

## **Expenditure of Proposition 10 Funds in Santa Cruz County First Five Santa Cruz County**

### ***Definitions***

**ASR (Applied Survey Research):** an independent, non-profit research organization which completed program evaluations for the year 2004

**First Five Santa Cruz County (First Five SCC):** the commission in Santa Cruz County that administers local revenues from Children and Families First Act

**First Five Partners:** community agencies that receive grants from First Five Santa Cruz County

**Our Children Large Community Grants:** grants given in amounts over \$20,000

**Our Children Community Mini-grants:** grants that are given in amounts less than \$10,000

**The Santa Cruz County Service Unifying Network (SCC SUN):** database used by First Five Partners for collection of program information and client referral

**WIC (Women Infants and Children):** an income-qualified federal program which provides subsidies and nutrition education to pregnant women, nursing mothers and children five and under

### ***Background***

In November of 1998, California voters passed a statewide initiative, Proposition 10, known as the Children and Families First Act. Proposition 10 added a 50-cent-per-pack tax on cigarettes and other tobacco products. It was passed “for the purposes of promoting, supporting and improving the early development of children from the prenatal stage to five years of age.”<sup>1</sup> The law states that revenue may be used to fund child immunizations, vision and hearing tests, prenatal care and drug and alcohol-abuse treatment for parents of children five and under.

Twenty percent of the revenues are allocated to the State First Five Commission for statewide expenditures as mandated by law. This includes a public education campaign, educational materials and training, technical support for local county commissions, education and training of child-care providers and research and development. Of the 20 percent, only one percent is to be used for administrative functions of the state commission.

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<sup>1</sup> Text of state law, Proposition 10, Children and Families First Act.

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The remaining 80 percent of revenues are allocated to local commissions that are established in all 58 California counties, as required by law. Allocations to each county are based upon the number of births in the mother's county of residence.

These revenues are to be spent on programs determined by members of each local First Five Commission that best support optimal early childhood development. Nine commission members are appointed based upon experience or employment in fields of child welfare such as social services, medicine and education. In addition, all county commissions must develop strategic plans based on extensive public input before disbursing any funds.<sup>2</sup> Since 1999, California counties have received more than \$3.2 billion dollars for early childhood education programs called First Five.

Santa Cruz County's First Five Commission (hereafter known as First Five Santa Cruz County or First Five SCC) was established in January 1999 with the selection of the first commission members by the Santa Cruz County Board of Supervisors. The initial meeting of First Five Santa Cruz County was held in March of 1999, and the commission was expanded to nine members in May 1999. Santa Cruz County's First Five Commission has received over \$13 million since its inception.

In 2004, a state audit was requested of some of the First Five Commissions by California State Senator Dean Flores after he charged that Kern County Proposition 10 monies were being misused. This audit led to the discovery that appropriate procedures were not being followed for distribution of some grant monies. In addition, some grant distributions were not sufficiently documented. First Five Santa Cruz County was not included in the state's audit. Since that time, the legislature has considered two bills, Senate Bill 34 and Assembly Bill 109, intended to create more accountability for the funds spent by all local commissions.

### **Scope**

This investigation examines how First Five Santa Cruz County spends Proposition 10 tax revenues.

### **Sources**

#### **Interviewed:**

- First Five Santa Cruz County personnel.
- Health Services Agency personnel.
- Santa Cruz County Audit personnel.

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<sup>2</sup> Text of state law, Proposition 10, Children and Families First Act.

**Meetings attended:**

First Five Santa Cruz County Commission Meetings, February and March 2005.

**Reviewed:**

**Newspaper/Magazine Articles:**

Applied Survey Research, Evaluation Report, 2004, of First Five Santa Cruz, March 2005.

Santa Cruz Sentinel, “Audit urges better controls for tobacco tax spending,” Jim Wasserman, July 16, 2004.

Santa Cruz Sentinel, “New hope for children’s health care,” June 20, 2004.

**Documents/Memoranda:**

Budget Assumptions Narrative and Cost Allocations Between Programs, United Way of Santa Cruz County and Budget between United Way and First Five Santa Cruz County, Fiscal Year 2004-2005.

County of Santa Cruz, Report on Audit of First Five Santa Cruz County for the year ended June 30, 2005, November 2004.

First Five Santa Cruz County Budget Fiscal Year, 2004-2005.

First Five SCC Internal Document, Historic Spending First Five Timeline.

First Five Santa Cruz County Implementation Plan for Accounting Systems.

Healthy Kids Santa Cruz Brief Sheet, Santa Cruz County, Commission Meeting Agenda, May 26, 2004.

Improvements as recommended by the Santa Cruz County Auditor-Controller FY 2003-2004 Audit.

Letter of Interest: Staffing for the Santa Cruz County Children and Families First Commission, from Mary Lou Goeke to Charles M. Moody, HSA, Santa Cruz County, October 1, 1999.

Mary Lou Goeke to Santa Cruz County First Five Commission, “Questions Concerning Administrative Costs,” August 17, 2001.

Charles Moody, “Regarding Staffing Recommendation,” July 20, 1999.

Member list and background on SCC SUN.

Notice of Commission members and first meeting date, March 10, 1999.

