



San Francisco Department of Public Health Grant
 Colfax, MD
 Director of Health

City and County of San Francisco
 London N. Breed
 Mayor

September 20, 2023

To:

Chuan Teng
 Executive Director
 Chuan.teng@prcsf.org

Leo Levenson
 Chief Financial Officer
 Leo.levenson@prcsf.org

PRC and Baker Places

Subject: Citywide Fiscal and Compliance Monitoring of Current Contracts/Grants for PRC & Baker Places for FY22-23

List of City Contracts with PRC:

<i>Department / Program</i>	<i>Contract Name / Description</i>
<i>Department of Public Health</i>	<i>HHS-BHS: SSI/Medical Advocacy Services</i>
<i>Department of Public Health</i>	<i>MH-Adult: Benefits Counseling Program</i>
<i>Department of Public Health</i>	<i>HHS: Castro County Club</i>
<i>Department of Public Health</i>	<i>HHS: Employment Services Programming/ GTZ Employment Svs/HIV Reentry</i>
<i>Department of Public Health</i>	<i>HHS: Emerg Asst. Grants</i>
<i>Department of Public Health</i>	<i>HHS: Benefits Counseling through Equal Access to Health Program</i>
<i>Department of Public Health</i>	<i>HPS: Non Medical Case Mgmt</i>
<i>Department of Public Health</i>	<i>HPS: Non Medical Case Mgmt</i>
<i>Mayor's Office of Housing and Community Development</i>	<i>SSI For Families</i>

<i>Mayor's Office of Housing and Community Development</i>	<i>Pre-Employment Program</i>
<i>Mayor's Office of Housing and Community Development</i>	<i>Critical Water Access Upgrade for Health and Hygiene</i>
<i>Mayor's Office of Housing and Community Development</i>	<i>NextStep: Digital Literacy Training for Underserved Individuals with Disabilities</i>
<i>Mayor's Office of Housing and Community Development</i>	<i>Leland House</i>

List of City Contracts with Baker Places:

Department / Program	Contract Name / Description
Department of Public Health	SA-Adult: Ferguson Place
Department of Public Health	SA-Adult: HIV Supportive Services
Department of Public Health	SA-Adult: Rental Subsidies
Department of Public Health	MH-Adult: AILP (Assisted Independent Living)
Department of Public Health	MH-Adult: Baker Street House
Department of Public Health	MH-Adult: Grove Street House
Department of Public Health	MH-Adult: Jo Ruffin Place
Department of Public Health	MH-Adult: Odyssey House
Department of Public Health	MH-Adult: Robertson Place
Department of Public Health	MH-Adult: San Jose Place
Department of Public Health	SA-Adult: Acceptance Place
Department of Public Health	SA-Adult: Joe Healy Medical Detox
Department of Public Health	MH-Adult: Baker Places Hummingbird
Department of Public Health	MH-Adult: Baker Places Hummingbird - HMIOT
Department of Public Health	MH-Adult: 1156 Valencia Hummingbird Respite

Dear Chuan Teng:

This letter conveys the results of the Citywide Fiscal and Compliance Monitoring for FY 22-23.

The fiscal monitoring included the review of the following documents:

1. Agency-wide budget and cost allocation plan
2. Board minutes
3. Recent 990 form
4. Recent DE 9, DE 9C, and 941 reports
5. Most recent audited financial statements

6. Fiscal policies and procedures
7. Financial reports, balance sheets, and profit loss statements
8. Invoices to the City Supporting Documentation

Overall Assessment

The annual Citywide Fiscal and Compliance review of the consolidated agency, Positive Resource Center (PRC) and Baker Places, Inc. (Agency), indicates a significant improvement from prior year losses, and that the Agency appears to be moving in the right direction to achieve financial stability against City metrics. For example, the FY22-23 preliminary, unaudited, financial statements indicates that the Agency is close to breaking even on net income (meaning its revenue and expenses are balanced??). However, although the net income metric is on target, the Agency likely needs another fiscal year with a positive net income to move the working capital ratio from its current 0.6 (as of 6.30/23) to the City standard of 1.0. The working capital ratio is a reflection of the Agency’s ability to meet short-term obligations.

This overall improvement is likely attributable to the efforts proposed in the Agency’s financial sustainability plan (developed by Agency management in coordination with and submitted to the City at the end of 2022) identifying programmatic restructuring plans to ensure each program was cost-neutral, along with cost cutting measures, and the Agency’s debt repayment plan to the City.

A remaining concern is a finding in the Agency’s FY 21-22 A133 audit (single audit) pointing to a lack of internal controls, as well as the fact that the audit was submitted later than the City standard of nine months from year-end. The Agency advised that this delay was caused due to high staff turnover in critical financial positions. On a more positive note, the Agency has advised that the noted deficiency has been addressed, that they have filled the vacant positions, and that they anticipate submitting their FY22-23 audited financial statements by March 2024, on deadline. During the next City monitoring cycle to occur around April/May of 2024, the City team will review the new audited financials to ensure the standards are met and the issues fixed.

