



County of Los Angeles
DEPARTMENT OF CHILDREN AND FAMILY SERVICES

425 Shatto Place, Los Angeles, California 90020
(213) 351-5602

BRANDON T. NICHOLS
Acting Director

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August 17, 2017

To: Supervisor Mark Ridley-Thomas, Chairman
Supervisor Hilda L. Solis
Supervisor Sheila Kuehl
Supervisor Janice Hahn
Supervisor Kathryn Barger

From: *for Cynthia McCoy Miller*
Brandon T. Nichols
Acting Director

BOYS REPUBLIC FISCAL COMPLIANCE ASSESSMENT REVIEW

The Department of Children and Family Services (DCFS) Contracts Administration Division (CAD) conducted a Fiscal Compliance Assessment of Boys Republic (the Group Home) in January 2017. The Group Home has two sites located in the First Supervisorial District, one site located in the Fifth Supervisorial District, and one site located in Orange and San Bernardino Counties, respectively. All sites provide services to County of Los Angeles DCFS placed children, Probation foster youth and to children placed by other Counties. According to the Group Home's Program Statement, its stated purpose is "to treat boys and girls who have behavioral, social, emotional, and psychological difficulties".

At the time of the review, the Group Home served 107 Probation foster youth and 25 youth placed by other Counties. The placed children's average length of placement was three months and their average age was 17.

SUMMARY

CAD conducted a Fiscal Compliance Assessment which included an agency-wide review of the Group Home's financial records: financial statements; bank statements; check register(s); and personnel files to determine their compliance with the Group Home Contract.

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

Each Supervisor
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During the review, CAD determined that the Group Home's Audited Financial Statements for its Fiscal Year ending June 30, 2016 had an operational loss of \$6,321,995. Boys Republic has sufficient non-operational/unrestricted revenue streams and reserves to augment programs temporarily running deficits, preserve programs that are providing their valuable services, and grow the organization. As of June 30, 2016, Boys Republic had Net Assets of \$97,464,783. The Group Home states that this substantial reserve allows them to operate at a deficit so that they are able to provide the essential programs and services that assist the youth they serve in developing the skills necessary to return to the community as useful, productive citizens.

REVIEW OF REPORT

On February 1, 2017, Omnaya Zaklama, DCFS CAD Fiscal, held an exit conference with the Group Home representative: Betty Andrzejewski, Business Manager. There were no findings.

The next Fiscal Compliance Assessment of Boys Republic will be conducted in County Fiscal Year 2017-2018.

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

BN:KR
LTI:oz

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Sybil Brand, Commission
Terri L. McDonald, Chief Probation Officer
Sheila Mitchell, Assistant Child Probation Officer, Juvenile
John Naimo, Auditor-Controller
Chris Burns, Executive Director
Public Information Office
Audit Committee
Lenora Scott, Regional Manager, Community Care Licensing Division



1907 Boys Republic Drive
Chino Hills, CA 91709
(909) 628-1217

February 14, 2017

Omnaya Zaklama
County of Los Angeles
Department of Children and Family Services
425 Shatto Place
Los Angeles, CA 90020

VIA Email to: ozaklama@dcfs.lacounty.gov

Dear Ms. Zaklama:

With regard to your finding that Boys Republic incurred a loss from operations of \$6,321,995 for the fiscal year ended June 30, 2016, we submit the following:

Since its founding in 1907 Boys Republic has believed that it has a responsibility to benefit society by sharing in the financial burden of guiding at-risk youth toward productive, fulfilling lives. Many of the services Boys Republic provides, such as, Day Treatment, Aftercare, Transitional Housing, Independent Living and Vocational Programs costs are not covered by the RCL board and care rate. Community support has built a substantial financial foundation that allows Boys Republic to sustain prudent reserves and to generate investment income to meet annual operating deficits caused by the breadth and scope of the programs provided. It is this extended level of service that makes Boys Republic successful with students who have failed in many other programs. As of June 30, 2016, Boys Republic had Net Assets of \$97,464,783. This substantial reserve allows us to operate at a deficit so that we are able to provide the programs and services that we feel are essential in assisting the youth we serve in developing the skills necessary to return to the community as useful, productive citizens.

The Boys Republic Board of Directors meets regularly and reviews the organization's strategic direction, annual budget and key financial transactions, compensation practices, and fiscal and governance policies to be sure they advance its mission and make prudent use of its resources. In response to the decline in residential placements by county probation departments, we have closed one cottage on the Chino Hills campus and the Orange County Residence. Gearing up to become licensed as a STRTP, as required by the passage of AB403, has increased our deficit spending in the current year. However, when we become licensed the AFDC-FC rate that we are paid per child will increase by 50%, which will substantially reduce our deficit. The Board will continue to carefully monitor revenues, expenses and operating losses and be ready to adopt appropriate responses to negative fiscal developments as needed.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Betty Andrzejewski'.

Betty Andrzejewski
Business Manager



Serving children and families in crisis since 1907