Ordinance enacted by the Santa Cruz County Board of Supervisors, January 12, 1999-January 26, 1999.

Text of state law, Proposition 10, Children and Families First Act.

**Web Site:**

First Five Santa Cruz County, [www.first5scc.org](http://www.first5scc.org).

## ***Findings***

### **First Five Santa Cruz County**

1. First Five Santa Cruz County's Strategic Plan includes provisions for specific needs in the county. First Five SCC has three goals:
  - Children are in a strong family.
  - Children are ready to learn.
  - Children are healthy.

The funding for January 2004 through June 2005 is as follows<sup>3</sup>:

<b><i>Community Goals</i></b>	<b><i>Funding Amount</i></b>
Strong Families	\$2,101,750
Children Learning and Ready for School	\$1,637,746
Healthy Children	\$1,674,000
<b>Total Amount For All Community Grants</b>	<b>\$5,413,496</b>

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*A total of \$6,054,692 was granted during the January 2004 through June 2005 period.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*\$6,054,692 was granted in the 18-month period:*

<b><i>Community Goals</i></b>	<b><i>Funding Amount</i></b>
<i>Strong Families</i>	<i>\$2,101,750</i>
<i>Children Learning and Ready for School</i>	<i>\$2,012,002</i>
<i>School Readiness Initiative</i>	<i>\$124,700</i>
<i>Healthy Children</i>	<i>\$1,674,000</i>

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<sup>3</sup> First 5 Santa Cruz County Grants and Funding web site, [www.first5scc.org](http://www.first5scc.org).

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<i>Family Friendly Services</i>	<i>\$142,240</i>
<i>Total Amount For All Community Grants</i>	<i>\$6,054,692</i>

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*\$6,054,692 was granted in the 18-month period:*

<i>Community Goals</i>	<i>Funding Amount</i>
<i>Strong Families</i>	<i>\$2,101,750</i>
<i>Children Learning and Ready for School</i>	<i>\$2,012,002</i>
<i>School Readiness Initiative</i>	<i>\$124,700</i>
<i>Healthy Children</i>	<i>\$1,674,000</i>
<i>Family Friendly Services</i>	<i>\$142,240</i>
<i>Total Amount For All Community Grants</i>	<i>\$6,054,692</i>

- In order to meet these goals, First Five Santa Cruz County developed a strategic plan that addressed all goal areas with specific objectives to be carried out by multiple community agencies.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

- First Five Santa Cruz County (First Five SCC) has established funding for agencies in the community. First Five SCC disbursed mini-grants to small community programs in amounts from \$500 to almost \$13,000. Large grants were allocated to establish new programs in existing community agencies, as well to fund ongoing programs.

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*Funds have not been allocated to fund ongoing programs unless there was significant program expansion.*

**Response: First Five Santa Cruz County PARTIALLY DISAGREES.**

*Large grants have been allocated for new programs or to expand programs for children and families ages 0-5. Funds have not been used to fund existing programs.*

**Response: United Way of Santa Cruz County PARTIALLY DISAGREES.**

*Large grants have been allocated for new programs or to expand programs for children and families ages 0-5. Funds have not been used to fund existing programs.*

4. According to the 2004 Evaluation Report, almost 4,000 children ages 0 to 5 were served by First Five partners or grantees. This is 20 percent of the overall population of 0 to 5 year olds in this county.<sup>4</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

### **Budget/Administrative Costs**

5. First Five Santa Cruz County runs on an 18-month fiscal cycle.

**Response: Santa Cruz County Board of Supervisors DISAGREES.**

*First 5 runs on a fiscal year (July-June) basis. In the grant funding cycle reviewed by the Grand Jury, the majority were 18-month grants which extended over two fiscal years.*

**Response: First Five Santa Cruz County DISAGREES.**

*First 5 runs on a fiscal year (July-June) basis. In the grant funding cycle reviewed by the Grand Jury, the majority were 18-month grants that spanned two fiscal years.*

**Response: United Way of Santa Cruz County DISAGREES.**

*First 5 runs on a fiscal year (July-June) basis. In the grant funding cycle reviewed by the Grand Jury, the majority were 18-month grants that spanned two fiscal years.*

6. The County General Fund is the commission's operating fund. All financial resources, except those required to be accounted for in another fund, are in the General Fund. The County Auditor-Controller makes payments directly to the grantees selected by the First Five Commission Santa Cruz County (First Five SCC).

**Response: Santa Cruz County Board of Supervisors PARTIALLY DISAGREES.**

*The County Auditor-Controller holds the First 5 account in trust. Tobacco tax revenue is released directly from First 5 California to the trust account; no county general funds are used for First 5 programs.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

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<sup>4</sup> ARS Evaluation and Summary Report, March 2005.

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**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*The County Auditor-Controller holds the First 5 account in trust. Tobacco tax revenue is released directly from First 5 California to the trust account; no county general funds are used for First 5 programs.*

7. Due to decreasing sales of tobacco products, Proposition 10 tax revenues are declining.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

8. Total revenue for First Five Santa Cruz County for Fiscal Year 2004-2005 (January 1, 2004 to June 30, 2005) is \$11,606,754 which includes tax revenue disbursements, state matching funds and interest on revenue.

