are due to new data being received.

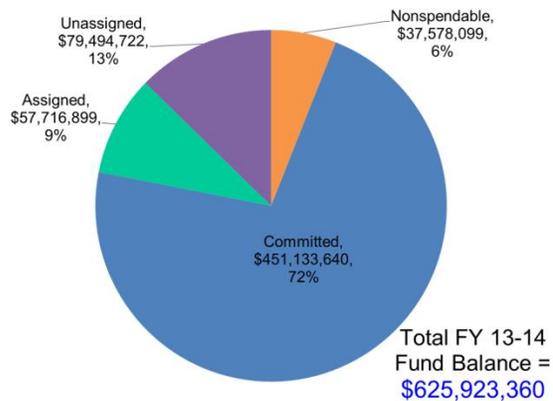
As part of GASB 54 commitments, staff presents projected fund balance categories to the Commission for review so that the Commission has an opportunity to review and approve existing funds.

Ms. Mendes goes through the following definitions with the Commission regarding fund balance categories.

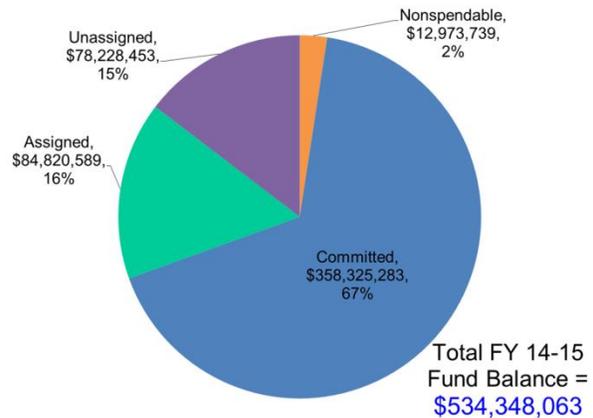
1. **Nonspendable:** Funds that have been advanced to a contractor or grantee for services to be provided in the future and are considered to be an asset of the Commission.
2. **Committed:** Funds allocated for a specified purpose and directed by the Commission via Resolution. The Commission must adopt another Resolution to reappropriate these funds for other purposes.
3. **Assigned:** Funds are reserved for Commission use consistent with the 2015-2020 Strategic Plan.
4. **Unassigned:** Funds designated for the Operating Budget and Reserve.

Ms. Mendes then goes over the fund balance projections:

Fund Balance at June 30, 2014*



Projected Fund Balance at June 30, 2015



There is no further discussion on this item.

ADJOURNMENT:

The meeting was adjourned at 4:18 pm.

NEXT MEETING:

The next Budget and Finance Committee meeting will take place on Wednesday, September 16, 2015 at 2:00 pm.

First 5 LA
Conference Room B, First Floor
750 N. Alameda Street
Los Angeles, CA 90012

Summary minutes were recorded by Linda Vo, Secretary of the Board of Commissioners.