REPORT
ON THE
PERFORMANCE REVIEW

PEOPLE'S CHOICE, INCORPORATED
SAN BERNARDINO, CALIFORNIA

COMMMUNITY CHALLENGE GRANT
CONTRACT NO. 05-45300
FISCAL PERIOD: JULY 1, 2005 THROUGH MARCH 31, 2007

Audits Section-Rancho Cucamonga
Financial Audits Branch
Audits and Investigations
Department of Health Care Services

Section Chief: Julio M. Cueto
Audit Supervisor: Lucia Martinez
Auditor: Margarita Gamboa

MAY 19 2008

Chairperson, Board of Directors
People's Choice, Incorporated
P.O. Box 7808
San Bernardino, CA 92411

Dear Ms. Veatrice Jews:

The claims for expenditures for services provided by People's Choice, Inc., under the Community Challenge Grant Program, Contract No. 05-45300, for the fiscal period of July 1, 2005 through March 31, 2007 have been reviewed by the Financial Audits Branch of the Department of Health Care Services. In addition, a review was made of the program's management and operational procedures.

Except as set forth in the following paragraph, our review was made in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States. Accordingly, our review included such tests of the accounting records and other review procedures, as we considered necessary under the circumstances.

The financial statements of People's Choice, Inc., for the years ended October 31, 2005 and October 31, 2006, were examined by other auditors whose reports dated June 22, 2006 and March 15, 2007 respectively, expressed an unqualified opinion on those statements.

The scope of our review was limited to specific contract or program requirements relating to financial compliance and did not include sufficient work to determine whether the financial statements present fairly the financial position and the results of the financial operations. We have not duplicated the work performed by the other auditors.

As noted in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial position referred above. Consequently, no financial statements are presented.

The program review was conducted during the months of August through October 2007. The exit conference was held on March 21, 2008 at which time the results of the engagement were discussed.

This Audit Report includes the:

1. Executive Summary of Findings
2. Program Compliance
3. Fiscal Findings
4. Management Findings
5. Financial Schedules

The report concludes that $46,692 is due the State. You will be receiving an invoice in that amount from the Department's Accounting Section.

If you disagree with the amount due, you may appeal by writing to the Acting Chief, Shabbir Ahmad, Maternal, Child and Adolescent Health Program, 1615 Capitol Avenue, MS 8300, P.O. Box 997420, Sacramento, California, 95899. This written notice of disagreement must be received by the Department within (60) calendar days from the day you receive this letter. The regulations governing audit appeals are contained in California Code of Regulations, Title 22, Section 20204, et seq.

If you should have any further question, please contact Amber Delgado, Contract Manager, at (916) 650-0404.

Julio M. Cueto, Chief
Audits Section – Rancho Cucamonga
Financial Audits Branch

cc: Sandra Zajkowski
Chief, OFP Allocation and Matched Funding
Center for Family Health
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Certified

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People's Choice, Inc.
Teen Pregnancy Prevention Project
Community Challenge Grant Program
Contract Number: 05-45300
Contract Period: July 1, 2005 through June 30, 2010
Review Period: July 1, 2005 through March 31, 2007

I. EXECUTIVE SUMMARY OF FINDINGS

The following information is a summary of our findings:

1. The Grantee was not in compliance with the contract.

2. The Grantee had difficulties meeting their goals and objectives.

3. Expenses billed and paid were not properly substantiated.

4. The Grantee had financial difficulties paying their day to day operating expenses.

5. Due to the many deficiencies in their day to day operations and accounting for expenses incurred, it was not possible to ensure that expenses had not been reimbursed by more than one funding source, as the Grantee managed five different programs at one time.

6. There were many related party transactions which the Grantee failed to disclose.

7. There was nothing to indicate that the board of directors reviewed and/or approved the executive director's compensation, and/or the related party transactions.

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II. INTRODUCTION

A. DESCRIPTION OF PROGRAM

The Community Challenge Grant Program (CCG) was initiated in 1996 with an annual budget of $20 million per year with authorizing legislation (Chapter 197, Statues of 1996, Sections 18993-18993.9 of the Welfare and Institution Code). The CCG Program is a community driven teen pregnancy prevention program that utilizes a variety of approaches and strategies to reduce teenage and unintended pregnancy and absentee fatherhood; promote responsible parenting; and increase the involvement of fathers in the economic, social and emotional development of their children.
The specific purpose of the CCG Program is to fund communities to implement single and multi-dimensional prevention strategies that are locally developed and that address the following goals:

- Reduce the number of teenage and unwed pregnancies
- Reduce the number of children growing up in homes without fathers as a result of these pregnancies; and
- Promote responsible parenting and the involvement of the father in the economic, social, and emotional support of his children

The CCG Program targets specific population groups; however, local programs are not limited to only the target populations specified by the program which are the following:

1. Pre-sexually active adolescents
2. Sexually active adolescents
3. Pregnant and parenting teens
4. Parents and families
5. Adults at risk for unwed motherhood or absentee fatherhood

The mission of the Community Challenge Grant Program is to:

- Raise public awareness about and involvement in solutions to the problem;
- Identify and support local community solutions in cities and towns throughout the state;
- Send a strong message to adult men in California that having sex with girls under 18 is a crime and will be prosecuted; and,
- Expand and strengthen statewide efforts to link 250,000 mentors with at-risk youth by the year 2000.

B. DESCRIPTION OF AGENCY

People's Choice, Incorporated (PCI) is a 501(c) (3) non-profit community-based organization providing health related services and referrals that address the specific needs of the residents in San Bernardino and surrounding communities. Its mission is to create healthy, empowered families through the integration of support systems.

PCI has an exempt status under section 501(a) of the Internal Revenue Code as an organization described in section 501 (c) (3), providing program services in the counties of Riverside and San Bernardino. PCI was incorporated in the State of California, October 1982 and received tax-exempt status. The organization was originally founded by Black healthcare professionals who had the vision to establish a health agency, which would favorably impact the health status of minority and low-income families.

PCI's main office is centrally located in a predominantly African-American and Hispanic area in the City of San Bernardino.
PCI offers community residents a variety of services, including: case management, outreach services (for community awareness), health education, drug abuse treatment and education, psycho-social assessments of drug abuse clientele and skill building workshops. In addition, Outreach Workers and Peer Educators, under the supervision of Program Managers, provide community education and outreach services to link clients with the appropriate community resources.

PCI currently provides the following services:

- Black Infant Health Project (BIH)
- Early Start Family Resource Center
- For Kids Only
- Substance Abuse Treatment Program (High Desert and San Bernardino)
- The Highland Avenue Bridge Life Options (HABLO) Program

PCI has a website at sbpci.org which provides general information about Peoples Choice, the services offered and resources.

C. SITE LOCATIONS

The services shall be performed in applicable facilities within the San Bernardino County geographic region.

Strategies including educational presentations, meetings and activities are conducted at San Andreas High School, Arroyo Valley High School, Cajon High School, Colton Community Center, Rudy Hernandez Center, Johnson Hall, Nicholson Community Center, Youth Justice Center, Bethune Center in Rialto, Public Enterprise Building, Pharaoh's Lost Kingdom in Redlands, and Waterman Gardens, Cal State San Bernardino and KCSB – Channel 3 Studio.

D. <u>FUNDING SOURCES</u>

The Grantee's funding sources for fiscal year 2005-2006 and 2006-2007 were the following:
Fiscal Year 2005-2006:

- Black Infant Health – County of San Bernardino
- First Five Commission – County of San Bernardino
- TASK (Teen Alcohol Substance Kare) – County of San Bernardino
- Community Challenge Grant (CCG) – State of California
- Donations (Community Match)

Fiscal Year 2006-2007:

- Black Infant Health – County of San Bernardino
- First Five Commission (Terminated in February 2007)
- Community Challenge Grant (CCG) – State of California
- Donations (Community Match)

E. <u>CONTRACT GOALS AND OBJECTIVES – 2005-2006</u>

The goal and strategies identified under the Work Plan FY 2005-2006 were as follows:

Goals 2 through 4: Reduce Teen and Unintended Pregnancies

Strategy 1: Prevention Education

Sub-Strategy: 1A. Comprehensive Sexuality Education

This strategy will reach a minimum of 300 participants annually and will have the following outcomes:

At least 210 (70%) of the target population will complete sixteen curriculum hours.