**Response: Santa Cruz County Board of Supervisors PARTIALLY DISAGREES.**

*\$11,606,754 includes a fund balance of \$7,703,880. Fiscal-year revenue is projected to be \$3,902,874.*

**Response: First Five Santa Cruz County PARTIALLY DISAGREES.**

*\$11,606,754 includes a fund balance of \$7,703,880. Fiscal-year revenue is projected to be \$3,902,874.*

**Response: United Way of Santa Cruz County PARTIALLY DISAGREES.**

*\$11,606,754 includes a fund balance of \$7,703,880. Fiscal-year revenue is projected to be \$3,902,874.*

9. Total grantee expense for 2004-2005 is \$4,375,612.

**Response: Santa Cruz County Board of Supervisors DISAGREES.**

*Additional grants were awarded bringing total grant expense for the 12-month period to \$4,447,063.*

**Response: First Five Santa Cruz County DISAGREES.**

*Additional grants were awarded bringing total grant expense to \$4,447,063 in the 12-month fiscal year period.*

**Response: United Way of Santa Cruz County DISAGREES.**

*Additional grants were awarded bringing total grant expense to \$4,447,063 in the 12-month fiscal year period.*

10. The United Way of Santa Cruz County won the contract to administer First Five Santa Cruz County at its inception and continues to provide staff support for the administration of First Five Santa Cruz County. Administrative costs include United Way membership dues, rent, training, insurance, equipment rental, community outreach events, supplies, telephone, salaries and employee benefits.

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*First 5 Commission personnel and operational costs are included in the contract. United Way membership dues are not.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*During its first year of operation, the commission committed to avoid duplication of administrative expenses through partnering with an established organization for office space, personnel benefits and fiscal agency. United Way of Santa Cruz County was selected to provide this service for the commission. The commission has renewed this contractual relationship annually. First 5 Commission personnel and operational costs are part of the contract. United Way membership dues are not.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*During its first year of operation, the commission committed to avoid duplication of administrative expenses through partnering with an established organization for office space, personnel benefits and fiscal agency. United Way of Santa Cruz County was selected to provide this service for the commission. The commission has renewed this contractual relationship annually. First 5 Commission personnel and operational costs are part of the contract. United Way membership dues are not.*

11. Total operating costs of \$509,212 for the year 2004-2005 were paid to United Way. These costs have risen every year since First Five SCC has been established.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

12. By law, United Way is to receive no more than 10 percent of Santa Cruz County's Proposition 10 funds for administrative services, supplies and equipment.

**Response: Santa Cruz County Board of Supervisors NEITHER AGREES NOR DISAGREES.**

*The county is not in a position to ascertain the accuracy of this finding.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*First 5 Santa Cruz County has a contract with United Way for administrative services, supplies and equipment. First 5's fiscal year 2004-2005 budget is \$5,708,838. Total contracts with United Way equal \$1,152,866 (see below). The total indirect fee for United Way services in 2004-2005 is \$99,861 or 8% of the total United Way contract amount (1.7% of the total First 5 budget).*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*First 5 Santa Cruz County has a contract with United Way for administrative services, supplies and equipment. First 5's fiscal year 2004-2005 budget is \$5,708,838. Total contracts with United Way equal \$1,152,866 (see below). The total indirect fee for United Way services in 2004-2005 is \$99,861 or 8% of the total United Way contract amount (1.7% of the total First 5 budget).*

13. United Way provides both programmatic and financial monitoring of grants for services.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*Through the First 5 Commission's contracts with United Way, United Way hires fully dedicated First 5 staff to provide programmatic and financial monitoring of grants for services.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*Through the First 5 Commission's contracts with United Way, United Way hires fully dedicated First 5 staff to provide programmatic and financial monitoring of grants for services.*

14. United Way charges a 15-percent fee for administrative expenses of specific First Five SCC programs (listed as SCC SUN, First Five CEP, Family Friendly Services, School Readiness Initiative). This is in addition to \$509,212 in operating costs for First Five SCC, for a total of \$1,152,866.

**Response: Santa Cruz County Board of Supervisors DISAGREES.**

*First 5 contracts with United Way for the administration of commission activities. That contract is \$509,212; included in that contract is \$66,419 for indirect costs incurred by United Way.*

*Additionally, First 5 contracts with United Way to operate programs to benefit the community including the SUN database system, Civic Engagement, Family Friendly service integration projects and the School Readiness Initiative. Those budgets total \$667,804. Included in those combined contracts is \$33,442 for indirect costs incurred by United Way.*

*First 5's fiscal year 2004-2005 budget is \$5,708,838. Total contracts with United Way equal \$1,152,866. The total indirect fee for 2004-2005 is included in the budgets*

*above and equals \$99,861 or 8% of the total contract amount (1.7% of the total First 5 budget).*

**Response: First Five Santa Cruz County DISAGREES.**

*First 5 contracts with United Way for administration of commission activities. The 2004-2005 contracts were in the following amounts:*

