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September 1, 2010

TO: Supervisor Gloria Molina, Chair
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **VALLEY COMMUNITY CLINIC CONTRACT REVIEW – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE AND PREVENTION SERVICES PROVIDER**

We completed a fiscal review of Valley Community Clinic (VCC or Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider. The purpose of our review was to determine whether VCC provided the services to eligible participants and spent funds in accordance with the County contract. We also evaluated the adequacy of VCC's accounting records, internal controls and compliance with the contract and applicable guidelines.

At the time of our review, DPH had two cost-reimbursement contracts with VCC and paid VCC approximately $613,000 from January 2008 to April 2009. VCC provides services in the Third and Fifth Districts.

Results of Review

The Agency appropriately recorded and deposited cash receipts timely in the Agency's bank account. However, the Agency charged OAPP $38,884 in questioned costs and did not always comply with the County contract. VCC did not agree with the findings related to the questioned costs and did not provide a corrective action plan to address our recommendations (see Review of Report below). Our findings indicate that VCC:

- Charged OAPP $24,572 for payments made to a subcontractor that were not sufficiently documented. In addition, the Agency did not have a subcontractor agreement that disclosed the services to be provided, rate of pay and terms.

- Charged OAPP $978 for unsupported and inadequately documented advertising and travel costs.

- Charged OAPP $574 for a payment to a consultant whose consulting agreement had expired and did not identify the rate of payment.

- Charged OAPP $12,760 in program expenditures reported on their Cost Reports that were not supported by the Agency's accounting records.

- Billed OAPP for salaries based on budgeted estimates not actual time spent by employees on OAPP activities as required.

- Did not implement a client/patient fee determination system.

- Did not always obtain appropriate documentation from clients/patients to determine their eligibility for program services.

The details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with VCC and OAPP on May 18, 2010. At the meeting, the Agency agreed to implement all recommendations except the findings related to the questioned costs. VCC indicated that they would provide documentation for the questioned costs by June 4, 2010 and that they would send us their response by June 18, 2010. We have made several attempts to contact the Agency and as of August 30, 2010, VCC has not responded to our calls or email and did not provided additional documentation or a written response. OAPP indicated that they will ask VCC to provide a corrective action plan and work with VCC to resolve the recommendations in this report.

We thank VCC for their cooperation and assistance during our review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Department of Public Health
Paul Wilson, President/CEO, Valley Community Clinic
Public Information Office
Audit Committee

VALLEY COMMUNITY CLINIC
HIV/AIDS CARE AND PREVENTION SERVICES
FISCAL YEAR 2008-09

BACKGROUND/PURPOSE

The Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) contracts with Valley Community Clinic (VCC or Agency) to provide HIV/AIDS ambulatory/outpatient medical care services and health education/risk reduction prevention services.

The purpose of our review was to determine whether VCC appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of VCC's accounting records, internal controls, and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White Comprehensive AIDS Resource Emergency Act. In addition, we determined whether the Agency provided services to eligible participants.

ELIGIBILITY

Objective

Determine whether VCC provided services to individuals that meet the eligibility requirements.

Verification

We reviewed the case files for 12 program participants that received services during March 2008 to February 2009 for documentation to confirm their eligibility for OAPP services.

Results

The case files for five (42%) of the 12 program participants did not contain documentation to support their eligibility for program services and VCC could not locate one case file. Specifically, three case files did not contain current income information and two case files did not contain residency and income verification. The contract requires that the participants' information for income and residency be updated annually.

Also, VCC has not implemented a client/patient fee determination system, as required by the County contract. Therefore, the Agency has not charged a fee for services provided. The contract requires that a fee be charged based on the client's/patient's ability to pay. In establishing the fees, the Agency needs to implement a client/patient fee determination system which must be approved by OAPP.

Recommendations

VCC management:

1. **Ensure that Agency staff obtain the appropriate documentation from client's/patient's to determine their eligibility for program services.**

2. **Establish and implement a client/patient fee determination system and ensure that it is reviewed and approved by OAPP.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's financial records and deposited timely into the Agency's bank account. Determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed the Agency's personnel and reviewed their financial records. We also reviewed the Agency's May 2009 bank reconciliations for the operating and payroll bank accounts.

Results

VCC appropriately recorded and deposited cash receipts timely into the Agency's bank accounts. However, the Agency's bank reconciliations included reconciling items totaling $6,942 that ranged from six months to two years old. In addition, Agency management did not document their review and approval of the bank reconciliations.

Recommendation

3. **VCC management ensure reconciling items are resolved timely and document the review and approval of the reconciliations by management.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency's Cost Allocation Plan (Plan) was prepared in accordance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Plan and reviewed a sample of shared expenditures incurred by VCC for July 2008, October 2008 and January 2009 to ensure that the expenditures were properly allocated to the OAPP program.

Results

VCC's Plan complies with the County contract and the Agency used the Plan to properly allocate program expenditures, except the Agency did not provide documentation to support the allocations of employees' salaries who worked on multiple programs. This finding is addressed in the payroll and personnel section of this report.

Recommendation

Refer to recommendation #6.

EXPENDITURES

Objective

Determine whether program expenditures were allowable under the County contract, properly documented and accurately billed to the program.

Verification

We interviewed Agency personnel, reviewed accounting records and reviewed supporting documentation for 24 expenditure transactions billed to OAPP for June 2008 to June 2009 totaling $30,812.

Results

VCC did not always maintain appropriate or adequate documentation to support program expenditures. Specifically, VCC billed OAPP:

- $24,572 for payments made to a subcontractor that were not sufficiently documented. In addition, the Agency did not have a subcontractor agreement that disclosed the services to be provided, rate of pay and terms.

- $778 for travel costs. However, the Agency did not provide other supporting documentation that showed the expense was incurred for the OAPP program.

- $574 for a payment to a consultant whose consulting agreement had expired and did not identify the rate of payment.

- $200 for an advertising expense that was not supported by a vendor receipt or invoice.

Recommendations

VCC management:

4. **Repay DPH $26,124 or provide adequate documentation to support the expenditures.**

5. **Maintain documentation to support all program expenditures.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with program funds are used for the OAPP program and are safeguarded.

We did not perform test work in this area, as the Agency did not use OAPP funds to purchase fixed assets.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to OAPP. In addition, determine whether personnel files are maintained as required.

Verification

We traced payroll expenditures for seven employees totaling $21,019 to payroll records and benefit remittance invoices for December 2008 and January 2009. We also reviewed the employees' personnel files.

Results

Generally, VCC maintained the required personnel records. However, the Agency's payroll billings for two employees that worked on multiple programs were based on budgeted estimates instead of actual time spent by employees performing OAPP related activities as required by the County contract. In addition, the Agency did not require their staff to report the actual hours worked on the OAPP program on their timecards.

Recommendations

VCC management ensure:

6. **Payroll billings are based on actual hours spent by employees performing OAPP related activities.**

7. **All employees record actual hours worked each day on their time reports to support the time spent on program activities.**

COST REPORTS

Objective

Determine whether the Agency's Cost Reports reconciled to their financial records.

Verification

We traced the Agency's general ledgers to the Agency's Cost Reports submitted to OAPP for the periods ended December 2008 and February 2009.

Results

VCC's accounting records did not always support the amounts reported on the Agency's Cost Reports. A reconciliation of VCC's general ledger and their Cost Reports resulted in unsupported program expenditures of $12,760. The Agency could not explain the reason for the differences.

Recommendations

VCC management:

8. **Repay DPH $12,760.**

9. **Ensure that their Cost Reports submitted to OAPP are supported by their accounting records prior to submitting the Cost Reports to OAPP.**