A minimum of 137 completers (65%) will increase, by 25%, their overall knowledge of pregnancy prevention methods.
A minimum of 158 completers (75%) will increase, by 25%, their knowledge in Sexually Transmitted Infections (STI) and (HIV).
At least 168 completers (80%) will demonstrate the "SWAT" method to avoid sex, unprotected sex or drug and alcohol abuse.
At least a minimum of 105 completers (50%) will list at least one local Family PACT Provider service available to teens.
Complete CPI Tool per PESS Form (Role-Play Presentation)

Strategy 2: Informational Presentations

Sub-Strategy: N/A

This strategy will reach a minimum of 150 participants annually and will have the following outcomes:

A minimum of 105 participants (70%) will complete at least 30 minutes of informal presentations.
A minimum of 60 completers (57%) will demonstrate 20% increase in knowledge of STIs and pregnancy prevention methods at post-test.
At least 75 completers (50%) will list a minimum of one Family PACT Provider or other resource available to teens.

Strategy 8: Clinical Services Linkage

Sub-Strategy: 1A. Required Strategy

This strategy will reach a minimum of 65 participants annually and will have the following outcomes:

At least 45 participants (70%) receiving the prevention education strategy will be provided at least one referral to receive clinical services.
A minimum of 23 participants (50%) receiving at least one referral to clinical services will be identified and tracked for a minimum of 3 months.

Goal 5: Promote Responsible Parenting Among Teen Mothers and Fathers

Strategy 4: Education and Support for Teen Mothers and Fathers

Sub-Strategy: Life Skills, Peer Provided Services, Prevention Education

This strategy will reach a minimum of 100 participants.
At least 70 participants (70%) will complete at least six sessions per quarter.
25% of participants will demonstrate ability to use at least 2 parenting skills with their children.
At least 35 participants (50%) will demonstrate 25% increase in knowledge of developmental needs of infants and toddlers.

Goal 6: Promote the Role of Males in Prevention of Teen and Unintended Pregnancies

Strategy 5: Male Involvement

Sub-Strategy: 10B. Life Skills Education

This strategy will reach a minimum of 100 participants and will have the following outcomes:

70% of the participants will complete at least 10 curriculum hours (6 sessions).
At least 42 participants (60%) will increase their knowledge of responsible male sexual behaviors in prevention of teen pregnancies per quarter.
At least 35 completers (50%) will report an increase in knowledge of birth control/contraceptive methods and Sexually Transmitted Devices (STD's).
At least 12 completers (17%) will be trained to facilitate a Male Involvement workshop.
Six of the trained completers (50%) will assist in the facilitation of at least one Male Involvement workshop.

Goal 7: Promote the Development of Self-Assured, Future-Oriented, Youth Capable of Navigating through Adolescence to Responsible Adulthood and Contributing Positively to Society.

Strategy 7: Peer Provided Services

Sub-Strategy: Prevention Education, Life Skills, Youth Development

This strategy will reach a minimum of 30 participants and will have the following outcomes:

A minimum of 10 participants will complete at least 36 sessions.
At least 50% of Peer Leader interns will increase their Grade Point Average (GPA) by 10%.

AT least 10 participants will demonstrate 40% increase in knowledge about teen prevention methods, STI prevention and behaviors that put adolescents at risk.
At least 8 completers (80%) will be able to peer mentor at least one teen accessing teen center services.
A minimum of one community project will be implemented by the Peer Leaders.
A minimum of 10 information presentations to increase knowledge of STIs and pregnancy prevention methods will be facilitated by the Peer Leader interns.
A minimum of 2 participants will be selected to co-chair the youth advisory board.

Goal 8: Promote Development of Self-Assured, Future-Oriented Youth Capable of Navigating through Adolescence to Responsible Adulthood and Contributing Positively to Society.

Strategy 10: Mentoring

Sub-Strategy: 10B. Adult to Youth Partnership

This strategy will reach a minimum of 10 participants and will have the following outcomes:

A minimum of 1 adult member will be linked with each Peer Educator for at least a nine-month duration.
At least 50% of the Peer Leaders will have identified a minimum of 2 life goals as a result of the mentor/mentee relationship.
80% of the Peer Leaders will obtain a minimum of 36 hours of mentoring from their adult mentors.

Goal 9: Increase Community Involvement in Building Healthy Families Through the Awareness of the Effects of Teen and Unintended Pregnancies.

Strategy 11: Community Awareness and Mobilization

Sub-Strategy: 11A. Community Events
11C. Media

This strategy will reach a minimum of 325 participants, males and females, will have the following outcomes:

At least 195 completers (60%) will complete satisfaction survey.
A minimum of 10 local businesses will commit to provide job shadowing opportunities /volunteer opportunities for teens.

At least 59 of the 195 completers (30%) will indicate a desire to volunteer in the HABLO program.
At least 15 of the 59 participants, (25%), indicating desire to volunteer in the HABLO program will volunteer. Volunteers will participate for a minimum of 4 hours per month.
A minimum of 7 volunteers providing 4 hours of service per quarter will assist with the planning of 2 community events by June 30, 2006.

<u>CONTRACT GOALS AND OBJECTIVES – 2006-2007</u>

The goal and strategies identified under the Work Plan FY 2006-2007 were as follows:

Goals 2 through 4: Reduce Teen and Unintended Pregnancies

Strategy: Prevention Education

Sub-Strategy: 1A. Comprehensive Sexuality Education

This strategy will reach a minimum of 300 participants, males and females, annually and will have the following outcomes:

At least 210 (70%) of the target population will complete ten curriculum hours.
A minimum of 137 completers (65%) will increase their overall knowledge of pregnancy prevention methods by 25%.
A minimum of 158 completers (75%) will increase their knowledge in Sexually Transmitted Infections (STI) and (HIV) by 25%.
A minimum of 168 (80%) completers will be able to demonstrate the "SWAT" method to avoid sex, unprotected sex or drug and alcohol abuse.
A minimum of 50% of completers will be able to list at least one local Family Pact provider service available to teens.

Strategy: Informational Presentations

Sub-Strategy: N/A

This strategy will reach a minimum of 150 participants annually and will have the following outcomes:

A minimum of 105 participants (70%) will complete at least 30 minutes of informal presentations.

A minimum of 60 completers (57%) will demonstrate 20% increase in knowledge of STIs and pregnancy prevention methods at post-test.
At least 75 completers (50%) will least a minimum of one Family PACT Provider or other resource available to teens.

Strategy: Clinical Services Linkages

Sub-Strategy: 1A. Required Strategy

This strategy will reach a minimum of 30 participants, males and females, annually and will have the following outcomes:

At least 30 participants (100%) receiving the prevention education strategy will be provided at least one referral to receive clinical services.
A minimum of 15 participants (50%) receiving at least one referral to clinical services will be identified and tracked for a minimum of 3 months.

Goal 5: Promote the Role of Males in the Prevention of Teen and Unintended Pregnancies

Strategy 5: Male Involvement

Sub-Strategy: 10B. Life Skills Education

This strategy will reach a minimum of 100 participants, males, and will have the following outcomes:

70% of the participants will complete at least 9 curriculum hours (8 sessions).
At least 42 participants (60%) will increase their knowledge by 25% of responsible male sexual behaviors in prevention of teen pregnancies per quarter.
At least 60% completers will report an increase in knowledge of birth control/contraceptive methods and Sexually Transmitted Devices (STD's).
At least 10 participants (17%) will be trained to facilitate a Male Involvement workshop.
At least five of the trained completers (50%) will assist in the facilitation of at least one Male Involvement workshop.