- *Program Support and Administration: \$509,212; included in that contract is \$66,419 (13%) for indirect costs incurred by United Way.*
- *SUN database system: \$111,833 of which \$8,228 (7%) are indirect costs incurred by United Way.*
- *Civic Engagement: \$134,000 (there are no indirect costs incurred).*
- *Family Friendly service integration projects: \$134,500 (there are no indirect costs incurred).*
- *School Readiness Initiative: \$287,471 of which \$25,214 (9%) indirect costs incurred by United Way.*

*First 5's fiscal year 2004-2005 budget is \$5,708,838. Total contracts with United Way equal \$1,152,866. The total indirect fee for 2004-2005 is included in the budgets above and equals \$99,861 or 8% of the total contract amount (1.7% of the total First 5 budget).*

**Response: United Way of Santa Cruz County DISAGREES.**

*First 5 contracts with United Way for administration of commission activities. The 2004-2005 contracts were in the following amounts:*

- *Program Support and Administration: \$509,212; included in that contract is \$66,419 (13%) for indirect costs incurred by United Way.*
- *SUN database system: \$111,833 of which \$8,228 (7%) are indirect costs incurred by United Way.*
- *Civic Engagement: \$134,000 (there are no indirect costs incurred).*
- *Family Friendly service integration projects: \$134,500 (there are no indirect costs incurred).*
- *School Readiness Initiative: \$287,471 of which \$25,214 (9%) indirect costs incurred by United Way.*

*First 5's fiscal year 2004-2005 budget is \$5,708,838. Total contracts with United Way equal \$1,152,866. The total indirect fee for 2004-2005 is included in the budgets above and equals \$99,861 or 8% of the total contract amount (1.7% of the total First 5 budget).*

15. An independent firm is required to audit United Way's expenditure of Proposition 10 administrative funds annually in accordance with generally accepted auditing standards.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

### **Evaluation**

16. A program evaluation was completed for calendar year 2004 by an independent, non-profit research organization called Applied Survey Research (ASR). In addition, First Five SCC's Executive Director made site visits to all funded programs.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

17. The Santa Cruz County Service Unifying Network (SCC SUN) database was launched in January 2004. Ten First Five partner agencies enter demographic, service and referral information into this database. This information is used by ASR to evaluate programs funded by First Five SCC. SCC SUN is not a standardized database and does not analyze data.

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*SCC SUN has two purposes: The first is to function as a comprehensive database for reporting, client tracking, program improvement, and information organization; the second is to provide integrated case management.*

**Response: First Five Santa Cruz County PARTIALLY DISAGREES.**

*SCC SUN is a tool to meet two goals: The first is a comprehensive database for agencies to utilize for the purposes of reporting, client tracking, program improvement and information organization; the second is to provide an integrated case management system to allow seamless service delivery, without duplication of effort, for families in Santa Cruz County. The system has a standardized "central intake," demographic information and child indicators. Each agency has customized additional portions of the database to fulfill individual policies and needs.*

**Response: United Way of Santa Cruz County PARTIALLY DISAGREES.**

*SCC SUN is a tool to meet two goals: The first is a comprehensive database for agencies to utilize for the purposes of reporting, client tracking, program improvement and information organization; the second is to provide an integrated*

*case management system to allow seamless service delivery, without duplication of effort, for families in Santa Cruz County. The system has a standardized “central intake,” demographic information and child indicators. Each agency has customized additional portions of the database to fulfill individual policies and needs.*

18. All First Five SCC partners submitted data on outcome progress to ASR.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

**First Five Santa Cruz County Goal: Strong Families**

19. In order to establish and maintain stability for families in Santa Cruz County, First Five SCC has granted monies to local agencies that provide the following services to bolster families:<sup>5</sup>

- Home visiting
- Mental Health Services
- Alcohol and Drug Case Management

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*In addition to the services listed by the Grand Jury, First 5 also funds lactation support, financial literacy and tax credit assistance, support for parents with special needs children, parent education, housing support and information and referral services.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*First 5 also funds lactation support, financial literacy and tax credit assistance, support for parents with special-needs children, parent education, housing support and information and referral services.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*First 5 also funds lactation support, financial literacy and tax credit assistance, support for parents with special-needs children, parent education, housing support and information and referral services.*

20. La Manzana Community Resources Center, Davenport Resource Service Center, Familia Center, Live Oak Family Resource Center and Mountain Community Resources provide home visiting and case management to families with children ages 0 to 5. The majority of home-visit personnel is paraprofessional. They are not

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<sup>5</sup> ASR Evaluation and Summary Report, March 2005.

required to have specialized degrees or certificates but are reported to participate in local or state trainings.

**Response: Santa Cruz County Board of Supervisors AGREES.**

*The county agrees with this finding with the addition of Answers Benefiting Children to the list of agencies that provide home visitation and case management.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*Answers Benefiting Children is also funded to provide home visitation and case management.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*Answers Benefiting Children is also funded to provide home visitation and case management.*

21. Home visits focus on a variety of issues and services ranging from personal crisis management, substance abuse, translation services, referrals and transportation to medical and court-mandated appointments.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

22. Assessment for the home visiting programs showed inconsistent results and low numbers of pre- and post-evaluation data collection.

