



CALIFORNIA

Executives at second L.A. County youth home are accused of embezzlement



Philip Browning is director of the L.A. County Department of Children and Family Services. (Jay L. Clendenin / Los Angeles Times)

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AUG. 16, 2015 5:45 PM PT



Prosecutors have charged two executives of a Los Angeles County group home for youth in the juvenile delinquency system and foster care with misuse of public funds, embezzlement and filing false tax returns.

The charges against Gary O'Neil Batchelor and Steven Bryan Smith, the financial officer and executive director, respectively, of Moore's Cottage, mark the second time in a year that the district attorney's office has alleged criminal wrongdoing within the multimillion dollar industry that county officials entrust with the care of some of Southern California's most vulnerable youth.

As in the district attorney's [recent case](#) against leaders of the Little People's World group home, the alleged wrongdoing at Moore's Cottage may have festered for years as county officials ignored signs of financial mismanagement, records show.

"It's my fault that we didn't know more about it," said Philip Browning, director of the Department of Children and Family Services.

The activities alleged in the lawsuit occurred before 2013, and Browning said they might have been prevented by an improved monitoring system the department put in place about a year ago.

Prosecutors filed the criminal charges against Batchelor and Smith in April with no public announcement. The district attorney's office declined to comment.

The two men, who pleaded not guilty and are free on bail, declined to respond to requests for comment.

They are accused of embezzling more than \$100,000 from the charity and damaging or destroying property in excess of \$65,000. The lawsuit also accuses them of filing false personal tax returns in 2011, 2012 and 2013 — the same period in which they failed to file tax forms for Moore's Cottage. In total, Moore's Cottage owed \$460,000 in delinquent federal payroll taxes as of September 2013.

A court petition for a search warrant filed this year by the district attorney's office says that "Batchelor had no intention of paying payroll taxes with the money he withdrew. His sole purpose was to split the withdrawn money with Smith for personal gain."

The charity's failure to file returns had cost it its tax-exempt status by 2013, and the county severed ties and removed children from its care last year. The charity had operated a six-bed facility for boys ages 13 to 17 in Pomona, as well as a six-bed home in Altadena for boys ages 11 to 17.

County officials have designed contracts intended to ensure that charities like Moore's Cottage properly spend the public money they receive. Their books are open to regulators who scrutinize expenditures.

Such reviews have repeatedly unearthed scandal. In some cases, contractors spent taxpayer money on vacations, luxury cars, fine china and salaries for employees who didn't exist, The Times has reported. More than \$11 million of county funds were allegedly misappropriated by foster care nonprofits between 2000 and 2010, county audits found, and only a small fraction was ever recovered.

County auditors have not made public any financial audits of Moore's Cottage since 2008, when a review of 2006 records showed the charity collecting \$563,733 in taxpayer money — or \$53,748 for each child per year.

The audit of 2006 records also reported that Moore's Cottage had failed to pay \$23,000 in payroll taxes, and officials at the Department of Children and Family Services were told to follow up and make sure the money was paid. Instead, the sum of unpaid payroll taxes grew to more than \$200,000, according to the district attorney's court petition.

The search warrant request notes that auditors later initiated another audit for 2011 and 2012 records, which showed "questionable accounting practices" by Smith, the executive director, who "withdrew large sums of money."

"Smith stated this money was given to Moore's Cottage board member and chief financial officer Gary Batchelor," the request says.

A 2009 visit to the group homes by county auditors found the children sleeping on old, sagging mattresses, according to a group home program monitoring report. Some youth, the report noted, also received powerful psychiatric medications without the required court approval — a key safeguard meant to ensure that youth are not drugged unnecessarily to make them more docile.

Reports on 2010 visits by Department of Children and Family Services officials and a review of five children's case files uncovered more problems. All of the children were being deprived of their weekly allowance, and many also were not receiving their clothing allowance. A majority of the children interviewed "reported that they did not feel they were treated with respect and dignity," the auditors wrote.

“It is concerning that Moore’s Cottage Group Home was out of compliance in seven of nine areas reviewed,” they said.

From 2012 to 2014, state regulators from the Department of Social Services responded to complaints of general neglect and physical abuse by staff at Moore’s Cottage, according to licensing records.

Youth in the homes told auditors that the staff members were inattentive and that many young people ran away because they didn’t like the environment, state regulators reported last year.

Another boy told regulators that a fellow resident openly “masturbated day and night and staff was aware of it but nothing was done about it,” a Department of Social Services report said.

In a 2013 report, state regulators found that a staffer pushed a boy “really hard against a desk — causing a bump in the head.”

Browning, the DCFS director, said “the criminal investigation of Moore’s Cottage is still ongoing, but if the allegations prove true, I think it is totally inappropriate what happened here.”

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Los Angeles Times

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