Goal 6: Promote the Development of Self-Assured, Future-Oriented, Youth Capable of Navigating through Adolescence to Responsible Adulthood and Contributing Positively to Society.

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Strategy: Peer Provided Services

Sub-Strategy: Prevention Education, Life Skills, Youth Development

This strategy will reach a minimum of 8 participants, males and females, and will have the following outcomes:

A minimum of 6 participants will complete at least 36 sessions.
At least 50% of Peer Leader interns will increase their Grade Point Average (GPA) by 10%.
At least 10 participants will demonstrate 40% increase in knowledge about teen prevention methods, STI prevention and behaviors that put adolescents at risk.
At least 3 completers (50%) will be able to peer mentor at least one teen accessing teen center services.
A minimum of one community project will be implemented by the Peer Leaders.
A minimum of 10 Informal Presentations to increase knowledge of STI's and pregnancy prevention methods will be facilitated by the Peer Leader interns.
A minimum of 2 participants will be selected to co-chair the Youth Leadership Council.
Complete CPI Tool per PESS Form

Goal 7: Increase Community Involvement in Building Healthy Families Through the Awareness of the Effects of Teen and Unintended Pregnancies.

Strategy: Community Awareness and Mobilization

Sub-Strategy: 11A. Community Events
11C. Media

This strategy will reach a minimum of 325 participants, males and females, will have the following outcomes:

At least 195 completers (60%) will complete satisfaction survey.
A minimum of 5 local businesses will commit to provide job shadowing opportunities /volunteer opportunities for teens.
At least 10 participants (5%) completing the satisfaction survey will indicate a desire to volunteer in the HABLO program.
At least 5 participants (25%) indicating a desire to volunteer in the HABLO program will volunteer. Volunteers will participate for a minimum of 4 hours per month.

A minimum of 7 volunteers providing 4 hours of service per quarter will assist with the planning of 2 community events by June 30, 2007.

Among the administrative requirements are; the submission of progress reports, evaluation summary sheets, completed school agreements, staff resumes, subcontractors' agreements for $5,000 or more, collect 20 percent of total grant in in-kind community match funds; attend all OFP required/sponsored meetings and workshops by Project Director (PD) or designee, attend all Regional Collaborative meetings by PD.

According to the PD all of the above requirements have been met. Auditor reviewed completed school agreements, resumes of staff, subcontractors agreements, the in-kind community match funds (reviewed 100 percent), and in addition, auditor reviewed all the e-mails and registration forms for the trainings, workshops and meetings attended by the PD and other staff. The Grantee listed all the trainings, workshops and meetings they attended during years 1 and 2 under the Administrative Update of the Progress Reports for both years. PD listed the date of the training, the title and the personnel who attended. It appears that the Grantee is in compliance with the above requirements.

III. SCOPE OF REVIEW

The Financial Audits Section's review covered a twenty-one month review period from July 1, 2005 through March 31, 2007. The review consisted of the following:

- To determine contract compliance.
- To determine if the program is meeting its goals and objectives.
- To ascertain that payments made to the Grantee have not exceeded the budget range.
- Expenses were reviewed to ascertain that expenses requiring prior approval were properly approved by authorized personnel.
- To ascertain that expenses have not been reimbursed by more than one funding source, and
- To test the allocation basis used by the Grantee for accuracy and reasonableness.
- To ascertain the propriety of costs invoiced and reimbursed.

IV. CONTRACT COMPLIANCE

A. CONTRACT REQUIREMENTS

The examination included a review to determine if People's Choice Inc., (PCI) conducted the program in compliance with contract terms and applicable regulatory requirements. The following is a summary of findings relating to this portion of the audit:

PROJECT STRATEGIES

The Grantee is required to use a wide variety of strategies that focus on changing the many sexual and non-sexual teen pregnancy and absentee fatherhood antecedents. The Grantee should identify types of strategies that incorporate youth development principles and are designed to decrease teen pregnancy and increase male involvement using strategies and sub-strategies (numbers 1 – 13) in Exhibit A of the Scope of Work under the Prevention Education Requirements and Minimum Number of Strategies for the Applicable Funding Level. In the Grantee's case, the applicable funding level is Level II. The Grantee's Work Plan for Fiscal Year (FY) 2005-2006 identified the following strategies and Work Plan for Fiscal Year 2006-2007 identified the following strategies with the exception of 4, Educational and Support for Teen Mothers and Fathers and 10, Mentoring:

1) Preventive Education, Life Options (Required for All Projects)
2) Informational Presentations
8) Clinical Services Linkages
4) Educational and Support for Teen Mothers and Fathers
5) Male Involvement
7) Peer Provided Services
10) Mentoring
11) Community Awareness and Mobilization

The strategies listed above were numbered in accordance with the funding level table and to be consistent with the Workplan prepared by the Grantee.

The Grantee must implement a minimum of six (6) strategies from the Funding Level II: grant amount ranging between $175,000 to $200,000.

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1. PROGRESS REPORTS

The contract provisions require two Bi-annual Progress Reports and a Final Progress Report. The first Bi-annual Progress Report for the period of July 1, 2005 through December 31, 2005 was due February 1, 2006. People's Choice, Inc. mailed the Progress Report on January 30, 2006.
The second Bi-annual Progress Report for the period of January 1, 2006 through June 30, 2006, due in August 1, 2006 was mailed on August 1, 2006.
The first Bi-annual Progress Report for the period of July 1, 2006 through December 31, 2006 was due February 1, 2007. People's Choice, Inc. mailed the Progress Report on January 30, 2007.
The second Bi-annual Progress Report for the period of January 1, 2007 through June 30, 2007, due in August 1, 2007 was mailed on July 30, 2007.
It appears that the Progress Reports for both fiscal years were submitted on a timely manner.
However, according to the Office of Family Planning (OFP) Progress Report Feedback form, they received the Second Progress Report for fiscal year 2005-2006 on August 30, 2006, which is 29 days late since the report is due on August 1, 2006. Auditor discussed this issue with Pamela George, Program Director, and she indicated that the report was sent on time. Ms. George provided copies of shipping and delivery confirmation receipts. According to those receipts, the report was mailed on August 1, 2006.

2. UPDATE REPORTS

The contract provisions also require the Grantee to submit to the State Update Reports for the following periods:

1) The first Update Report for the fiscal period ending September 30, 2005 shall be Submitted by November 1, 2005. The first Update Report was submitted on October 27, 2005. It appears that the report was submitted by the due date.

   The first Update Report for the fiscal period ending September 30, 2006 shall be submitted by November 1, 2006. The first Update Report was submitted on October 31, 2006. It appears that the report was submitted by the due date.

2) The second Update Report for the period ending March 31, 2006 shall be submitted by May 1, 2006. The second Update Report was submitted on April 28, 2006. It appears that the report was submitted by the due date.

The second Update Report for the period ending March 31, 2007 was not provided. According to the Project Manager, they are no longer required to file a Second Update Report.

3. TIMELINESS

The contract Work Plan lists the goals, objectives, strategies, and sub-strategies, the minimum number of participants expected to be reached, as well as the time line for completing the strategies, process and outcomes expected, timeline for each strategy, and sites of service. In addition, it includes supplementary requirements such as staffing patterns, linkage to clinical services, etc.

Several of the goals and objectives were not completed within the specified timeline. The Grantee struggled, in the first year, in reaching their goals due to delays in hiring a Program Coordinator and a Youth Counselor/Advocate, in training of the new hirees in the curriculum and the dynamics of the program, in accessing other community centers as they were experiencing low number of participants, and also due to the fact that some of the sites previously secured were lost. In addition, the Grantee encountered issues with the Peer Provided Service strategy due to the lack of teens who applied for the position of Peer Leader/Educator Interns. Seven were hired, but due to uncontrollable circumstances several of them quit and a whole new team was brought on board.