**Response: Santa Cruz County Board of Supervisors DISAGREES.**

*Evaluation of data shows a steady increase in family stability as measured by the California Family Development Matrix.*

**Response: First Five Santa Cruz County DISAGREES.**

*The evaluation report refers to two tools used to evaluate home-visiting programs. Overall, the commission-funded home-visiting programs were a success. Evaluation data show a steady increase in family stability as measured by the California Family Development Matrix. Please note page 47 of the evaluation report showing movement from vulnerability to stability in family functioning.*

**Response: United Way of Santa Cruz County DISAGREES.**

*The evaluation report refers to two tools used to evaluate home-visiting programs. Overall, the commission-funded home-visiting programs were a success. Evaluation data show a steady increase in family stability as measured by the California Family Development Matrix. Please note page 47 of the evaluation report showing movement from vulnerability to stability in family functioning.*

23. Mental health services are provided by the Parents Center. Participants receive family counseling sessions lasting from one to three hours. The center also provides clinical support to home visiting staff. The number of clients served in 2004 was not stated. However, evaluation tools describe participating families improving from a “crisis” situation to “thriving.”<sup>6</sup>

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*The number of clients served in 2004 is provided in the evaluation report. The Parents Center served 229 individuals in that year.*

**Response: First Five Santa Cruz County PARTIALLY DISAGREES.**

*Page 13 of the evaluation report shows that the Parent Center exceeded its goal and served 229 individuals in 2004.*

**Response: United Way of Santa Cruz County PARTIALLY DISAGREES.**

*Page 13 of the evaluation report shows that the Parent Center exceeded its goal and served 229 individuals in 2004.*

24. Alcohol and drug case management is funded by First Five SCC and provided by the Santa Cruz County Health Services Agency Alcohol and Drug program. Case management includes counseling, transportation to treatment, attending clinical supervision and completing required documentation.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

25. All program objectives were exceeded for alcohol and drug case management. All clients were offered assessments and referred for treatment. More than half of those who were referred successfully completed treatment requirements. After 60 days, 91 percent of those participants remained clean and sober.<sup>7</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

26. First Five SCC funded classes on positive parenting practices called “Positive Discipline for Preschoolers.” Santa Cruz Adult School and Live Oak Family Resource Center offered these classes. Although the objective was to improve positive parenting practices of 100 percent of the participants, assessment showed only 53 percent demonstrated improved parenting practices. The greatest

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<sup>6</sup> ASR Evaluation and Summary Report, March 2005.

<sup>7</sup> ASR Evaluation and Summary Report, March 2005.

improvements came in the areas of not hitting, not raising the voice and encouraging children to learn from mistakes. All participants stated that the program helped them to learn positive parenting skills.<sup>8</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

27. Domestic Violence Workshops were presented over an eight-week period in a workshop format at Walnut Avenue Women’s Center in collaboration with Mountain Community Resources in San Lorenzo Valley. According to ASR, insufficient data was collected to accurately evaluate program effectiveness.

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*Page 24 of the evaluation report states that “100% of the participants demonstrated an average increase in stability since their baseline.”*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*While it is true that the pre-post survey instrument needs to be revised, the program also assessed families using the Family Development Matrix. The evaluation report (p.24) states that, “100% of participants demonstrated an average increase in stability since their baseline.”*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*While it is true that the pre-post survey instrument needs to be revised, the program also assessed families using the Family Development Matrix. The evaluation report (p.24) states that, “100% of participants demonstrated an average increase in stability since their baseline.”*

28. To encourage stable living situations, rental subsidies and case management are funded through Families in Transition for families recovering from substance abuse. This program was successful in transitioning families from being in “crisis” to “stable” over the course of the year 2004.<sup>9</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

29. The Homeless Community Resource Center provided case management to homeless families, consisting of assessment, referrals and follow-up. Program objectives were not met; only 29 children were served during the year out of a goal of 75. Because of

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<sup>8</sup> ASR Evaluation and Summary Report, March 2005.

<sup>9</sup> ASR Evaluation and Summary Report, March 2005.

construction at the recently completed homeless center in Santa Cruz, clients may have had difficulty accessing services. The center is now finished, and it is anticipated that referrals will increase.<sup>10</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

30. To improve the ability of parents to meet the needs of their special needs children, First Five SCC has funded support and educational services. Workshops were conducted on various topics affecting special needs children including classes on Down's Syndrome, Understanding Attention Deficit Hyperactivity Disorder (ADHD) and Parental Stress. The outcome data show that more than 90 percent of parents who attended workshops felt supported.<sup>11</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

31. To meet the goal of economic self-sufficiency for families, workshops on financial management were conducted by the Santa Cruz Community Credit Union at various family service centers. The target number of participants was not initially met, and the program objectives were re-adjusted.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

32. To meet the goal of improved access to family support services, First Five SCC has developed a web site called [HelpSCC.org](http://HelpSCC.org) to provide information and referrals to programs in the community. It is a directory that includes community organizations, self-help groups, schools, libraries, health service providers, businesses, religious institutions and governmental agencies. Anyone may search on the SCC website for need-specific services at no cost.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

33. To meet the goal of improved nutrition, lactation and nutrition services were funded through the "Regalo de Amor" program at the Watsonville WIC office. The

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<sup>10</sup> ASR Evaluation and Summary Report, March 2005.

