



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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January 31, 2011

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

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **ST. MARY MEDICAL CENTER CONTRACT REVIEW – A  
DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE AND  
PREVENTION SERVICES PROVIDER**

We completed a fiscal review of St. Mary Medical Center (St. Mary or Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider. The purpose of our review was to determine whether St. Mary provided the services to eligible participants and spent funds in accordance with the County contract. We also evaluated the adequacy of St. Mary's accounting records, internal controls, and compliance with the contract and applicable guidelines. Contract services include providing HIV/AIDS outpatient, mental health psychotherapy, psychosocial/family case management, peer support, treatment education, and home based case management services.

At the time of our review, DPH had six cost-reimbursement contracts with St. Mary and paid St. Mary approximately \$2 million from March 2008 to June 2009. St. Mary provides services in the Fourth District.

**Results of Review**

St. Mary provided services to individuals who met the Office of AIDS Programs and Policy (OAPP) eligibility requirements and maintained the required personnel records. St. Mary also properly recorded and deposited cash receipts timely. However, the Agency billed OAPP \$109,574 in questioned costs. Specifically, St. Mary:

- Charged OAPP \$106,471 in unallowable expenditures.

*St. Mary's attached response indicates that they will repay the unallowable costs and that they will allocate shared expenditures to the OAPP program by following their Cost Allocation Plan and will maintain documentation to support expenditure allocations.*

- Did not have documentation to support \$2,181 reported on their Cost Reports.

*St. Mary's attached response indicates that they will repay the unsupported costs and will ensure that their Cost Reports reconcile to their accounting records.*

- Did not document the methodology used to allocate \$922 in shared costs charged to the OAPP program.

*St. Mary's attached response indicates that they will repay the undocumented costs and they will maintain documentation to support their expenditure allocations.*

- Charged OAPP for payroll expenditures based on budget estimates and not actual time spent by employees on OAPP activities.

*St. Mary's attached response indicates that they implemented a time keeping system which tracks employees' hours worked by contract. The time keeping system will allow them to bill payroll expenditures based on actual hours spent by employees working on OAPP-related activities.*

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

### **Review of Report**

We discussed our report with St. Mary and OAPP. In their attached response, St. Mary agreed to implement the recommendations in our report. In addition, OAPP indicated they will work with the Agency to ensure that the questioned costs are repaid and the recommendations are implemented.

Board of Supervisors  
January 31, 2011  
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We thank St. Mary 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

Attachment

c: William T Fujioka, Chief Executive Officer  
Jonathan E. Fielding, Director, Department of Public Health  
Gail Daly, Chief Operating Officer, St. Mary Medical Center  
Christopher Diccico, Board of Directors, St. Mary Medical Center  
Public Information Office  
Audit Committee

**ST. MARY MEDICAL CENTER  
HIV/AIDS CARE AND PREVENTION SERVICES  
CONTRACT FISCAL REVIEW  
FISCAL YEAR 2008-09**

**ELIGIBILITY**

**Objective**

Determine whether St. Mary Medical Center (St. Mary or Agency) provided services to individuals that met the eligibility requirements of the Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) program.

**Verification**

We reviewed the case files for 28 program participants that received services from March 2008 to April 2009 for documentation to confirm the participants' eligibility for OAPP services.

**Results**

St. Mary maintained appropriate documentation to support the participants' eligibility to receive program services.

**Recommendation**

**None.**

**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. In addition, 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 bank reconciliations for April 2009.

**Results**

St. Mary maintained adequate controls to ensure that cash, liquid assets and revenue were properly recorded and deposited in a timely manner. However, the Agency's client

fee schedule has not been reviewed and approved by OAPP as required by the contract.

### Recommendation

1. St. Mary management ensure OAPP reviews and approves the Agency's client fee schedule.

## COST ALLOCATION PLAN

### Objective

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

### Verification

We reviewed the Agency's Cost Allocation Plan and reviewed a sample of allocated expenditures incurred by the Agency from June 2008 to February 2009 to ensure that shared expenditures were appropriately allocated to the OAPP program.

### Results

St. Mary's Cost Allocation Plan was not in compliance with the County contract and they did not allocate shared program costs equitably between multiple contracts/funding sources. Specifically, St. Mary:

- Charged OAPP \$199,362 in unallowable contract physician expenditures. The Agency's billing was based on budgeted amounts even though the physicians also served non-OAPP patients (insured patients). Based on a percentage of insured patients over the total number of individuals that received services, the \$199,362 represents the amount related to non-OAPP patients. Subsequent to our exit conference, St. Mary provided additional documentation to support \$92,891 in questioned costs. As a result, the unallowable costs were reduced to \$106,471 (\$199,362 - \$92,891).
- Did not provide any documentation for the allocation of \$922 for dental supplies and telephone expenditures. As a result, we were not able to determine the appropriateness of these charges.

