



JOHN NAIMO  
AUDITOR-CONTROLLER

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

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

August 4, 2016

TO: Supervisor Hilda L. Solis, Chair  
Supervisor Mark Ridley-Thomas  
Supervisor Sheila Kuehl  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: John Naimo   
Auditor-Controller

**SUBJECT: ALTAMED HEALTH SERVICES CORPORATION – A COMMUNITY  
AND SENIOR SERVICES LOS ANGELES COUNTY YOUTH JOBS  
PROGRAM PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of AltaMed Health Services Corporation (AltaMed or Agency), which included a sample of transactions during December 2014 through November 2015. Community and Senior Services (CSS) contracts with AltaMed to provide Los Angeles County Youth Jobs (LACYJ) Program services.

The purpose of our review was to determine whether AltaMed appropriately accounted for and spent LACYJ Program funds to provide the services outlined in their County contract. We also evaluated the Agency's financial records, internal controls, and compliance with their County contract and other applicable guidelines.

Our review covered one LACYJ Program contract with AltaMed, for which CSS paid the Agency approximately \$533,000 on a cost-reimbursement basis during December 2014 through November 2015. AltaMed provides services to residents of the First Supervisorial District.

**Results of Review**

AltaMed maintained documentation to support the eligibility and services provided to the 20 clients reviewed. AltaMed also properly recorded revenue in their financial records, deposited CSS cash receipts into their bank account timely, and developed their Cost Allocation Plan using an appropriate cost allocation methodology. However, the Agency

did not always comply with all of their County contract requirements. For example, AltaMed inappropriately charged CSS \$19,607 in unallowable or unsupported expenditures from July through September 2015. AltaMed's attached response indicates that they reallocated all expenditures inappropriately charged to the LACYJ Program, and revised their billings to CSS for Fiscal Year 2015-16. In addition, AltaMed's attached response indicates that they will ensure that all expenditures charged to the LACYJ Program are allowable, properly documented, and appropriately allocated.

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

### **Review of Report**

We discussed our report with AltaMed and CSS. AltaMed's attached response (Attachment II) indicates agreement with our findings and recommendations. CSS will work with AltaMed to ensure that our recommendations are implemented.

We thank AltaMed management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:EB:pn

#### Attachments

c: Sachi A. Hamai, Chief Executive Officer  
Cynthia D. Banks, Director, Community and Senior Services  
Fernando de Necochea, Board Chair, AltaMed Health Services Corporation  
Cástulo de la Rocha, President and Chief Executive Officer, AltaMed Health Services Corporation  
Public Information Office  
Audit Committee

**ALTAMED HEALTH SERVICES CORPORATION  
LOS ANGELES COUNTY YOUTH JOBS PROGRAM  
CONTRACT COMPLIANCE REVIEW  
DECEMBER 2014 THROUGH NOVEMBER 2015**

**ELIGIBILITY**

**Objective**

Determine whether AltaMed Health Services Corporation (AltaMed or Agency) maintained documentation to support the eligibility of clients that the Agency claimed received Los Angeles County Youth Jobs (LACYJ) Program services.

**Verification**

We reviewed the documentation stored in the case files for 20 (12%) of the 167 clients that AltaMed claimed received LACYJ Program services during July through November 2015.

**Results**

AltaMed maintained documentation to support the eligibility of the 20 clients reviewed.

**Recommendation**

**None.**

**PROGRAM SERVICES**

**Objective**

Determine whether AltaMed maintained documentation to support the services charged to Community and Senior Services (CSS).

**Verification**

We reviewed the case files for 20 (12%) of the 167 clients that the Agency claimed received LACYJ Program services during July through November 2015.

**Results**

AltaMed maintained documentation to support the services provided to the 20 clients reviewed.

**Recommendation**

**None.**

**CASH/REVENUE**

**Objective**

Determine whether AltaMed properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank reconciliations were prepared timely, and reviewed and approved by Agency management.

**Verification**

We interviewed AltaMed's management, and reviewed their financial records and October 2015 bank reconciliations for three bank accounts.

**Results**

AltaMed properly recorded revenue in their financial records, deposited CSS cash receipts into their bank accounts timely, and bank reconciliations were prepared timely, and reviewed and approved by Agency management.

**Recommendation**

**None.**

**COST ALLOCATION PLAN/EXPENDITURES**

**Objective**

Determine whether AltaMed developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to the LACYJ Program were allowable, properly documented, and appropriately allocated.

**Verification**

We interviewed AltaMed personnel, and reviewed their Plan and financial records for seven non-payroll expenditures, totaling \$12,744, that the Agency charged to the LACYJ Program during December 2014 through September 2015.