<sup>11</sup> ASR Evaluation and Summary Report, March 2005.

objectives of this program were surpassed. Over half of the participants breastfed their children for at least six months.<sup>12</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

34. SCC SUN is an internet-based electronic database for client case management, social service delivery and service reporting by First Five SCC. Its purpose is to protect client privacy and trust while sharing information necessary for coordinating and improving services to children and families. It is also used to collect data for program evaluation. There are ten participating agencies in SCC SUN; all are First Five SCC grantees.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

**First Five Santa Cruz County Goal: Ready to Learn**

35. To meet the goal of school readiness for children ages 0 to 5, First Five SCC implemented programs that attempted to:

- increase pre-literacy skills in Santa Cruz County;
- increase the skills of local child care providers; and
- provide access to an enhanced literacy environment.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*The Children Learning and Ready for School goal area also funds school readiness classes, preschool literacy support, education incentives, family literacy and childcare literacy environment enhancement.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*The Children Learning and Ready for School goal area also funds school readiness classes, preschool literacy support, education incentives, family literacy and childcare literacy environment enhancement.*

36. School readiness classes were funded by First Five SCC and conducted by the Beach Flats Community Center Preschool and the Live Oak School District Preschool. Each

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<sup>12</sup> ASR Evaluation and Summary Report, March 2005.

school developed its own curriculum. School staff measured the success of each individual program with an evaluation process and recorded each individual child's progress toward school readiness.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

37. The preschool literacy program funded at Head Start was the Literacy Advocate Program. The activities funded were book distributions, story hours, literacy training and workshops and mentor coaching for teachers and home visitors.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

38. An education incentive program called CARES was developed to increase the skills of childcare providers in the community. Monetary awards were granted to applicants who completed early childhood education coursework. The awards ranged from \$250 to \$2,000, depending upon the level of coursework and the number of units completed. While not all participants qualified for awards, 84 percent stated that they learned new skills as a result of participating in CARES, and more than half stated they attended classes because of the cash incentive.<sup>13</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*The awards ranged from \$125 to \$4,450, depending upon the level of coursework and the number of units completed. Ninety percent of all applicants qualified for awards and 84 percent of awardees stated that they learned new skills as a result of participating in CARES.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*The awards ranged from \$125 to \$4,450, depending upon the level of coursework and the number of units completed. Ninety percent of all applicants qualified for awards and 84 percent of awardees stated that they learned new skills as a result of participating in CARES.*

39. To increase access to an enhanced literacy environment, the Santa Cruz Public Library was funded to provide the Read-to-Me program. The program provided 3,000 storytelling kits to 149 childcare providers, information and referrals through home

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<sup>13</sup> ASR Evaluation and Summary Report, March 2005.

visits. Post program evaluation showed increased availability of books to children and that a high percentage of providers were reading daily to children.<sup>14</sup>

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

**First Five Santa Cruz County Goal: Healthy Children**

40. On July 1, 2004, Healthy Kids of Santa Cruz County was launched. It is a program designed to provide comprehensive healthcare coverage for children without health insurance. Funding for the program has come from First Five SCC, First Five California, California Endowment, United Way, David and Lucile Packard Foundation, Children's Miracle Network, Santa Cruz County Board of Supervisors and the Pajaro Valley Trust.

**Response: Santa Cruz County Board of Supervisors AGREES.**

*The county agrees with this finding with the added note that the Community Foundation of Santa Cruz and local donors also provided financial support.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*Many local donors have also contributed to Healthy Kids, and the Community Foundation of Santa Cruz County has provided essential financial and coordination support.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*Many local donors have also contributed to Healthy Kids, and the Community Foundation of Santa Cruz County has provided essential financial and coordination support.*

41. Community Outreach workers enroll eligible children in Medi-Cal and Healthy Families programs in the county. Those who are ineligible for Medi-Cal and the county's other healthcare program, Healthy Families, will be enrolled in Healthy Kids Santa Cruz County.

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*Certified Application Assistors enroll families in programs for which children are eligible. Medi-Cal and Health Families are state programs. The local Healthy Kids plan provides coverage for children not eligible for the state's plans.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

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<sup>14</sup> ASR Evaluation and Summary Report, March 2005.

*Certified Application Assistors enroll families throughout the county in the health insurance program for which the child is eligible. Medi-Cal and Healthy Families are state-sponsored programs; the local Healthy Kids plan is designed to cover children not eligible for the state plans.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*Certified Application Assistors enroll families throughout the county in the health insurance program for which the child is eligible. Medi-Cal and Healthy Families are state-sponsored programs; the local Healthy Kids plan is designed to cover children not eligible for the state plans.*

42. Healthy Kids Santa Cruz County will pay providers who treat program participants. The reimbursement will be 18 percent higher than the current Medicare rate for providers in Santa Cruz County. Central Coast Alliance and the Santa Cruz County Health Services Agency will administer the program.

