County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES
425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

PHILIP L. BROWNING
Director

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February 22, 2016

To: Supervisor Hilda L. Solis, Chair
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Philip L. Browning
Director

SOUTH BAY BRIGHT FUTURE FISCAL COMPLIANCE ASSESSMENT

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a review of South Bay Bright Future (the Contractor) in January, 2015. The Contractor operates both a Foster Family Agency (FFA) and three Group Homes. The Contractor is located in the Fourth Supervisorial District.

The FFA supervised 110 DCFS placed children in 16 certified foster homes for the period of January 1, 2014 through December 31, 2014. The placed children's overall average length of placement was five months and their average age was nine. The Group Home served 30 DCFS placed children. The placed children's overall average length of placement was seven months and their average age was 17.

SUMMARY

CAD conducted a Fiscal Compliance Assessment included an agency-wide review of the Contractor's financial records such as, financial statements, bank statements, check register, and personnel files to determine the compliance with the terms, conditions, and requirements of the Group Home contract, the FFA Contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The Contractor was in full compliance with 4 of 5 areas of the Fiscal Compliance Assessment: Financial Overview; Loans, Advances and Investments; Cash/Expenditures; and Payroll and Personnel.

CAD noted a deficiency in the area of Board of Directors and Business Influence, related to less-than-arms-length (related party) transactions. Attached are the details of our review.

REVIEW OF REPORT

On May 13, 2015, Ali A. Gomaa-Mersal, DCFS CAD Fiscal, held an Exit Conference with Contractor staff person, Levetta Hill, Chief Operating Officer. The Contractor representative agreed with the review finding and recommendation, was receptive to implementing systemic changes to improve compliance with its DCFS contracts and to resolve the noted non-compliance in a Fiscal Corrective Action Plan (FCAP).

The Contractor provided the attached FCAP addressing the recommendations noted in this report.

A copy of this fiscal report has been sent to the A-C and Community Care Licensing.

If you have any questions, your staff may contact me or Aldo Marin, Board Relations Manager, at (213) 351-5530.

PLB:EM:LTI:dlf

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Calvin Remington, Interim Chief Probation Officer
John Naimo, Auditor-Controller
William M. Hill, Chief Executive Officer, South Bay Bright Future
Public Information Office
Audit Committee
Sybil Brand Commission
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

SOUTH BAY BRIGHT FUTURE
FISCAL COMPLIANCE ASSESSMENT REVIEW
FISCAL YEAR 2014 - 2015

SCOPE OF REVIEW

The Fiscal Compliance Assessment included review of South Bay Bright Future's (the Contractor's) financial records for the period of January 1, 2013 through March 30, 2015. The Contracts Administration Division (CAD) reviewed the financial statements, bank statements, check register, and personnel files to determine the Contractor's compliance with the terms, conditions, and requirements of the Group Home contract, the Foster Family Agency contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The agency-wide Fiscal Compliance Assessment review focused on five key areas of internal controls:

- Financial Overview,
- Loans, Advances and Investments,
- Board of Directors and Business Influence,
- Cash/Expenditures, and
- Payroll and Personnel.

The Contractor was in full compliance with 4 of 5 areas of the Fiscal Compliance Assessment: Financial Overview; Loans, Advances and Investments; Cash/Expenditures; and Payroll and Personnel.

FISCAL COMPLIANCE

CAD found the following area out of compliance:

Board of Directors and Business Influence

- Less-than-arms-length transactions (related party); the Contractor leases three homes from its CEO for use as the Group Home facilities. The monthly lease rates exceeded the 12% annual allowable limit based on the assessed value obtained from the Los Angeles County Assessor's website.

As a result of this review, the Contractor obtained property appraisals conducted by an independent licensed contractor. As of June 10, 2015, the properties' appraised values confirm the rent is within the allowable limits established by the California Welfare and Institutions Code Section 11462.06.

Recommendation:

South Bay Bright Future's management shall ensure that:

1. The monthly lease rates do not exceed 12 percent of the fair market value of the property.

MOST RECENT FISCAL REVIEW CONDUCTED BY THE A-C

The most recent fiscal review of the Contractor was posted by the A-C on May 14, 2009 for the period of January 1, 2006 to December 31, 2006, which identified $8,232 in unallowable costs and $21,469 in unsupported/inadequately supported costs. The A-C also noted that the Contractor needed to develop a cost allocation plan and strengthen its internal controls. The Contractor repaid all money.

NEXT FISCAL COMPLIANCE ASSESSMENT

The next Fiscal Compliance Assessment of the Contractor will be conducted in County Fiscal Year 2015-2016.

SOUTH BAY BRIGHT FUTURE, INC.

24404 South Vermont Avenue, Suite 201 • Harbor City, CA 90710
Phone: (310) 891-0096 • FAX (310) 891-0195

June 13, 2015

Ali Gomaa-Mersal, Financial Specialist IV
Fiscal Compliance Unit
Contracts Administration Division
Department of Children & Family Services
3530 Wilshire Boulevard, 4th Floor
Los Angeles, CA 90010

Re: Fiscal Corrective Action Plan

Dear Mr. Gomaa-Mersal;

This is **South Bay Bright Future's Fiscal Corrective Action Plan (FCAP)** regarding a finding noted during our Exit Conference on Wednesday, May 13, 2015.

Question No. 15
Finding

Less-than-arms-length transactions; the agency is leasing three homes from the CEO. The homes are in Los Angeles County and are used for children placed through Los Angeles County group home contract. The monthly lease rates are $3,250, $4,250 and $5,250, which exceeded 1% of allowable limit based on the asset value obtained from the Los Angeles County Assessor's website. The values of the property are $212,255, $303,764 and $520,000 respectively. The rent based on the assessed values of these properties should not exceed $2,123, $3,038 and $5,200 respectively.

A-C Handbook Section A.3.3 states, "CONTRACTOR shall not make payments to affiliated organizations or persons (i.e., related party transactions) for program expenses (e.g., salaries, services, rent, etc.) that exceed the lesser of actual cost or reasonable cost for such expenses. A reasonable cost shall be the price that would be paid by one party to another when the parties are dealing at arm's length (fair market price)."

FCAP

It is our belief **South Bay Bright Future was fully in compliance in all 5 fiscal areas reviewed.** The Los Angeles County Assessor's website listings, on the properties in question, are well **below the fair market value**. Current appraisals were completed on each of the following homes on Wednesday, June 10, 2015 by Ronald Wrobel, Real Estate Appraiser, Licensed by the State of California.

- **141 S. Mesa Street, San Pedro, CA 90731 was appraised at $471,000**
- **2909 S. Pacific Avenue, San Pedro, CA 90731 was appraised at $588,000**
- **914 W. 245th Street, Harbor City, CA 90710 was appraised at $587,000**

Please see attached the completed appraisals.

The above **Fiscal Corrective Action Plan (FCAP)** is respectfully submitted for your review. If additional information is needed, please contact me at (310) 891-0096 (Office), (310) 721-5204 (Cell) or levettahill@yahoo.com, thank you.

Sincerely,

LeVetta D. Hill

LeVetta D.Hill
Chief Operating Officer