**Results**

AltaMed developed their Plan using an appropriate cost allocation methodology. However, AltaMed inappropriately charged \$1,234 (10%) of the \$12,744 in non-payroll

expenditures reviewed to the LACYJ Program during July through September 2015. Specifically, AltaMed inappropriately:

- Billed the LACYJ Program \$709 for gift card expenditures for non-LACYJ Program participants.
- Allocated \$397 to the LACYJ Program for shared telephone expenditures based on unsupported salaries.
- Charged \$128 (100%) to the LACYJ Program for shared mileage expenditures instead of allocating the expenditures to all benefiting programs as required. In addition, the Agency inappropriately charged the expenditures in Fiscal Year (FY) 2015-16, although they were incurred in FY 2014-15.

### **Recommendations**

#### **AltaMed Health Services Corporation management:**

- 1. Reallocate all expenditures charged to the Los Angeles County Youth Jobs Program during Fiscal Year 2015-16, provide Community and Senior Services with supporting documentation, and repay any unallowable or unsupported amounts.**
- 2. Repay Community and Senior Services \$709.**
- 3. Ensure that all expenditures charged to the Los Angeles County Youth Jobs Program are allowable, properly documented, and appropriately allocated.**

### **ADMINISTRATIVE COMPLIANCE**

#### **Objective**

Determine whether the Agency was in compliance with their LACYJ Program and other County contract administrative requirements.

#### **Verification**

We interviewed AltaMed's management and personnel, reviewed their policies and procedures manuals, and conducted an on-site visit.

#### **Results**

AltaMed generally complied with their LACYJ Program and other County contract administrative requirements. However, AltaMed did not monitor two (67%) of the three worksites reviewed on a regular basis as required. Specifically, at the time of our

review (December 2015), AltaMed had allowed a total of 58 youth to work at the two worksites, although they had not monitored the worksites since March 2015.

### **Recommendation**

- 4. AltaMed Health Services Corporation management ensure that all Los Angeles County Youth Jobs Program worksites are monitored on a regular basis during each Fiscal Year as required.**

## **PAYROLL AND PERSONNEL**

### **Objective**

Determine whether AltaMed maintained personnel files as required and charged payroll expenditures to the LACYJ Program that were allowable, properly documented, and appropriately allocated.

### **Verification**

We reviewed personnel files for the two new LACYJ Program employees. We also compared the payroll expenditures for two employees and five participants, totaling \$5,059 for September 2015, to the Agency's payroll records and time reports.

### **Results**

AltaMed maintained personnel files as required. However, AltaMed:

- Overbilled CSS \$458 (9%) of the \$5,059 for one employee who worked on County and non-County Programs. Specifically, AltaMed charged the LACYJ Program for 60 hours for one employee, although the employee only reported 40 actual hours for the LACYJ Program on their timecard.
- Did not ensure that two (40%) of the five participant timecards reviewed were signed by both the participant and supervisor on or after the last day of work as required. Specifically, we noted that both the participant and supervisor signed the timecards one to two days prior to the last day of work.

In addition, AltaMed billed CSS \$130,188 in payroll expenditures for July through September 2015. However, their accounting records indicated that their payroll expenditures totaled \$112,273, resulting in an overbilling of \$17,915 (\$130,188 - \$112,273). We noted a similar finding during our prior year's monitoring review.

**Recommendations**

Refer to Recommendations 1 and 3.

5. AltaMed Health Services Corporation management ensure that all Los Angeles County Youth Jobs Program participant timecards are signed and dated on or after the last day worked of each pay period by supervisory staff.

**CLOSE-OUT REVIEW**

**Objective**

Determine whether AltaMed's FY 2014-15 Close-Out Expenditure Reports reconciled to their financial records.

**Verification**

We compared the total revenues and expenditures from AltaMed's FY 2014-15 Close-Out Expenditure Reports to their financial records and to CSS' payment records.

**Results**

AltaMed's FY 2014-15 Close-Out Expenditure Reports reconciled to their financial records and to CSS' payment records.

**Recommendation**

None.





July 5, 2016

John Naimo, Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8<sup>th</sup> Floor  
Los Angeles, CA 90071

Dear Mr. Naimo,

The following is AltaMed's response to the LACYJ Draft Report.

**RE: Management Response Letter and Corrective Action Plan to LACYJ Draft Report for July 2014 through October 2015 LAC Youth Jobs Program Contract Compliance Review**

**Cost Allocation Plan/Expenditures**

**Recommendation #1:**

Reallocate all expenditures charged to the Los Angeles County Youth Jobs Program during Fiscal Year 2015-16, provide Community and Senior Services with supporting documentation, and repay any unallowable or unsupported amounts.