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*Providers in the Healthy Kids program are reimbursed at 130% of Santa Clara County's Medi-Cal rate.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*Expanding the network of healthcare providers is essential in creating access to health care. Providers in the Healthy Kids program are reimbursed at 130% of Santa Clara County's Medicare rate.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*Expanding the network of healthcare providers is essential in creating access to health care. Providers in the Healthy Kids program are reimbursed at 130% of Santa Clara County's Medicare rate.*

43. For the next ten years, \$900,000 annually from First Five SCC's budget will go to support the Healthy Children goal area by funding universal health, dental, mental and vision insurance coverage for all children ages 0 to 5 in Santa Cruz County through Healthy Kids Santa Cruz.

**Response: Santa Cruz County Board of Supervisors PARTIALLY AGREES.**

*In addition to payment of premiums, the \$900,000 annual commitment includes funding for early implementation, outreach, enrollment and a web-based enrollment system (OneEApp). As more children are insured, funding for activities outside of premiums will be reduced.*

**Response: First Five Santa Cruz County PARTIALLY AGREES.**

*In addition to payment of premiums, the \$900,000 annual commitment includes funding for early implementation, outreach, enrollment and a web-based enrollment*

*system (OneEApp). As more children are insured, funding for activities outside of premiums will be reduced.*

**Response: United Way of Santa Cruz County PARTIALLY AGREES.**

*In addition to payment of premiums, the \$900,000 annual commitment includes funding for early implementation, outreach, enrollment and a web-based enrollment system (OneEApp). As more children are insured, funding for activities outside of premiums will be reduced.*

44. By March 2005, 1,175 children were assisted in applying for health insurance under Healthy Kids Santa Cruz. Less than half of those had actually obtained insurance.

**Response: Santa Cruz County Board of Supervisors DISAGREES.**

*Between July 1, 2004 and March 30, 2005, over 3,000 children were enrolled in insurance through the Healthy Kids Program. 1,147 children had obtained Healthy Kids insurance, 734 children were enrolled in Medi-Cal and 1,211 children were enrolled in Healthy Families. Additionally, 186 children had insurance applications.*

**Response: First Five Santa Cruz County DISAGREES.**

*Between July 1, 2004 and March 30, 2005, over 3,000 children were enrolled in insurance through the Healthy Kids Program.*

- *1,147 children had obtained Healthy Kids insurance;*
- *734 children were enrolled in Medi-Cal; and*
- *1,211 children were enrolled in Healthy Families.*

*Additionally, 186 children had insurance applications pending, and 374 applications had been denied.*

**Response: United Way of Santa Cruz County DISAGREES.**

*Between July 1, 2004 and March 30, 2005, over 3,000 children were enrolled in insurance through the Healthy Kids Program.*

- *1,147 children had obtained Healthy Kids insurance;*
- *734 children were enrolled in Medi-Cal; and*
- *1,211 children were enrolled in Healthy Families.*

*Additionally, 186 children had insurance applications pending, and 374 applications had been denied.*

45. The Healthy Children programming received more than 30 percent of First Five SCC's funding of large community grants.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

### **Community Grants**

46. First Five SCC awarded mini-grants to local entities in amounts ranging from \$500 to \$12,798 in the years 2003 to 2004. They were awarded to organizations that provide services to children 0 to 5 years. The total amount awarded was more than \$200,000.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

47. First Five SCC has files on each grant recipient. Mini-grant recipient files have receipts that show the expenditures for books, toys and play equipment that were approved by the commission. Many files also include pictures of children using the items purchased. There are also files on First Five partners that received large grants. These include budget and expenditure of funds.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

48. First Five SCC launched a capacity building training program for all community mini-grant recipients in Fiscal Year 2003-2004, the only one of its kind in the state. Costs associated with this training were formally covered by a Civic Engagement Project grant. Proposition 10 revenues assumed the ongoing costs associated with the training in FY 2004-2005.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

### **Audit**

49. Santa Cruz County Auditor-Controller's Office completed an audit of First Five SCC in November 2004, and found that:

- First Five SCC was charged an allocated percentage of some United Way operating expenses;
- First Five SCC bank reconciliations were not reviewed by the Executive Director of United Way, as required by their policy and procedure manual;

- work was performed without a contract;
- revenues and expenditures were not adequately monitored;
- encumbrances were not liquidated when a contract was completed;
- an annual budget was not approved;
- contract records were not adequately maintained;
- contract periods did not align with fiscal year;
- controls over petty cash were inadequate;
- State of California contractual deadlines were not met; and
- the policy and procedures manual was incomplete.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

50. The current executive director of First Five SCC has implemented a plan called Accounting Systems Improvements. Policies and procedures are in place to complete contracts appropriately, to review revenues and expenditures monthly, approve the annual budget, tighten controls on petty cash and meet State of California deadlines. The policy and procedures manual has been completed

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

51. First Five SCC is in the process of completing a ten-year financial plan. First Five SCC intends to reduce the size of its administrative budget each year in proportion to reduction in annual revenues. Funding has been reserved for future projects that have not been committed as of June 30, 2004.

**Response: Santa Cruz County Board of Supervisors AGREES.**

**Response: First Five Santa Cruz County AGREES.**

**Response: United Way of Santa Cruz County AGREES.**

## ***Conclusions***

1. United Way provides staff and administrative support for First Five SCC and some of its programs at the cost of less than 10 percent of revenues received.

