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April 26, 2016

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

From: Philip L. Browning
Director

**FLEMING AND BARNES DBA DIMONDALE ADOLESCENT CARE FISCAL COMPLIANCE ASSESSMENT**

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Fleming and Barnes dba Dimondale Adolescent Care (the Group Home) in February 2015. The Group Home has four sites; two in the Second Supervisorial District; one in the Fourth Supervisorial District; and one in the Fifth Supervisorial District and provides services to the County of Los Angeles DCFS placed children. According to the Group Home's Program Statement, its stated purpose is to, "Serve children through a variety of different programs, providing 24-hour residential treatment services for abused, troubled, and neglected children, ages thirteen to seventeen."

During the month of the review, the Group Home served 10 DCFS placed children, 17 Probation foster youth and 1 dually supervised youth. The Group Home has four 6-bed sites and is licensed to serve a capacity of 24 children. The placed children's overall average length of placement was 4 months and their average age was 15.

## SUMMARY

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

The Group Home was in full compliance with 4 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influence; Cash/Expenditures; and Payroll and Personnel.

CAD noted a deficiency in the area of: Financial Overview, related to an operational loss.

Attached are the details of CAD's review.

## REVIEW OF REPORT

On April 23, 2015, Ali A. Gomaa-Mersal, DCFS Fiscal CAD, held an exit conference with the Group Home representative: Kenneth Fleming, Director. The Group Home representative agreed with the review finding and recommendation, was receptive to implementing changes to improve compliance with regulatory standards and to resolve the noted non-compliance in a Fiscal Corrective Action Plan (FCAP).

The Group Home provided the attached approved FCAP addressing the recommendation noted in this report.

A copy of this compliance 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:KR:LTI:agm

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Calvin C. Remington, Chief Probation Officer
John Naimo, Auditor-Controller
Public Information Office
Audit Committee
Sybil Brand Commission
Kenneth Fleming, Director, Fleming and Barnes dba Dimondale Adolescent Care
Leonora Scott, Regional Manager, Community Care Licensing Division
Lajuannah Hills, Regional Manager, Community Care Licensing Division

# FLEMING AND BARNES DBA DIMONDALE ADOLESCENT CARE
# FISCAL COMPLIANCE ASSESSMENT REVIEW
# FISCAL YEAR 2014 - 2015

## SCOPE OF REVIEW

The Fiscal Compliance Assessment included a review of Fleming and Barnes dba Dimondale Adolescent Care's (the Group Home's) financial records for the period of January 1, 2013 through March 30, 2015. CAD reviewed the financial statements, bank statements, check register and personnel files to determine the Group Home's compliance with the terms, conditions and requirements of the Group Home contract, the Auditor-Controller Contract Accounting and Administration Handbook (A-C Handbook) and other applicable federal, State, and County regulations and guidelines.

The on-site 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 Group Home was in full compliance with 4 of 5 areas of the Fiscal Compliance Assessment: Loans, Advances and Investments; Board of Directors and Business Influence; Cash/Expenditures; and Payroll and Personnel.

During the review, CAD identified a less-than-arms-length (related party) transaction. The Group Home is leasing four homes from the Executive Director, the Director and an employee, related Directors and an employee. None of these employees are on the Board of Directors. The fair market values of the leased properties were determined by independent appraisals. The shelter costs are within allowable limits and in compliance with California Welfare and Institutions Code (WIC) Section 11462.06(a) for related party lease transactions.

## FISCAL COMPLIANCE

CAD found the following one area out of compliance:

### Financial Overview

The audited financial statement for the year ending December 31, 2013, indicates that the Group Home had an operational loss of $33,097.

### Recommendation:

The Group Home's management shall ensure that:

1. A plan is implemented to eliminate operational losses.

## NEXT FISCAL COMPLIANCE ASSESSMENT

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

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May 15, 2015

To: Ali Gomaa-Mersal, Department of Children and Family Services

From: Fleming and Barnes, Inc.

Subject: **FISCAL CORRECTIVE ACTION PLAN (FCAP)**

1. **The audited financial statement indicated that the Contractor had loss from operation in the amount of $33,097 for the year ending December 31, 2013.**

   **Agency Proposed FCAP:** Fleming and Barnes, Inc. will ensure that operating Expenses will not exceed Revenues by adjusting and reviewing their budget.

   After reviewing the audited financial statements the Statement of Cash Flows reveals that the actual loss from operations was $15,037 ($33,097 - $18,060 depreciation expense a noncash expense). The loss was due to lack of or lower placement throughout the year of 2013.
   The loss was funded from the accumulated cash balance from operations of over $435,000 in the bank accounts. Fleming and Barnes is solvent and can pay its debts as they become due. We are attaching a copy of the most recent unaudited financial statements for the year ended 2014 which reflect an excess of Revenues over operating Expenses of $27,072.

Kenneth Fleming, Director