The reporting period was spent creating the Participant Satisfaction Survey to be used as the CPI Tool for 2005-2006 fiscal year. This survey was developed during the second quarter and was submitted to their Evaluation Consultant for review. The survey will not be utilized until the 3rd quarter.

The first two quarters were spent walking through the workplan, establishing roles and responsibilities as well as establishing a mission statement and operating principles and planning for the fiscal year.

Auditor was unable to determine if the OFP approved the revision of the Work Plan for fiscal year 2005-2006.

During the first two quarters, only two strategies were evaluated through local pre/post tests – Prevention Education and Male Involvement.

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The following table reflects the Grantee's timeline, number of participants and participation percentage and the information was taken from the Progress Report for the 2nd six month period for 2005-2006:

	Strategy	*Revised Workplan Timeline*	*Number of Participants per Worplan*	*Actual Number of Participants*	*Percentage of Participation*
1	Comprehensive Sexuality Education – S1	Q1 – Q4	300	131	44%
2	Informal Presentations – S2	Q1 – Q4	150	146	98%
3	Clinical Services Linkages – S8	Q1 – Q4	65	101	100%
4	Education and Support for Teen Mothers and Fathers – S4	Q1 – Q4	100	0	0%
5	Male Involvement – S5	Q1 – Q4	100	28	28%
6	Peer Provided Services – S7	Q1 – Q4	30	4	14%
7	Mentoring – S10	Q1-Q2, Q4	10	0	0%
8	Community Awareness & Mobilization - S11	Q1 – Q4	325	113	35%

The number of participants and the timeline agree with the revised work plan for fiscal year 2005-2006.

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Annual Results per Loma Linda School of Public Health (Evaluator) – FY: 2005-2006

	Number of Participants Per Worplan	*Actual Number of Participants*	*Number of Completers*	*Percentage of Completion*	*Results*
1	300	199	131	44%	80 of the 131 reported 20% increase in knowledge of pregnancy prevention. 25% increase in STI/HIV (partially met). 100% can list at least one family pact program.
2	150	146	146	97%	Info Presentations – objective was met. 20% increase in knowledge of STI's and pregnancy prevention – objective partially met. 100% of completers can name a Family Pact Provider.
3	65	131	131	100%	Clinical services linkages – objective was met. 50% of participants will be identified and tracked for a minimum of three months – objective was not met.
4	100	0	0	0%	Objective not met
5	100	63	28	28%	Participants to complete 8 sessions of curriculum – objective not met. 25% increase in knowledge of sexual behaviors in teen pregnancy prevention – objective not met. 50% to report increase in knowledge of birth control – objective not met. 50% of trained completers to assist in the facilitation of at least one Male Involvement workshop – objective not met.
6	30	10	0%	0%	10 recruited, but all did not complete the training. Objective was partially met. 50% of interns will exhibit 10% increase in GPA – objective partially met. 40% to increase knowledge in teen prevention – objective was partially met. 80% of completers will peer mentor at least one teen – objective was partially met. A minimum of 10 info presentations will be facilitated by Peer Leader Interns – objective was met.. At least 2 participants will co-chair to youth advisory board – objective was met.
7	10	0	0%	0%	Objective was not met
8	325				60% to complete a satisfaction survey – objective was partially met. 10 local business will commit to provide jobs – objective was not met. 30% to volunteer in the HABLO program – objective was met as 100% indicated a desire to volunteer.

Several of the goals and objectives were still not completed within the specified timeline. It appears that the Grantee lost some sites of services where the Prevention Education Strategy (Life Options) took place due to a change in the Administration at the San Bernardino City Unified School District. According to the Project Director they are currently in the process of working with the Superintendent of Schools to resolve this issue and to regain entry to Arroyo Valley, Pacific and Cajon High Schools.

The Project Director also indicated that there are new requirements by the OFP, which state that all participants must complete the entire intervention. She indicated this new guidelines affects them because sometimes participants attend most of the sessions, but if for unforeseen circumstances they are unable to attend the last two sessions or the last session they may not be considered completers. Another challenging issue was the Clinical Services Linkages. According to the Project Director, they distribute referral cards but they have not been able to actually track participants accessing the services. They are currently working in establishing a tracking system. Finally, strategies 4 and 10 have been permanently dropped from the workplan, and according to the Project Director, the OFP is aware of this and they agreed with it.

Information taken from the 2nd six month period Progress Report – FY: 2006-2007

	Strategy	*Revised Workplan Timeline*	*Number of Participants per Worplan*	*Actual Number of Participants*	*Percentage of Participation*
1	Comprehensive Sexuality Education – S1	Q1 – Q4	300	197	66%
2	Informal Presentations – S2	Q1 – Q4	150	122	82%
3	Clinical Services Linkages – S8	Q1 – Q4	30	103	100%+
4	Education and Support for Teen Mothers and Fathers – S4 [Dropped]	Q1 – Q4	0	0	0%
5	Male Involvement – S5	Q1 – Q4	100	51	51%
6	Peer Provided Services – S7	Q1 – Q4	20	7	35%
7	Mentoring – S10 [Dropped]	Q1-Q2, Q4	10	0	
8	Community Awareness & Mobilization – S11	Q1 – Q4	325	500,160	

Note to Strategy 8:
The Grantee stated that the Peer Educators together with Dameron Communications created a Public Service Announcement for Sexually Transmitted Diseases, which was aired on 99.0 KGGI, KKDD 1290AM, KFRG 96.7 and KTIE 590AM and that over 250,000 listeners received the information in the Inland Empire.

The number of participants and the timeline agree with the revised work plan # 2 for fiscal year 2006-2007.

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Actual Results per Loma Linda School of Public Health (Evaluator)- FY: 2006-2007

	Number of Participants per Worplan	*Actual Number of Participants*	*Number of Completers*	*Percentage of Completion*	*Results*
1	300	586	435	100%	Objective was met as 586 enrolled and 435 (74%) completed 8 session hours of workshop. 104 completed and 65% reported a 35% increase in knowledge of pregnancy prevention methods. 99% reported a 20% increase in STI/'HIV knowledge. 80% demonstrated in class the SWAT method. 100% participants received a referral to local clinics.
2	150	151	151	100%	Info Presentations – objective was met. 20% increase in knowledge of STI's and pregnancy prevention. 77% of completers can name a Family Pact Provider, objective was met.
3	30	103	103	100%	Clinical services linkages, objective was met. All participants received referrals. It is unclear whether or not they were tracked, as there were no tracking system in place.
4	0	0	0	0%	No comment on this objective by LLSPH
5	100	70	42	42%	Participants to complete 8 sessions of curriculum, objective was partially met. 60% of participants exhibited a 25% increase in knowledge of sexual behaviors in teen pregnancy prevention, objective was met. 60% of completers reported an increase in knowledge of birth control, objective was met. 10% of participants will be trained to facilitate a Male Involvement workshop, objective was not met. 50% of trained participants will assist in the participation of at least one Male Involvement Workshop, objective was not met.
6	20	10	7	35%	7 participants completed all the sessions, objective was met. **Work Plan indicated 20 participants**. 5 teens completed the training and over 50% exhibited over a 10% increase in GPA. 3 of these received scholarships to college. 40% to increase knowledge in teen prevention methods, STI prevention, objective was partially met. 50% of completers will peer mentor at least one teen, objective was met. A minimum of one community project was implemented by the peer educator, objective was met. A minimum of 10 info presentations to increase knowledge of STIs and pregnancy prevention, objective was met. A minimum of 2 completers will co-chair to youth advisory board – objective was not met.
7	10	0	0	0%	No comment on this objective by LLSPH
8	325				60% to complete a satisfaction survey, objective was partially met. 5 local business will commit to provide jobs, objective was partially met. 5% to volunteer in the HABLO program, objective was partially met as there were only three volunteers.