**Response:**

At the time of review, November 30 - December 7, 2015, expenditures from July through September 2015 that were incorrectly allocated were credited back to the LACYJ program. The adjustments are reflected in subsequent invoices. AltaMed's General Ledger for fiscal year 15-16 and invoices support the adjustment.

**Corrective Action Plan:**

As of July 1, 2016, AltaMed will ensure all expenditures charged to the LACYJ Program are allowable, appropriately allocated, and properly documented by program staff along with accounting staff. Prior to submission of expense reports, the Manager of Grants Finance will review expense reports prior to submission to ensure compliance.





**Recommendation #2:** Repay Community and Senior Services \$709.

**Response:**

At the time of review, November 30 - December 7, 2015, expenditures from July through September 2015 that were incorrectly allocated were credited back to the LACYJ program in subsequent months. The \$709 repayment, or in this case, credit to the invoice was reflected in both AltaMed's General Ledger and the invoice(s) for FY 15-16.

**Corrective Action Plan:**

As of July 1, 2016, AltaMed will ensure all expenditures charged to the LACYJ Program are allowable, appropriately allocated, and properly documented by program staff along with accounting staff. Prior to submission of expense reports, the Manager of Grants Finance will review expense reports prior to submission to ensure compliance.

**Recommendation #3:** Ensure that all expenditures charged to the Los Angeles county Youth Jobs Program are allowable, properly documented, and appropriately allocated.

**Response:**

At the time of review, November 30 - December 7, 2015, expenditures from July through September 2015 that were incorrectly allocated to the LACYJ Program had been reallocated to all benefitting programs as required. The \$129 that was incorrectly allocated to the LACYJ Program had been removed. The correction made is reflected in both GL and the invoices for FY 15-16.

**Corrective Action Plan:**

Effective immediately, AltaMed Administration and program staff ensure that all expenditures charged to the LACYJ Program are allowable, appropriately allocated, and properly documented.

**Administrative Compliance**

**Recommendation #4:** AltaMed Health Services Program Administration ensures that all Los Angeles, County Youth Program worksites are monitored on a regular basis during each fiscal year as required.

**Response:**

At the time of the review, the appropriate LACYJ Program Worksite Checklist was not completed for the two worksites that were reviewed.



**Corrective Action Plan:** Effective immediately, AltaMed program staff ensures that all LACYJ worksites are monitored on a regular monthly basis and is evidenced by the required LACYJ Program Worksite Checklist.

**Payroll and Personnel**

**Recommendation:**

Reallocate all expenditures charged to the Los Angeles County Youth Jobs Program during Fiscal Year 2015-16, provide Community and Senior Services with supporting documentation, and repay any unallowable or unsupported amounts.

**Response:** Expenditures from July through September 2015 that showed incorrect allocation were credited back to the LACYJ program. Our General Ledger for fiscal year 15-16 and program invoices support the adjustment made.

**Corrective Action Plan:**

AltaMed will include the appropriate payroll expenditures when billing for salaries under this grant.

**Recommendation:**

Ensure that all expenditures charged to the Los Angeles county Youth Jobs Program are allowable, properly documented, and appropriately allocated.

**Response:**

At the time of review in November 30 - December 7, 2015, payroll expenditures from July through September 2015 that were incorrectly overbilled to the LACYJ Program had been reallocated to all benefiting programs as required.

**Corrective Action Plan:**

Effectively immediately, AltaMed Program Administration will ensure that all Los Angeles County Youth Program are allowable, properly documented, and appropriately allocated.

**Recommendation #5:** AltaMed Health Services corporation management ensure that all Los Angeles County Youth Jobs Program participant timecards are signed and dated on or after the last day worked each pay period by supervisor staff.

**Response:**

AltaMed's payroll system processing of timecards is certified according to the payroll schedule cut-off date.

**Corrective Action Plan:**

To be implemented immediately to ensure compliance, payroll time cards of participants are to be reviewed by participant and supervisor on or after the last day of



work as required by the contract. This review on the last day of work will be certified by supervisor and participant with initials. This additional certification will be incorporated into the company payroll schedule system and specific to the LACYJ Program participants.

Should you have questions or need documentation and additional information, please let us know. We can be reached at (323) 307-0111, email address at [oslopez@la.altamed.org](mailto:oslopez@la.altamed.org).

A handwritten signature in black ink, appearing to read "Oswaldo Lopez".

---

Oswaldo Lopez  
Director  
Workforce Development Department  
AltaMed Health Services