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November 8, 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

Wendy L Watanabe by Schneiderman

SUBJECT: **CALIFORNIA STATE UNIVERSITY, LONG BEACH FOUNDATION – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION SERVICE CONTRACT PROVIDER – FISCAL REVIEW**

We completed a fiscal review of California State University, Long Beach Foundation (CSULBF or Agency). The County Department of Public Health (DPH) Office of AIDS Programs and Policy (OAPP) contracts with CSULBF for the Agency to provide HIV/AIDS counseling, testing, and prevention services. Our review covered a sample of transactions from January 2010 through April 2011.

The purpose of our review was to determine whether CSULBF spent funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and applicable guidelines.

At the time of our review, CSULBF had one cost-reimbursement contract with OAPP. OAPP paid CSULBF approximately $319,000 from January 2010 through April 2011. CSULBF provides services to residents of the Fourth Supervisorial District.

Results of Review

CSULBF recorded and deposited OAPP payments timely, maintained the required personnel records and the documentation required to support its Program expenditures. CSULBF's Cost Report also reconciled to the Agency's accounting records. However, the Agency billed OAPP $5,373 in unallowable expenses. Specifically, CSULBF

charged OAPP $5,373 in their 2010 cost report for supplies that the Agency received and paid for in January 2011.

CSULBF's attached response indicates that they believe the expense should be allowable because they ordered, invoiced, and received the supplies before the contract expires in December 2011. However, CSULBF's contract with OAPP covers two and a half years, from July 1, 2009 to December 31, 2011, and the contract requires that Program costs be reported on a yearly basis. As a result, the $5,373 in costs, that were paid in 2011, are not allowable in 2010. The costs will be allowed in the 2011 cost report, assuming CSULBF's expenditures do not exceed the contract budget.

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

Review of Report

We discussed our report with CSULBF and OAPP. As indicated above, the Agency disagreed with the unallowable expenses. OAPP will work with the Agency to ensure the expenses are repaid.

We thank CSULBF management and staff 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:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., Director, Department of Public Health
Dr. F. King Alexander, Chair, Board of Directors, CSULB Foundation
Mary Stephens, Chief Executive Officer, CSULB Foundation
Public Information Office
Audit Committee

CALIFORNIA STATE UNIVERSITY, LONG BEACH FOUNDATION
HIV/AIDS PREVENTION SERVICES
JANUARY 2010 TO APRIL 2011

CASH/REVENUE

Objective

Determine whether California State University, Long Beach Foundation (CSULBF or Agency) had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly, and cash was deposited into the Agency's bank account timely.

Verification

We interviewed CSULBF's personnel, and reviewed the Agency's financial records and April 2011 bank reconciliation.

Results

CSULBF had adequate controls to ensure that revenue and cash were recorded properly, and cash was deposited timely.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether the CSULBF's Cost Allocation Plan was prepared in compliance with their County contract, and was used to allocate shared costs appropriately.

Verification

We reviewed CSULBF's Cost Allocation Plan, and a sample of shared costs CSULBF incurred from January through December 2010.

Results

CSULBF'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 expenditures charged to the OAPP Program were allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, and reviewed financial records for 17 non-payroll expenditures, totaling $36,169, that the Agency charged to the OAPP Program from January 2010 through December 2010.

Results

CSULBF inappropriately charged OAPP $5,373 for supplies that the Agency received and paid for in a subsequent cost reporting period. CSULBF's contract with OAPP covers two and a half years, from July 1, 2009 to December 31, 2011. The contract requires that Program costs be reported on a yearly basis. As a result, the $5,373 in costs, that were paid in 2011, are not allowable in 2010. The costs will be allowed in the 2011 cost report, assuming CSULBF's expenditures do not exceed the contract budget.

Recommendations

CSULBF management:

1. **Repay DPH $5,373.**
2. **Ensure OAPP Program expenses are charged to the appropriate contract period and budget.**

PAYROLL AND PERSONNEL

Objective

Determine whether CSULBF charged payroll expenditures to the OAPP Program appropriately, and maintained personnel files as required.

Verification

We traced the payroll expenditures for four employees, totaling $6,471, from September 2010 to the Agency's payroll records and time reports. We also reviewed the personnel files for OAPP Program staff.

Results

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

Recommendation

None.

COST REPORT

Objective

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

Verification

We traced CSULBF's Cost Report to their accounting records for December 2010.

Results

CSULBF's Cost Report reconciled to their accounting records.

Recommendation

None.

September 9, 2011

Ms Wendy L. Watanabe
Auditor-Controller
500 W Temple Street, Room 525
Los Angeles, California 90012

RE: Draft Report – California State University Long Beach Foundation – A Department of Public Health HIV/AIDS Prevention Service Contract Provider – Fiscal Review

Dear Ms Watanabe:

We are in receipt of the draft audit report referenced above. The results and recommendation stated in the report were discussed with us by the auditor, Mr Jeffrey Hu, prior to the end of the engagement. We do, however, disagree with the finding and the recommendation.

EXPENDITURES

Results

CSULBF inappropriately billed OAPP $5,373 for program supplies that were received and paid for in a subsequent contract period.

Recommendations

CSULBF management:

1. **Repay DPH $5,373.**
2. **Ensure OAPP program expenditures are billed to the appropriate contract period.**

CSULBF Response:

We disagree with this finding and the recommendation that funds be repaid to OAPP. We received contract number PH-000828 from OAPP on November 18, 2009. The term of the contract is July 1, 2009 through December 31, 2011. The items, HCV test kits, are allowable expenditures on this program. They were ordered, invoiced and received well before the contract expiration date of December 31, 2011. It does not seem reasonable to question this cost – it is allowable and within the period of the contract.

We will not request a formal audit exit conference.

6300 State University Drive, Suite 312, Long Beach, CA 90815

We enjoyed working with Mr Ho during this audit. His professionalism was greatly appreciated. We will await the issuance of the final report. I can be reached at 562-985-7619 or ssherema@csulb.edu.

Thank you.

Sincerely,

Sandra A Sherernan
Sr Director, Sponsored Programs
Office of Research and Sponsored Programs

C: 07-327211