Note regarding # 6: The Evaluator indicated that eight, 15-17 year old teens would be targeted for Peer Provided Services. However, the 2006-2007 workplan shows that twenty teens were targeted.

4. BUDGET REVIEW

Auditor reviewed the original budget and budget revision 1 for year 1, fiscal year July 1, 2005 through June 30, 2006. The Grantee made some changes to the original budget. Budget Revision 1 with detailed explanation of changes was submitted to the OFP for approval on May 12, 2006. Cielo Avalos approved the budget detail adjustment per e-mail dated May 30, 2006 from Kim Leahy to Pamela George.

Auditor reviewed the original budget and budget revisions 1 and 2 for year 2, fiscal year July 1, 2006 through June 30, 2007. The Grantee made some changes to the original budget. Budget Revision 2 with detailed explanation of changes was submitted to the OFP for approval on June 27, 2007. Gloria Gastelum, Contract Manager, approved the budget detail adjustment per letter dated July 26, 2007 from approver. Effective date of revision is July 1, 2006.
According to Budget Revision 2, the "Contractor may shift any amount up to $25,000 at one time for a contract totaling $250,000 or less. Ten percent of the contract total may be shifted at one time for a contract exceeding $250,001. However, cumulative shifts may not exceed $50,000 annually in either case." The cumulative shifts made by Grantee did not amount to nor exceeded $50,000.

5. TIMELY SUBMISSION OF INVOICES - QUARTERLY

In accordance to the contract provisions, quarterly invoices are due 30 calendar days after the close of a quarterly period.

The invoice for the first quarter ending September 30, 2005 was due on October 30, 2005. The invoice was submitted on October 26, 2005 and received by the OFP on November 1, 2005. Invoice was submitted timely.

The invoice for the second quarter ending December 31, 2005 was due on February 1, 2006. The invoice was submitted on January 27, 2006 and received by the OFP on January 30, 2006. Invoice was submitted timely.

The invoice for the third quarter ending March 1, 2006 was due on May 1, 2006. The invoice was submitted on April 24, 2006 and received by the OFP on April 27, 2006. Invoice was submitted timely.

The invoice for the fourth quarter ending June 30, 2006 was due on August 1, 2006. The invoice was submitted on August 1, 2006 and received by the OFP on August 3, 2006. Invoice was submitted timely.

The invoice for the first quarter ending September 30, 2006 was due on October 30, 2006. The invoice was dated November 1, 2006. Auditor was unable to determine when invoice was submitted by PCI, nor when it was received by the OFP.

The invoice for the second quarter ending December 31, 2006 was due on February 1, 2007. The invoice was dated February 1, 2007. Auditor was unable to determine when invoice was submitted by PCI, nor when it was received by the OFP.

The invoice for the third quarter ending March 1, 2007 was due on May 1, 2007. The invoice was dated May 1, 2007. Auditor was unable to determine when invoice was submitted by PCI, nor when it was received by the OFP.

RECOMMENDATION

Based on the review of the quarterly invoices for fiscal year July 1, 2005 through June 30, 2006 all the quarterly invoices were submitted on a timely manner. However, Auditor was unable to determine if the quarterly invoices for the first three quarters of fiscal year 2006-2007 were submitted on a timely manner.

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V. FISCAL FINDINGS

A. EXPENDITURE REVIEW – 2005-2006

The contract provisions state in part that, "For services satisfactorily rendered, and upon receipt and approval of the invoices, the State agrees to compensate the Grantee for actual expenditures incurred in accordance with the budget(s) attached hereto."

The review of the quarterly invoices for the first, second, third and fourth quarter for fiscal year 2005-2006, disclosed that the Grantee submitted invoices based upon budget revision 1. The fourth quarter invoice reflects the Youth Advocate position created to assist and perform additional program duties, which was approved by the OFP.

YEAR 1 - QUARTER 1 [7/1/05 to 9/30/05]				
Description	*Expenses Per Profit & Loss*	*Expense Per Receipts "Audited"*	*Amount Billed Per Invoice*	*(Over) Under Variance*
Salaries	$21,912	$21,912	$22,858	($946)
Operating Expenses	8,954	5,436	9,083	(3,647)
Subcontractors	0	0	0	0
Other Costs	3,326	2,728	2,546	182
Indirect Costs	6,323	1,954	2,286	(332)
Totals	**$40,515**	**$32,030**	**$ 36,773**	**($4,743)**

YEAR 1 - QUARTER 2 [10/1/05 to 12/31/05]				
Description	*Expenses Per Profit & Loss*	*Expense Per Receipts "Audited"*	*Amount Billed Per Invoice*	*(Over) Under Variance*
Salaries	$19,736	$18,586	$33,700	($15,114)
Operating Expenses	5,360	2,286	3,729	(1,443)
Subcontractors	2,850	2,850	2,850	0
Other Costs	1,885	2,875	3,778	(903)
Indirect Costs	8,608	1,654	3,370	(1,716)
Totals	**$38,439**	**$28,251**	**$ 47,427**	**($19,176)**

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YEAR 1 - QUARTER 3 [1/1/06 to 3/31/06]				
	Expenses	*Expense*	*Amount*	*(Over)*
Description	*Per*	*Per Receipts*	*Billed*	*Under*
	Profit & Loss	*"Audited"*	*Per Invoice*	*Variance*
Salaries	$17,450	$17,450	$28,920	($11,470)
Operating Expenses	4,302	2,602	6,577	(3,975)
Subcontractors	0	0	0	0
Other Costs	2,086	3,535	3,267	268
Indirect Costs	8,775	1,745	2,892	(1,147)
Totals	**$32,613**	**$25,332**	**$41,656**	**($16,324)**

YEAR 1 - QUARTER 4 [4/1/06 to 6/30/06]				
	Expenses	*Expense*	*Amount*	*(Over)*
Description	*Per*	*Per Receipts*	*Billed*	*Under*
	Profit & Loss	*"Audited"*	*Per Invoice*	*Variance*
Salaries	$22,610	$31,482	$31,919	($437)
Operating Expenses	4,040	4,742	417	4,325
Subcontractors	8,150	8,150	8,150	0
Other Costs	10,238	5,782	5,439	343
Indirect Costs	8,555	1,728	3,192	(1,464)
Totals	**$53,593**	**$51,884**	**$49,117**	**($2,767)**

Other Costs – There is no underpayment. Adding the $19 would exceed the budgeted amount of $15,030. [Refer to Q4 Invoice]

YEAR 1 - QUARTERS 1 - 4 [7/1/05 to 6/30/06] SUMMARY				
	Q1 - Q4	*Q1 - Q4*	*Over*	
Description	*Totals*	*Totals*	*(Under)*	*Per Budget*
	"Audited"	*Per Invoices*	*Variance*	*Revision 1*
Salaries	$89,430	$117,397	($27,967)	$117,421
Operating Exp	15,066	19,806	(4,740)	19,807
Subcontractors	11,000	11,000	0	11,000
Other Costs	14,920	15,030	(110)	15,030
Indirect Costs	7,081	11,740	(4,659)	11,742
Totals	**$137,497**	**$174,973**	**($37,476)**	**$175,000**

As can be seen on the above summary table, the amount billed by the Grantee (invoiced) does not exceed the Budget revision 1 range for fiscal year 2005-2006. Nevertheless, the billed expenses do exceed audited expenses by $37,476. The tables shown above for each of the four quarters reflect P&L (P&L), audited, and quarterly invoiced expenses. The Grantee's P&L for a given quarter reflected expenses for prior quarter(s). This is due to the fact that the Grantee books expenses when they are paid and not when they are incurred. Audited expenses are based on receipts provided by the Grantee, and quarterly invoiced expenses were expenses billed by the Grantee.