Here is a snapshot of the agency’s historical financial metrics up to the year ending 6/30/23:

Fiscal Year Ending in	Audit Findings Expressed by CPA auditors	Audit Completed Within # of Months of year-end	Total Agency Expenses (in Thousands)	Working Capital Ratio	Net Surplus/(Deficit) for the Fiscal Year (in Thousands)	Days of Operating Cash Reserves
6/30/2023 (Preliminary, Un-audited)	TBD	TBD	\$ 27,388	0.6	\$ (13)	7
6/30/2022	Significant Deficiencies in internal Control	11	\$ 31,902	0.7	\$ (1,414)	21
6/30/2021	Significant Deficiencies in internal Control	15	\$ 31,320	0.5	\$ (4,276)	21
6/30/2020	Significant Deficiencies in internal Control	20	\$ 29,810	0.9	\$ (2,594)	57

Fiscal Year Ending in	Audit Findings Expressed by CPA auditors	Audit Completed Within # of Months of year-end	Total Agency Expenses (in Thousands)	Working Capital Ratio	Net Surplus/(Deficit) for the Fiscal Year (in Thousands)	Days of Operating Cash Reserves
01/01/2019 – 6/30/2049 (half year)	Going Concern; doubt about the agency's ability to continue operations.	9	\$ 14,032 (6 months only)	1.8	\$ (1,560)	29
<i>Total losses over the 4.5 year period</i>					\$ (9,857)	

Please find the summary table below of the identified findings from the Citywide Fiscal and Compliance Monitoring for FY22-23. Please See the Required Corrective Action, and the Response Deadline for each.

Fiscal and Compliance Monitoring Findings

Monitoring Form Section	Monitoring Form Sub-section	Finding Description	Required Corrective Action	Response Deadline
5. Audited Financial Statements	e. [Core] Audit completed within nine months of the close of the contractor's fiscal year	The FY 21-22 audit was completed by Agency 11 months after the year-end. The due date is between six to nine months.	Agency must submit a written explanation to explain the delayed FY21-22 audit how they will ensure timely completion of the FY22-23 audit. The Agency will remain "not yet in conformance" until subsequent monitoring indicates the standard has been met.	10/20/2023
5. Audited Financial Statements	i. [Core] [A-133 Audit] No current findings and/or questioned costs	Agency's A-133 auditors noted significant deficiencies in internal control related to proper timesheet documentations for salaried employees.	Agency must submit a written explanation documenting how it will address the Single Audit findings of questioned costs with a timeframe for doing so. Agency will remain "not yet in conformance" until subsequent monitoring indicates the standard has been met.	10/20/2023
5. Audited Financial Statements	l. [Core] Total unrestricted net income (change in net assets) is positive over the sum of 2 consecutive years or the contractor provides a reasonable	The consolidated entity of PRC and Baker Places suffered significant losses in the past 3 audited years. Losses were: \$(2.5) million, \$(4.2) million and \$(1.4)	Agency must submit a written explanation documenting the reason that the change in net assets has been negative for more than 2 years, and a plan to address this issue. Agency will	10/20/2023

	explanation for how it will be positive by the end of the fiscal year [second year of finding]	million in Fiscal Years 21-22, 20-21 and 19-20 respectively.	remain "not yet in conformance" until subsequent monitoring shows the standard has been met.	
5. Audited Financial Statements	m. [Core] Total change in cash is positive over the sum of 2 consecutive years or agency has a reasonable explanation and/or plan to reverse cash outflow	Total change in cash was an outflow of \$(21) thousand for FY 21-22 and \$(2.5) million for FY 20-21	No action is required for Recommended Practices. However, the City considers this item to be an important indicator of nonprofit health, and encourages contractors to take actions necessary to achieve this recommended practice.	N/A
5. Audited Financial Statements	n. [Core] In current audit, agency has at least 60 days of operating cash [recommended practice]	As of 6/30/2022, agency had 21 days of operating cash reserve. The Agency's current sustainability plan has outlined the steps to build its reserve over time to meet this best practice.	No action is required for Recommended Practices. However, the City considers this item to be an important indicator of nonprofit health, so encourages the Agency to continue to take actions necessary to achieve this practice.	N/A
6. Financial Reports	b. [Core] Balance Sheet: Working capital ratio is greater than 1	The preliminary financials as of 6/30/2023 shows a working capital ratio of 0.6.	Agency must submit a plan (with a timeline, if necessary) describing how it will ensure it has enough capital to carry out its day-to-day operations (i.e., bringing its working capital ratio up to 1). The Agency will remain "not yet in conformance" until subsequent monitoring shows the standard has been met.	10/20/2023

Required Response by Contractor

Please respond to this letter by the date mentioned above. In your response letter please indicate the agency's completion of the required corrective actions. For any findings requiring additional time to address, please include your action plan and timeframe to complete the corrective actions. When the City determines that your organization has appropriately addressed the monitoring findings, you will receive a verification of compliance letter.

If you have any questions, please do not hesitate to contact me by email at wasim.samara@sfdph.org.

Please extend our appreciation to your staff for their preparation of the monitoring and assistance during the process. We thank you for your work in serving the San Francisco community.

Sincerely,

Wasim Samara

Wasim Samara, CMA – Department of Public Health

Cc:

- Dolly Sithounnolat, Mayor's Office of Housing and Community Development