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May 12, 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: **PROTOTYPES, CENTER FOR INNOVATION IN HEALTH, MENTAL HEALTH AND SOCIAL SERVICES - A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE AND PREVENTION SERVICES PROVIDER – FISCAL REVIEW**

We completed a fiscal review of Prototypes, Center for Innovation in Health, Mental Health and Social Services (Prototypes or Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider. The purpose of our review was to determine whether Prototypes provided services to eligible participants, and spent funds in accordance with their County contract. We also evaluated the adequacy of Prototypes' accounting records, internal controls and compliance with the contract and other applicable guidelines. Prototypes' contract services included HIV/AIDS early intervention services, substance abuse residential services, training for health and human service agencies funded by the Office of AIDS Programs and Policy (OAPP), and health education/risk reduction outreach services. Prototypes provided services in the First, Second, Third and Fourth Districts.

At the time of our review, Prototypes had one fee-for-service contract. At the request of OAPP, we also reviewed three additional contracts (one fee-for-service and two cost-reimbursement contracts) Prototypes had with OAPP that were either terminated before

the end of the contract term due to funding curtailments, or were not renewed by the Agency. DPH paid Prototypes approximately $1,138,000 from January 2008 to October 2009.

Results of Review

Prototypes provided services to individuals who met the OAPP eligibility requirements, and maintained the required personnel records. Prototypes also properly recorded and deposited OAPP payments timely. However, the Agency billed OAPP for undocumented expenditures, and did not comply with all County contract requirements. For example, Prototypes:

- Billed OAPP $46,689 in undocumented expenditures.

  Prototypes' attached response indicates that they will repay DPH for the undocumented expenditures, and that they have implemented necessary controls to ensure accurate and proper documentation is maintained.

- Did not sufficiently document $3,690 in gift cards distributed to participants as incentives.

  Prototypes' attached response indicates that they will repay DPH for the undocumented expenditures.

- Did not provide documentation to support employees' paid time off.

  Prototypes' attached response indicates that they implemented policies to ensure all employees' time cards are approved by the appropriate supervisors prior to processing, and that adequate documentation is maintained to support employees' paid time off.

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

Review of Report

We discussed our report with Prototypes and OAPP. In their attached response, Prototypes indicates that they will repay OAPP the $50,379 ($46,689 + $3,690) in questioned costs, and have implemented all of the other recommendations in our report.

We thank Prototypes management 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:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., Director, Department of Public Health
Karen E. Pointer, Chair, Board of Directors, Prototypes
Cassandra Loch, President/Chief Executive Officer, Prototypes
Public Information Office
Audit Committee

PROTOTYPES, CENTERS FOR INNOVATION IN HEALTH, MENTAL HEALTH AND SOCIAL SERVICES
HIV/AIDS CARE AND PREVENTION SERVICES
FISCAL YEARS 2008-09 AND 2009-10

ELIGIBILITY/SERVICES BILLED

Objective

Determine whether Prototypes, Center For Innovation in Health, Mental Health and Social Services (Prototypes or Agency), provided services to individuals who 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 ten participants who received services from July 2009 to September 2009 for documentation to confirm their eligibility for OAPP services. We also compared 104 days the Agency billed OAPP to the supporting documentation.

Results

The case files for the ten participants sampled contained documentation of the participants' eligibility to receive services, and the 104 days billed were supported by sign-in sheets.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether the Agency had adequate controls to ensure cash receipts and revenue were properly recorded in the Agency's records and deposited timely in their bank account.

Verification

We interviewed the Prototypes' personnel and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliation for November 2009.

Results

Prototypes properly recorded and deposited OAPP payments timely into the Agency's bank account. In addition, the Agency reconciled its bank account on a monthly basis.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether the Agency prepared its Cost Allocation Plan in compliance with the County contract, and used the Plan to allocate shared Program costs appropriately.

Verification

We reviewed Prototypes' Cost Allocation Plan and accounting records to ensure the costs were allocated among the Agency's programs appropriately.

