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August 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: **WHITTIER RIO HONDO AIDS PROJECT - A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE AND PREVENTION SERVICE CONTRACT PROVIDER - FISCAL REVIEW**

We completed a fiscal review of Whittier Rio Hondo AIDS Project (WRHAP or Agency), a Department of Public Health (DPH) HIV/AIDS Office of AIDS Programs and Policy (OAPP) care and prevention service provider. Our review covered a sample of transactions from March 2009 to September 2010. The purpose of our review was to determine whether the Agency provided services to eligible clients, and spent funds in accordance with their County contract. We also evaluated the adequacy of WRHAP's accounting records, internal controls, and compliance with the contract and applicable guidelines. WHRAP's contract services include HIV/AIDS psychosocial case management, psychotherapy mental health, health education risk reduction outreach and school-based HIV/AIDS prevention programs services. WRHAP provides services in the First and Fourth Supervisorial Districts.

At the time of review, WRHAP had three cost-reimbursement contracts with OAPP. OAPP paid WRHAP approximately $358,000 from March 2009 to September 2010.

Results of Review

WRHAP provided services to individuals who met the OAPP eligibility requirements, and maintained the required personnel records. WRHAP also properly deposited and recorded OAPP payments timely. However, WRHAP:

- Charged OAPP $400 in unallowable expenditures.

  WRHAP's attached response indicates that they will repay the disallowed costs.

- Needs to ensure bank reconciliations are completed appropriately and reviewed by management.

  WRHAP's attached response indicates that they have updated their monthly bank reconciliations from July 2010 to current to include WRHAP's executive director's signature. WRHAP's executive director is now required to review the reconciliations and bank statements for accuracy.

- Needs to ensure their accounting records support the amounts included in their Cost Reports.

  WRHAP's attached response indicates that they have a new policy mandating that supporting documentation for the cost reports be attached to the report and kept on file at the Agency.

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

Review of Report

We discussed our report with WRHAP and OAPP on June 14, 2011. The Agency's attached response indicates that they will repay the $400 in questioned costs, and describes the actions they have taken or plan to take to address the recommendations in our report.

We thank WRHAP's management for their cooperation and assistance during this 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 of Public Health Department
George Figueroa, President Board of Directors, WRHAP
Elizabeth Mendia, Executive Director, WRHAP
Public Information Office
Audit Committee

WHITTIER RIO HONDO AIDS PROJECT
HIV/AIDS CARE AND PREVENTION SERVICES
MARCH 2009 TO SEPTEMBER 2010

ELIGIBILITY

Objective

Determine whether Whittier Rio Hondo AIDS Project (WRHAP or Agency) provided services to individuals who met the Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) Program eligibility requirements.

Verification

We reviewed the case files for ten clients who received services from March 2009 to August 2010.

Results

The case files for all ten clients reviewed contained documentation that the clients were eligible for OAPP services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether the Agency deposited cash receipts timely and recorded revenue properly in the Agency's records.

Verification

We interviewed the Agency's personnel and reviewed their accounting records. We also reviewed the Agency's bank reconciliation for September 2009 and September 2010.

Results

WRHAP deposited cash receipts timely into the Agency's bank account, and recorded the revenue appropriately. However, the bank reconciliation for September 2010 contained errors and incorrect information. We also noted that bank reconciliations did not indicate that they were reviewed and approved, and the June 2010 bank statement was not reconciled.

Recommendations

WRHAP management:

1. **Ensure bank reconciliations are completed properly, and in a timely manner.**

2. **Ensure the bank account is reconciled regularly and reconciliations are reviewed and approved.**

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 costs appropriately.

Verification

We reviewed WRHAP's Cost Allocation Plan, and a sample of shared expenditures incurred by the Agency in September 2009 and April 2010, to ensure that expenditures were allocated to the OAPP Program appropriately.

Results

WRHAP's Cost Allocation Plan was prepared in compliance with the County contract, and the shared costs were allocated to the OAPP Program appropriately.

Recommendation

None.

EXPENDITURES

Objective

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

Verification

We interviewed Agency personnel, and reviewed accounting records and documentation for 18 non-payroll OAPP expenditures, between June 2009 to June 2010, totaling $19,380.

Results

The Agency charged DPH $400 for training that was not related to the OAPP Program.

Recommendations

WRHAP management:

3. **Repay DPH $400 for unallowable expenditures.**

4. **Ensure that only allowable expenditures are charged to the OAPP Program.**

PAYROLL AND PERSONNEL

Objective

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

Verification

We review payroll expenditures, totaling $12,745, for four employees for May 2010, and reviewed the personnel files for the four employees. We also traced the payroll expenditures to payroll records and time reports.

Results

WRHAP charged payroll expenditures to the OAPP Program appropriately, and maintained personnel files as required by the County contract.

Recommendation

None.

COST REPORTS

Objective

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

Verification

We traced the Agency Cost Reports to their accounting records for September 2009, February 2010, March 2010, and June 2010.

Results

WRHAP's Cost Reports did not always reconcile to the Agency's accounting records. Although, we determined that the variances were not significant, the Agency needs to ensure their Cost Reports reconcile to their accounting records.

Recommendation

5. **WRHAP management ensure Cost Reports reconcile to their accounting records prior to submitting the Cost Reports to OAPP.**

July 12, 2011

Wendy L. Watanabe
Auditor Controller
Kenneth Hahn Call of Administration, Room 525
Los Angeles, CA 90012-3873

Dear Ms. Watanabe:

This letter is in response to your report on the findings and recommendations of your office per your recent Contract Compliance Review.

Your report noted the following recommendations:

1) **Resolve bank reconciliation differences and ensure they are completed properly and in a timely manner.**

2) **Ensure the bank statement is reconciled regularly and reconciliations are reviewed and approved.**

Response: WRHAP has redone the monthly reconciliations dating back to July 1, 2010 in order to correct the errors and prevent them from being carried forward. WRHAP has put new policies requiring that the review of the reconciliation reports by the executive director are compared to the bank statements to ensure accuracy.

3) **Repay DPH $400 dollars for unallowable expenses charged to the contract.**
4) **Ensure that only allowable expenditures are charged to the OAPP Program.**

Response: WRHAP will promptly remit payment upon invoicing by the DPH's Office of AIDS Program and Policy. WRHAP will only bill expenses allowable under OMB Circular A122 and other guiding documents. Any questionable

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expenses will be clarified with the Office of AIDS prior to the expense being incurred.

5) **WRHAP management ensures that Cost Reports are supported by their accounting records prior to submitting the Cost Reports to OAPP.**

Response: WRHAP has put in place a new policy mandating that supporting documentation for cost reports be attached to the report for review by WRHAP's executive director before submission to OAPP and kept on file at the agency

We appreciate your time and work on the review and the professionalism and cordiality of your staff – please convey our thanks to them.

If I can be of further assistance, please do not hesitate to contact me at (562) 698-3850, or via email at liz@wrhap.org.

Sincerely yours,

Elizabeth Mendia
Executive Director
Whittier Rio Hondo AIDS Project