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2. The Santa Cruz County Auditor-Controller discovered exceptions in the operating process of First Five SCC. The current director has addressed and corrected all of the auditor's findings.
3. Through a strategic plan, First Five SCC determined what specific needs the county has in regards to healthcare, strong families and preparing children to be ready to learn when they enter kindergarten.
4. Consistent with the requirements of Proposition 10, the Grand Jury has found that mandated funds are being spent "for the purpose of promoting, supporting and improving the early development of children from prenatal stage to five years old."
5. First Five SCC is planning for decreasing tobacco tax revenues by establishing a 10-year financial plan that will keep established programs operational and reserve funds for future projects.
6. The Grand Jury examined the process, contracts and allocations of the community mini-grants. Grand Jurors found that the process is detailed for both the applicant and the commission. A follow-up of how the funds were spent is required by the recipient and kept on file for examination.
7. First Five SCC partners have had inconsistencies in program evaluation. Some programs have recorded great success, while others have had to modify objectives in order to meet them.
8. The SCC SUN database capabilities are limited, and the number of participating agencies is not sufficient for it to be used effectively as a referral tool.
9. An 18-month funding cycle "fiscal year" is difficult to reconcile and does not correlate with the funding cycles of most agencies.
10. At this time, the number of children enrolled in Healthy Kids Santa Cruz is small in relation to the funding of the program.

### ***Recommendations***

1. The Executive Director is to be commended for excellent leadership of First Five Santa Cruz County, for general oversight of First Five SCC programs and for addressing all problems discovered in the November 2004 audit.

**Response: Santa Cruz County Board of Supervisors AGREES.**

*The county concurs with the Grand Jury's commendation of the First 5 Executive Director.*

**Response: First Five Santa Cruz County AGREES.**

*Has been implemented.*

**Response: United Way of Santa Cruz County AGREES.**

*Has been implemented.*

2. The SCC SUN database capabilities should be expanded to be more useful for data collection and analysis by First Five partners when evaluating programs. The current number of participants in the database should also be increased to make the referral system more useful for clients and case managers.

**Response: Santa Cruz County Board of Supervisors AGREES.**

*This recommendation will be implemented during the first quarter of 2005-06.*

**Response: First Five Santa Cruz County AGREES.**

*Has not yet been implemented but will be implemented. During the first quarter of 2005-2006, data collection and analysis difficulties will be rectified. Throughout the 05-06 fiscal year, SUN will be continuously assessed.*

**Response: United Way of Santa Cruz County AGREES.**

*Has not yet been implemented but will be implemented. During the first quarter of 2005-2006, data collection and analysis difficulties will be rectified. Throughout the 05-06 fiscal year, SUN will be continuously assessed.*

3. First Five SCC should be more aggressive in enrolling children in Healthy Kids Santa Cruz.

**Response: Santa Cruz County Board of Supervisors AGREES.**

*This recommendation is being implemented. An outreach and enrollment plan is being developed with the help of various community groups.*

**Response: First Five Santa Cruz County AGREES.**

*Has been implemented. An outreach and enrollment plan is being developed to conduct further outreach with the hospitals and prenatal services, childcare providers, school, small businesses and faith-based organizations.*

**Response: United Way of Santa Cruz County AGREES.**

*Has been implemented. An outreach and enrollment plan is being developed to conduct further outreach with the hospitals and prenatal services, childcare providers, school, small businesses and faith-based organizations.*

4. All of United Way's charges to First Five SCC should be audited.

**Response: Santa Cruz County Board of Supervisors AGREES.**

*This recommendation has been implemented. The County Auditor-Controller audits all First 5 transactions, and an independent accounting firm audits all United Way transactions.*

**Response: First Five Santa Cruz County AGREES.**

*Has been implemented. All First 5 transactions are thoroughly audited by the County Auditor-Controller, and all United Way transactions are audited by an independent accounting firm.*

**Response: United Way of Santa Cruz County AGREES.**

*Has been implemented. All First 5 transactions are thoroughly audited by the County Auditor-Controller, and all United Way transactions are audited by an independent accounting firm.*

5. First Five SCC should consider changing their funding cycle to a 12-month fiscal year in order to correlate with standard budget formats.

**Response: Santa Cruz County Board of Supervisors AGREES.**

*This recommendation has been implemented.*

**Response: First Five Santa Cruz County AGREES.**

*Has been implemented. Wherever possible (i.e., when partners do not use an academic year), funding will be made on a fiscal-year basis in 2005-2006.*

**Response: United Way of Santa Cruz County AGREES.**

*Has been implemented. Wherever possible (i.e., when partners do not use an academic year), funding will be made on a fiscal-year basis in 2005-2006.*

**Responses Required**

<b>Entities</b>	<b>Findings</b>	<b>Recommendations</b>	<b>Respond Within</b>
Santa Cruz County Board of Supervisors	1 - 51	1 - 5	60 Days (August 30, 2005)
First Five Santa Cruz County	1 - 51	1 - 5	90 Days (September 30, 2005)
United Way of Santa Cruz County	1 - 51	1 - 5	90 Days (September 30, 2005)