### Recommendations

**St. Mary management:**

2. Repay DPH \$107,393 (\$106,471 + \$922) or provide documentation to support the expenditures.

3. Ensure shared expenditures are equitably allocated to the OAPP program.
4. Maintain documentation to support expenditure allocations.

**EXPENDITURES**

**Objective**

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

**Verification**

We interviewed Agency personnel and tested 26 expenditures billed to OAPP during September 2008 to May 2009, totaling \$53,729.

**Results**

St. Mary maintained proper documentation to support program expenditures.

**Recommendation**

None.

**FIXED ASSETS AND EQUIPMENT**

**Objective**

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

We did not perform test work in this section, as the Agency did not purchase fixed assets with OAPP funds.

**Recommendation**

None.

**PAYROLL AND PERSONNEL**

**Objective**

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

**Verification**

We traced payroll expenditures for 16 employees totaling \$58,916 to the payroll records and time reports for January 2009. We also reviewed the employees' personnel files.

**Results**

St. Mary did not require their staff to report actual hours worked on the OAPP program on their timecards and did not provide any other supporting documentation that could be used to verify the accuracy and appropriateness of payroll expenditures billed to OAPP. A similar finding was also noted in the Fiscal Year 2006-07 monitoring review.

**Recommendations****St. Mary management:**

5. **Ensure employees record actual hours worked each day on their time reports to support the time spent on program activities.**
6. **Bill OAPP for payroll expenditures based on actual hours spent by employees performing OAPP-related activities.**

**COST REPORTS****Objective**

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

**Verification**

We traced the Agency's accounting records to the Agency's Cost Reports submitted to OAPP for the periods ending February 2009 and March 2009.

**Results**

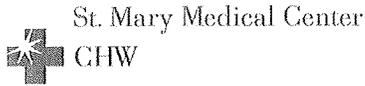
St. Mary's accounting records did not support the amounts reported on the Agency's Cost Reports. Specifically, the general ledgers for the OAPP program did not include salaries, employee benefits, rent and contract physician expenditures charged to OAPP. Although the expenditures were recorded on the agency-wide accounting records and the Agency provided other supporting documentation for our review, the County contract requires that an accounting of expenditures and revenues be maintained by program.

In addition, other expenditures on their Cost Reports were not recorded on the Agency's OAPP general ledgers. The unsupported expenditures totaled \$2,181.

**Recommendations**

**St. Mary management:**

7. Repay DPH \$2,181 or provide documentation to support the expenditures.
8. Ensure Cost Reports reconcile to the Agency's program accounting records.



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**October 11, 2010**

**Ms. Wendy L. Watanabe  
Auditor – Controller  
Department of Auditor – Controller  
Countywide Contract Monitoring Division  
350 S. Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071**

**Dear Ms Watanabe:**

**St Mary Medical Center (SMMC) Response to Los Angeles County Auditor  
Controller Contract Review Findings**

**In response to the contract review findings for the March 2008 to June 2009 OAPP  
HIV/Aids contracts with Los Angeles County Department of Public Health (DPH)**

**1. Cash Revenue**

**Recommendation:**

- St. Mary management ensures OAPP review and approves the Agency's client fee schedule.

**Management Response:**

- SMMC will ensure that OAPP reviews and approves client fee schedule annually.

**2. Cost Allocation Plan**

**Recommendation:**

- Repay DPH \$107,393 (\$106,471 + 922) or provided documentation to support the expenditures.
- Ensure shared expenditures are equitably allocated to the OAPP program.
- Maintain documentation to support expenditure allocations.

**Management Response:**

- SMMC will repay DPH \$107,393 (\$106,471 + 922). SMMC will ensure that shared expenditures are equitably allocated to the OAPP program as indicated in the cost allocation plan. SMMC will maintain documentation to support expenditure allocations.

**3. Payroll and Personnel**

A Member of Catholic Healthcare West  
Affiliated with the UCLA School of Medicine



**Recommendation:**

- Employees record actual hours worked each day on their time reports to support the time spent on program activities.
- Payroll billings are based on actual hours spent by employees performing OAPP related activities.

**Management Response:**

- SMMC will ensure the employee record actual hours worked each day on their time cards to support the time spent on program activities. SMMC has fully implemented a time keeping system which allows staff to clock in and out by hours worked and by contract number. This system will allow for accurate allocation of time worked. This system was not fully implemented during the time period that was being audited. SMMC will ensure that payroll billings are based on actual hours spent by employee performing OAPP related activities.

**4. Cost Report**

**Recommendation:**

- Repay DPH \$2,181 or provide documentation to support the expenditures.
- Ensure Cost Report reconcile to the Agency's program accounting records.

**Management Response:**

- SMMC will repay DPH \$2,181. SMMC will ensure that cost reports reconcile with our accounting records.

Respectfully,

Handwritten signature of Gail Daly in blue ink, with the initials 'COO' written to the right of the signature.

Gail Daly  
Chief Operating Officer