Total office rent has been allowed for 2005-2006 despite the fact that the owner, Anita Jones, donated the rent to the program. In an e-mail dated February 28, 2008 from Office of Family Planning, the Department did not approve the exclusion of the property rent from audited expenses since they found this to be in conflict with actual reimbursed cost. Nevertheless, the portion of office rent, which had been included in indirect costs has been excluded as this issue was discussed at the exit conference and Office of Family Planning indicated that this was not allowable.

Based on the review of the Grantee's records, it was determined that the Grantee's records were unreliable. Some of the receipts provided to support expenses for a given quarter pertained not only to that quarter, but to other quarters as well. Audited wages and benefits were taken from the P&L since the in-house payroll records were incomplete. The P&L had wages for positions that were not authorized, such as the Project Coordinator and the Program Manager. Wages for these positions were excluded from audited wages. In addition, the Grantee included wages for the Youth Advocate even though the position was not approved until May 30, 2006. The Youth Advocate wages were only included in the fourth quarter audited wages.

Operating Expense exclude expenses for incomplete travel claims. Incomplete claims were missing claimer's name and signature, date, purpose of trip, approval, etc. Auditor was unable to determine legitimacy of travel claims. Most of the travel claims were incomplete. Travel claims were paid without proper authorization from the Executive Director. Subsequently a portion of the office space rent is allocated to operating expenses to indirect costs. Auditor believes that since the Grantee has a limitation on the rent expense that can be claimed, depending on the number of Full Time Equivalents (FTE's), the Grantee is splitting the rent expense and recording it in two different expense classifications, operating and indirect.
Telecommunications expense is allocated to all the programs administered by the Agency. However, there is no basis for the expense allocation among the five

programs. Neither one of the Directors was able to explain the basis used for allocation. For this reason, Auditor was unable to determine whether expenses had been reimbursed by more than one funding source. Equipment purchased by the Grantee with DHS funds, a laptop, was not properly tagged as required by the OFP. According to Pamela George, Project Director, they received authorization by the OFP to purchase a laptop. However, the written authorization was not provided to the Auditor for review. When auditor requested to physically see the laptop, the Project Director indicated that it was being repaired and therefore not available.

Finally, office space rent and rental expense for the copier were included in audited expenses even though they are considered related party transactions. Subcontractors' expenses were verified.

Other Costs – The audited food expense for the year, nor invoiced food expense exceed the grant limitation of one percent of annual grant. Auditor reviewed receipts for movie tickets, incentives, which constitute the bulk of the incentive expense. However, the auditor was unable to determine how the tickets were distributed to the participants or completers as adequate records are not kept. Included in this category was the program space rent. Auditor came across many delinquent letters from New Hope Public Enterprises, the Lessor. According to a letter dated December 15, 2005, the Grantee had been behind on the rent for the past three years. It also stated that the Grantee was in default for the months of September, October and November 2005. This letter also stated that they were in the process of terminating their lease agreement and starting eviction proceedings due to the Grantee's failure to keep lease payments current. The Grantee incurred late fees of ten percent.

Indirect Costs – as can be seen in the above tables, indirect expenses per the P&L are extremely high and they exceed ten percent of personnel wages and benefits. However, audited expenses and billed expenses are within the ten percent limitation. Audited expenses include the allocation of office space rent for quarters 2 through 4 since receipts were provided. In addition, it includes some expenses for the copier machine lease. Both of these expenses are related party expenses. The audited indirect costs include expenses for liability insurance. The Grantee's allocation for the first two quarters was $199.13 and then the allocation increased to $338.33. Auditor was unable to determine the reason for the increase since adequate records were not kept by the Grantee. The liability insurance was always paid late. The Grantee received several cancellation and reinstatement notices due to lack of payment per records reviewed. Finally, indirect expenses include wages paid to the executive director who is also the founder and a board member.

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EXPENDITURE REVIEW – 2006-2007

The review of the quarterly invoices for the first, second and third quarter for fiscal year 2006-2007, disclosed that the Grantee submitted invoices based upon budget revision 1. The Grantee made another revision to the budget, Revision 2, which had been properly approved by the OFP.

YEAR 2 - QUARTER 1 [7/1/06 to 9/30/06]				
Description	*Expenses Per Profit & Loss*	*Expense Per Receipts "Audited"*	*Amount Billed Per Invoice*	*(Over) Under Variance*
Salaries	$30,796	$31,193	$30,456	$737
Operating Expenses	7,437	1,873	4,562	(2,689)
Subcontractors				
Other Costs	0	2,394	3,380	(986)
Indirect Costs	5,991	3,119	3,046	73
Totals	**$44,224**	**$38,579**	**$41,444**	**($2,865)**

YEAR 2 - QUARTER 2 [10/1/06 to 12/31/06]				
Description	*Expenses Per Profit & Loss*	*Expense Per Receipts "Audited"*	*Amount Billed Per Invoice*	*(Over) Under Variance*
Salaries	$29,350	$27,999	$28,387	($388)
Operating Expenses	5,975	503	3,574	(3,071)
Subcontractors				
Other Costs	0	3,598	4,130	(532)
Indirect Costs	2,684	2,800	2,839	(39)
Totals	**$38,009**	**$34,900**	**$38,930**	**($4,030)**

YEAR 2 - QUARTER 3 [1/1/07 to 3/31/07]				
Description	*Expenses Per Profit & Loss*	*Expense Per Receipts "Audited"*	*Amount Billed Per Invoice*	*(Over) Under Variance*
Salaries	$28,483	$23,023	$23,958	($935)
Operating Expenses	7,595	3,282	5,386	(2,104)
Subcontractors	1,820	1,820	1,820	0
Other Costs	0	1,760	731	1,029
Indirect Costs	2,839	2,085	2,396	(311)
Totals	**$40,737**	**$31,970**	**$34,291**	**($2,321)**

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In contrast with the first year, office space rent was excluded for the three quarters of the second year (7/1/06 to 3/31/07) due to the fact that receipts were not provided. In a conversation with Anita Jones, Executive Director and owner of the lease property, she indicated that she did not receive rent payments for these three quarters.

YEAR 2 - QUARTERS 1 - 3 [7/1/06 to 3/31/07] SUMMARY				
	Q1 – Q3	*Q1 – Q3*	*Over*	
Description	*Totals*	*Totals*	*(Under)*	*Per Budget*
	"Audited"	*Per Invoices*	*Variance*	*Revision 2*
Salaries	$82,215	$82,801	($586)	$113,876
Operating Expenses	5,658	13,522	(7,864)	23,706
Subcontractors	1,820	1,820	0	11,000
Other Costs	7,752	8,241	(489)	15,030
Indirect Costs	8,004	8,281	(277)	11,388
Totals	**$105,449**	**$114,665**	**($9,216)**	**$175,000**

Budget Revision 2 reflects changes to Wages and Benefits, Operating Expenses and Indirect Costs due to the change to Wages and Benefits. Therefore, quarter 4 should reflect adjustments to these three categories. Quarters 1 through 3 do not reflect revisions made to the budget.

Invoices were properly submitted on company letterhead paper in a format determined by the Office of Family Planning (OFP). Payments made by the OFP based on quarterly invoices (Q1 – Q4) for fiscal year 2005-2006 do not exceed the budget range. However, based on the review of the expense receipts provided by the Grantee, it was determined that the Grantee overbilled for expenses as shown on the above tables for Q1 – Q4, fiscal year 2005-2006.