Results

Prototypes' Cost Allocation Plan was not prepared in compliance with the County contract. Prototypes allocated rent, telephone and utilities costs based on budgeted positions, instead of actual filled positions. Although we determined that the differences from using budgeted positions were insignificant, the Agency still needs to use actual filled positions if they use positions as the basis for allocating shared costs.

Recommendation

1. **Prototypes management revise the Cost Allocation Plan, and discontinue using budgeted positions as the basis for allocating shared costs.**

EXPENDITURES

Objective

Determine whether Program-related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records and documentation to support 65 non-payroll OAPP expenditure transactions between May 2008 and October 2009, totaling $120,086.

Results

Prototypes did not maintain documentation to support $50,379 (43%) of $120,086 in expenditures sampled. Specifically, Prototypes:

- Charged OAPP $46,689 for various expenditures, such as incentives, transportation, training, postage and equipment, that were not supported by invoices/receipts or other documentation.
- Charged OAPP $3,690 for unsupported gift cards. Specifically, the Agency was not able to provide distribution logs showing the gift cards were distributed to Program participants as incentives.

Recommendations

Prototypes management:

2. **Repay DPH $50,379 ($46,689 + $3,690) or provide documentation to support the expenditures.**
3. **Maintain supporting documentation to support Program expenditures.**

PAYROLL AND PERSONNEL

Objective

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

Verification

We reviewed payroll expenditures, totaling $30,722, for 11 employees for February 2009 and June 2009 to the Agency's payroll records and time reports. We also reviewed the employees' personnel files.

Results

Prototypes generally maintained the required personnel records and time cards for employees. However, Prototypes did not provide supporting documentation for

employees' paid time off (i.e., vacation, sick and personal leave) that was charged to OAPP. In addition, two employees' time cards were not approved by a supervisor.

Recommendations

Prototypes management:

4. **Ensure that documentation is maintained to support employees' paid time off.**

5. **Ensure employees' time cards are approved by supervisors.**

COST REPORTS

Objective

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

Verification

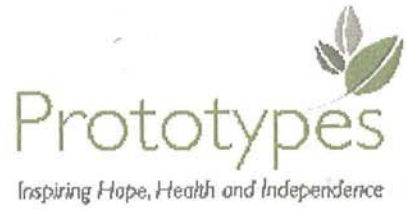
We traced the Agency's Cost Reports for February 2009 and June 2009 to the Agency's accounting records.

Results

Prototypes' Cost Reports reconciled to their accounting records.

Recommendation

None.



March 18, 2011

Wendy Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, California 90071

Dear Ms. Watanabe:

PROTOTYPES, Centers for Innovation in Health, Mental Health and Social Services has reviewed the report issued by your Department and are in general agreement with the results and recommendations. Below are PROTOTYPES' responses to the recommendations contained in the Fiscal Year 2007-2008 and 2008-2009 contract fiscal review report:

Result: PROTOTYPES did not always maintain documentation to support $50,379 (43%) of $120,086 in program expenditures sampled.

Management Response:

PROTOTYPES has implemented the necessary controls to ensure accurate and proper documentation is maintained to support all program expenditures. Additionally, PROTOTYPES has agreed to repay the $50,379 in undocumented expenditures.

Result: Generally, PROTOTYPES maintained the required personnel records and time reports for employees. However, PROTOTYPES was not able to provide supporting documentation for employees' time paid off (i.e. vacation, sick and personal leave) that was charged to OAPP. As a result, we were unable to determine the appropriateness of the payroll billings for ten employees. In addition, two employees' timecards were not approved by a supervisor.

Management Response:

PROTOTYPES has implemented policies to ensure all employees' timecards are approved by the appropriate supervisors prior to processing. Additionally, necessary and adequate documentation is maintained to support any employees' paid time off.

Should you have any additional questions, please feel free to contact me at (213) 542-3847.

Sincerely,

Levi Martin
Controller
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prototypes.org