Invoices for Q1 – Q3 for fiscal year 2006-2007 do not exceed the budget range. Q4 was not included in the audit review. Based on the review of the expense receipts provided by the Grantee, it was determined that the expenses were overbilled as shown on the above tables for Q1 – Q3. All the comments made for fiscal year 2005-2006 regarding late payments, eviction notices, related party transactions, etc., also apply to fiscal year 2006-2007 based on documentation reviewed. Invoices bare the name exactly as it appears on the Agreement, and they include the Grantee's agreement number. However, the Grantee does not properly itemize costs for each budget line item for the billing period in the same or greater level of detail as indicated in the Agreement .

The Profit and Loss Statement (P&L) included interest expense, which is a prohibited expense. When this was brought up to the attention of the Project Director, she indicated that although the interest expense was included in the P&L, the expense was not included in the quarterly invoices. Interest expense was excluded from audited expenses.

Expenses per the P&L were included for information purposes only. Audited expenses were based on supporting documentation provided for review, and they were not based on the P&L, as expenses booked in the P&L were not reliable. Audited expenses were compared to billed expenses (invoiced) and the result was either an (overpayment) or an underpayment.

SUMMARY OF REVIEW

During the reconciliation of claimed expenses to actual cost, Auditor noted many inconsistencies.
The vast majority of the expenses reviewed were paid late. The Grantee incurred late fees and penalties as a consequence. Expenses requiring prior approval, such as travel, training and cash advances were missing proper approval. Auditor came across one or two which were properly approved. Auditor was unable to test allocation of expenses for accuracy, reasonableness, and appropriate basis. Neither the Project Director nor the Executive Director were able to explain to the Auditor the basis used to allocate expenses among the programs administered by the Agency.

The Grantee books expenses when they are paid and not when they are incurred, cash basis of accounting vs. accrual accounting.
Auditor was unable to determine if expenses had not been reimbursed by more than one funding source due to the inadequacy of the Grantee's records.

Audited quarterly expenses were based on supporting documentation provided by the Grantee for review. It appears that the Grantee has been having financial difficulty and is unable to meet their day to day obligations (liabilities). The Audited financial statements indicate the financial situation of the Grantee and they state, in part, that the Grantee's "going concern is in part beyond their control due to several factors. These factors include the availability of suitable clientele, continuation of funding levels by the federal, state and local governments and the ambiguity of further actions by the Internal Revenue Services." The audited financial statements further indicate that The Organization has a deficiency of unrestricted net assets of $591,465 and $509,070 for fiscal years 2005 and 2006 respectively. "The deficiency is a result of liability owed to the Internal Revenue Service for federal payroll taxes and other lenders."

According to the Executive Director, they made arrangements with the Internal Revenue Service (IRS). They were asked by the IRS to keep their current payroll tax liability up to date and to make monthly payments of $500 for delinquent payroll taxes.

Exhibit B of the Contranct, Budget Detail and Payment Provisions, state that the "Grantee shall maintain for review and audit and supply to DHS upon request, Adequate documentation of all expenses claimed pursuant to this Agreement to permit a determination of expense allowability." "If the allowability or appropriateness of an expense cannot be determined by the State because invoice detail, fiscal records, or backup documentation is nonexistent or inadequate according to generally accepted accounting principles or practices, all questionable costs may be disallowed and payment may be withheld by the State. Upon receipt of adequate documentation supporting a disallowed or questionable expense, reimbursement may resume for the amount substantiated and deemed allowable."

It is possible that some of the amounts deemed overpayments by the Auditor may include legitimate expenses. However, due to the inadequacy of the records provided for review, and the record keeping system now in place, the Auditor was unable to substantiate that expenses were properly billed.

RELATED PARTY TRANSACTIONS

Several related party transactions were identified, which amounted to $9,125 per year. The Office rent and the rental of the copier is paid to Wynn Wynn & Associates, a real estate corporation, controlled by Anita Jones, Executive Director and husband.

Auditor believes that there is a conflict of interest due to the fact that Mrs. Jones is the founder and also member of the Board of Directors of People's Choice, Inc. Auditor received a conflict of interest certification from one of the Board of Directors, Veatrice Jews, Chairperson, in which she indicates in part that "Anita Jones, has part ownership of one of the properties that the corporation rents. No other known conflict of interest exist for the board or any of its board member as related to any project." The certification provided by Ms. Jews failed to mention the other related party transactions in which Mrs. Jones and her husband are involved. The related party expenses identified during the review were initially allocated to five programs administered by the Agency during fiscal year 2005-2006. During fiscal year 2006-2007, the allocation was made to only three programs. According to the Project Director, one program ended and another one, the First Five Commission Program, was terminated on February 2007 due to the conflicts of interest noted on the Audited Financial Statements. This was confirmed by Anita Jones, Executive Director.

According to the grant agreement, "If DHS is or becomes aware of a known or suspected conflict of interest, the Grantee will be given an opportunity to submit additional information or to resolve the conflict.
Audit findings as well as notes to the audited financial statements identified all the related party transactions, including notes payable to the executive director, her husband and the LLC, Wynn Wynn & Associates, controlled by both.

Auditor held conversation with Mrs. Jones regarding audit findings and also regarding the related party transactions. Mrs. Jones indicated that she has helped the Agency since its inception, and that she had donated to the Agency amounts owed to her. Auditor received a letter dated January 3, 2007 addressed to the Board of Directors of People's Choice, Inc., (PCI) in which she indicates that "I have donated the agency a total of $90,000 for the agency's fiscal year 2006-2007." The second letter received from Mrs. Jones is dated October 3, 2007 and also addressed to the Board of Directors of PCI in which she indicates that "I, again, would like to donate the rents of last year (2005-2006) of $23,937 and any rents incurred by your agency during year (2006-2007) of $8,400 back to your agency to support the very good work you are doing in the community. For the total of $32,337."
If Mrs. Jones is donating the money recorded in PCI books as current liability, then the rent expense should not be included in audited expenses due to the fact that the expense is not being incurred. Mrs. Jones claims that she has not received rent payments in a very long time, yet the invoices sent to the OFP reflect office rent expenses

GENERAL LIABILITY INSURANCE
The grant agreement requires the Grantee to "furnish to Department of Health Services (DHS) a certificate of insurance stating that commercial general liability insurance of not less than $1,000,000 per occurrence for bodily injury and property damage liability combined is presently in effect for the Grantee. The commercial general liability insurance policy shall include coverage for liabilities arising out of premises, operations, independent contractors, products, completed operations, personal and advertising injury, and liability assumed under an insured agreement." The certificate of insurance must include "The State of California, its officers, agents, employees, and servants are included as additional insureds, but only with respect to work performed for the State of California under this agreement..."
The liability insurance has the required limits with the exceptions of the property damage. However, the certificate of insurance does not list the State of California, its officers, agents, etc. as additional insureds.
Based on documentation reviewed for both fiscal years, 2005-2006 and 2006-2007, this requirement has not been met. Grantee is not in compliance.

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COMMUNITY MATCH – FISCAL YEAR 2005-2006

The "CCG Program statutes require Grantees to match their grant funds with either dollar or measurable in-kind contributions...non-profit community-based agency may not use other governmental/public source funds or in-kind contributions to meet the match requirement..." Required match for the first year of the grant must not be less than 20 percent of the grant amount.
Auditor requested supporting documentation to ascertain compliance. Grantee provided thank you letters prepared by People's Choice, Inc., Project Director. The thank you letters were addressed to donors and volunteers. Letters indicated the date of the contribution, the name of the contributor, amount or time contributed, the type of contribution, etc. Total community match for fiscal year 2005-2006 was $27,457 (revised on 4/23/08, after exit conference).
Required community match, 20% of annual grant, for 2005-2006 was $35,000. Audited community match contribution excludes time donated or rent space where the Grantee omitted the dollar value of the donation. It was found that the community match for the first year is less than the required match.

COMMUNITY MATCH – FISCAL YEAR 2006-2007

Auditor requested supporting documentation to ascertain compliance for the second year and received the same type of thank you letters provided for the first year, which were prepared by the Project Director and addressed to donors and volunteers. Letters indicated the date of the contribution, the name of the contributor, amount or time contributed, and the type of contribution, etc. Total community match for fiscal year 2006-2007, quarters 1 through 3 was $14,162. The Grantee provided supporting documentation for the fourth quarter, community match for the fourth quarter was $29,899. However, the fourth quarter is not being audited. Total for quarters 1 through 4 was $44,061. Required community match for 2006-2007 must not be less than 20 percent of the grant amount, $35,000. Audited Community match for Q1 – Q4 exceed the amount required.
Community match contributions for both years included donated time, donated advertising, private monetary donations, sports tickets which were auctioned by the Grantee to raise funds, rent or meeting space, dinner tickets, gift certificates, etc., per thank you letters reviewed.

Auditor requested and received the duty statement for the Executive Director. Among the executive director's duties are the "Monitoring of bookkeeper and CPA." Based on the review, it was determined that the Agency is deficient in this area. Record keeping needs improvement and there needs to be segregation of duties.

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V. FISCAL FINDINGS

The following is a discussion of the fiscal findings relating to the Audits and Investigations' examination of People's Choice, Inc. The details of this or these amount(s) are included in Schedules A and B of this report.

VI. SYSTEMS AND PROCEDURES

We have not made a study and evaluation of the internal account for the following reasons:

In addition to the Auditor's review, the Auditor relied on Audited Financial Statements for 2005-2006 and 2006-2007 issued by Carlos E. Soler, CPA.

VII. SCHEDULES

Schedules A and B of financial data have been included in this report to summarize the amounts claimed and paid under the contractual agreement. If any adjustments have been proposed to the claimed amounts they are reflected in these schedules and discussed in the Fiscal Findings Section of this report as well as in the Explanation of Audit Adjustments.

VIII. CONTRACTOR RESPONSE TO ADJUSTMENTS/FINDINGS

Subsequent to the exit conference the contractor submitted a response to the findings discussed in this report.

Auditor held meeting with Pamela George, Project Director, on Wednesday, April 23, 2008. Ms. George brought the following documentation:

- Community Match Program (some receipts from the donors for both fiscal years 2005-2006 and 2006-2007.
- Budget Revision 1 for fiscal year 2005-2006
- Personnel Classifications
- Receipt for the laptop

Revisions were made to this report to incorporate additional community match donations which had not been previously included in fiscal year 2005-2006. No changes were made to 2006-2007.

No revisions were made to this report as the Budget Revision 1 and the Personnel Classifications were previously received and considered in this report.

Receipt for the laptop was reviewed and included in allowable cost.

Other adjustments made to this report were as a consequence of the exit conference. Total office rent expense for the 2005-2006 billed to and paid by OFP was included in audited expenses due to the fact that OFP indicated that it should not be excluded from audited cost because the exclusion would be in conflict with actual reimbursed costs. During the exit conference, this issue was discussed, and it was agreed that the portion of rent expense included in indirect costs should be disallowed. For this reason, it was excluded. Office rent for fiscal year 2006-2007 was for $3,300 amount billed under "Operating Expenses," however, the total expense was excluded from audited expenses due to the fact that the Grantee did not provide the adequate supporting documentation to substantiate the expense.

Revisions to the findings in this report have been made where appropriate and sufficient documentation was provided. In those cases where revisions have been made, they have been discussed in the respective sections of this report.

People's Choice, Inc.
Teen Pregnancy Prevention Project
Community Challenge Grant Program
Contract Number: 05-45300
Contract Period: July 1, 2005 through June 30, 2010
Review Period: July 1, 2005 through March 31, 2007

IX. STATE PROGRAM RESPONSE TO ADJUSTMENTS/FINDINGS

A draft copy of this report was submitted to the Amber Delgado, CCG Program Manager, for their review prior to the report being finalized and released to the contractor.

Subsequent to their review, the Office of Family Planning indicated that they concurred with the audit findings with the exception of the office rent exclusion.

Revisions and/or additions were made to this report as a result of the State Program's response.

The portion of office space rent included in indirect cost was excluded from audited expenses.

Office space rent in operating expenses for the first year was included in audited costs.

Schedule A

Contractor Name People's Choice, Inc.
Community Challenge Grant Program
Contract Number: 05-45300
July 1, 2005 through June 30, 2006

SUMMARY OF REVIEWED CONTRACT EXPENDITURES

Budgeted Categories	Revision 1* Contract Amount	Billed to Date & Paid	Remaining Contract Amount	Audited Expenses	Questionable Billings**
Personnel (Adj 1)	$ 117,421	$ 117,397	$ 24	$ 89,430	$ (27,967)
Operating Expenses (Adj 2)	19,807	19,806	1	15,066	(4,740)
Capital Expenditures	11,000	11,000	-	11,000	-
Other Costs (Adj 3)	15,030	15,030	-	14,920	(110)
Indirect Costs (Adj 4)	11,742	11,740	2	7,081	(4,659)
Total Expenditures	$ 175,000	$ 174,973	$ 27	$ 137,497	$ (37,476)

*Utilize when contract has been revised

Schedule B

Contractor Name People's Choice, Inc.
Community Challenge Grant Program
Contract Number: 05-45300
July 1, 2006 through March 31, 2007

SUMMARY OF REVIEWED CONTRACT EXPENDITURES

Budgeted Categories	Revision 2 * Contract Amount	Billed through 3/31/07	Remaining Contract Amount	Audited Expenses through 3/31/07	Questionable Billings**
Personnel (Adj 5)	$ 113,876	$ 82,801	$ 31,075	$ 82,215	$ (586)
Operating Expenses (Adj 6)	23,706	13,522	10,184	5,658	(7,864)
Capital Expenditures	11,000	1,820	9,180	1,820	-
Other Costs (Adj 7)	15,030	8,241	6,789	7,752	(489)
Indirect Costs (Adj 8)	11,388	8,281	3,107	8,004	(277)
Total Expenditures	$ 175,000	$ 114,665	$ 60,335	$ 105,449	$ (9,216)

*Utilize when contract has been revised
**See Section V for Explanation
(Format for line-item budget contracts and CHDP.)

State of California

Department of Health Care Services
SCHEDULE C

Contractor Name					Fiscal Period	Contract Number		Adjustments
PEOPLE'S CHOICE, INC.					JULY 1, 2005 THROUGH MARCH 31, 2007	05-45300		9
Report References								
Adj. No.	Audit Report		Invoice or Claim					
	Schedule	Line	Form #	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
					ADJUSTMENTS TO REPORTED COSTS			
1	1	1			Personnel	$117,397	($27,967)	$89,430
2	1	2			Operating Expenses	19,806	(4,740)	15,066
3	1	4			Other Costs	15,030	(110)	14,920
4	1	5			Indirect Costs	11,740	(4,659)	7,081
5	2	1			Personnel	82,801	(586)	82,215
6	2	2			Operating Expenses	13,522	(7,864)	5,658
7	2	4			Other Costs	8,241	(489)	7,752
8	2	5			Indirect Costs	8,281	(277)	8,004

To adjust billed expenses to agree with the audited expenses.
42 CFR 413.20 and 413.24
CMS Pub. 15-1, Sections 2300 and 2304
Community Challenge Grant Number 05-45300, Exhibit B, 7.C

Contractor Name					Fiscal Period	Contract Number		Adjustments
PEOPLE'S CHOICE, INC.					JULY 1, 2005 THROUGH MARCH 31, 2007	05-45300		9
Report References								
Adj. No.	Audit Report		Invoice or Claim					
	Schedule	Line	Form #	Line	Explanation of Audit Adjustments	As Reported	Increase (Decrease)	As Adjusted
					ADJUSTMENT TO OTHER MATTERS			
9	N/A				Overpayment To recover overpayments. Community Challenge Grant Number 05-45300, Exhibit B, 7 and 8	$0	$46,692	$46,692