COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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WENDY L. WATANABE
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ASST. AUDITOR-CONTROLLERS

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March 17, 2009

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **WHITTIER RIO HONDO AIDS PROJECT CONTRACT – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTIVE CARE SERVICE PROVIDER -- FOLLOW-UP REVIEW**

At the request of the Department of Public Health, Office of AIDS Programs and Policy (OAPP), we completed a follow-up review of Whittier Rio Hondo AIDS Project's (WRHAP or Agency) progress in implementing the recommendations from our April 3, 2008 report. The purpose of our original review was to determine if WRHAP had appropriately spent funds in accordance with the County contract.

The report contained five recommendations and the Agency implemented all of them. The following are the recommendations and their implementation status.

Eligibility

Recommendation 1

WRHAP management establish and implement a client/patient fee determination system and ensure that it is reviewed and approved by OAPP.

Current Status: IMPLEMENTED

Verification

WRHAP implemented a client/patient fee determination system that OAPP approved on September 24, 2008.

Cash/Revenue

Recommendation 2

WRHAP management ensure payroll checks are distributed by persons not responsible for reconciling bank accounts.

Current Status: IMPLEMENTED

Verification

We reviewed the Agency's current payroll checks distribution procedures. The Executive Director, who does not reconcile the bank accounts, distributes the payroll checks.

Recommendation 3

WRHAP management ensure bank reconciliations are reviewed and approved by management.

Recommendation 4

WRHAP management ensure that reconciling items are resolved timely and credited to the appropriate program if necessary.

Current Status of Recommendations 3 and 4: IMPLEMENTED

Verification

We reviewed the bank reconciliations for May and June 2008. The bank reconciliations were reviewed and approved by the executive director. The Agency also resolved reconciling items timely. The reconciling items listed were not over 30 days old.

Internal Controls

Recommendation 5

WRHAP management ensure all invoices and receipts are marked "paid" upon payment to prevent duplicate payments.

Current Status: IMPLEMENTED

Verification

We reviewed 10 vendor receipts and invoices. The 10 invoices and receipts were marked "paid".

We notified WRHAP and OAPP of the results and thank WRHAP for their cooperation and assistance during our follow-up review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Public Health Department
Elizabeth Mendia, Executive Director, Whittier Rio Hondo AIDS Project
Public Information Office
Audit Committee

COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

April 3, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: **WHITTIER RIO HONDO AIDS PROJECT CONTRACT - A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTIVE CARE SERVICE PROVIDER**

We have conducted a fiscal review of Whittier Rio Hondo AIDS Project (WRHAP or Agency), a Department of Public Health (DPH) HIV/AIDS preventive care service provider.

Background

DPH's Office of AIDS Programs and Policy (OAPP) contracts with WRHAP to provide HIV/AIDS case management, school based, mental health and health education risk reduction outreach services. WRHAP is located in the First District.

At the time of our review, WRHAP had five cost reimbursement contracts with OAPP. WRHAP received $298,463 in OAPP funds from July 2006 to October 2007.

Purpose/Methodology

The purpose of our review was to ensure that WRHAP appropriately spent funds in accordance with the County contract. We also evaluated the adequacy of WRHAP's accounting records, internal controls and compliance with the contract and applicable federal and State fiscal guidelines governing the Ryan White, Comprehensive AIDS Resource Emergency Act. In addition, we determined whether the Agency provided services to eligible participants.

Results of Review

Overall, WRHAP maintained documentation to support services provided to eligible participants as required by the County contract. The Agency also appropriately recorded and deposited cash receipts timely in the Agency's bank account and maintained updated personnel files for their staff. However, WRHAP has not implemented a client/patient fee schedule as required. As a result, the Agency may have charged OAPP for expenditures that could have been paid for by the clients. The County contract requires fees to be determined based on the client/patients' ability to pay.

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

Review of Report

We discussed our report with WRHAP on February 5, 2008. In their attached response, WRHAP agreed with our findings and recommendations. The response also indicates that WRHAP has implemented a client/patient fee schedule which has been approved by OAPP. We also notified OAPP of the results of our review.

We thank WRHAP personnel for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, Public Health Department
Elizabeth Mendia, Executive Director, Whittier Rio Hondo AIDS Project
Public Information Office
Audit Committee

HIV/AIDS PREVENTIVE AND CARE SERVICES
WHITTIER RIO HONDO AIDS PROJECT
FISCAL YEAR 2006-07

ELIGIBILITY

Objective

Determine whether Whittier Rio Hondo AIDS Project (WRHAP or Agency) provided services to individuals that meet the eligibility requirements of the Office of AIDS Programs and Policy (OAPP).

Verification

We reviewed the case files for ten program participants that received services from January 2006 to June 2007 for documentation to confirm the participants' eligibility for OAPP services.

Results

The ten case files reviewed contained documentation to support the participants' eligibility to receive program services. However, WRHAP did not implement a client/patient fee determination system, as required by the County contract. The County contract requires client/patient fees to be determined based on the client/patients' ability to pay using a pre-determined fee schedule which must be approved by OAPP.

Recommendation

1. **WRHAP management establish and implement a client/patient fee determination system and ensure that it is reviewed and approved by OAPP.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's accounting 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 Agency personnel and reviewed their financial records. We also reviewed the Agency's bank reconciliations for May and June 2007 for two bank accounts.

Results

WRHAP appropriately recorded and deposited OAPP payments timely to the Agency's bank accounts. WRHAP also reconciled their bank accounts monthly. However, the Agency needs to improve its controls over cash. Specifically:

- The Finance Director reconciles the bank account, completes the payroll register, prepares payroll checks and distributes the checks.
- Bank reconciliations were not reviewed and approved by WRHAP's management.
- Reconciling items are not resolved timely. A reconciling item for $750 was over three years old.

Recommendations

WRHAP management:

2. **Ensure payroll checks are distributed by persons not responsible for reconciling bank accounts.**
3. **Ensure bank reconciliations are reviewed and approved by management.**
4. **Ensure that reconciling items are resolved timely and credited to the appropriate program if necessary.**

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 accounting records and supporting documentation for a sample of 22 non-personnel expenditure transactions charged to OAPP from April 2006 to May 2007, totaling $12,255.

Results

Overall, the billings reviewed were appropriate and allowable.

Recommendations

There are no recommendations in this section.

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed accounting policies and procedures manual and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

WRHAP needs to strengthen controls over their cash disbursement procedures. The Agency did not consistently indicate "paid" on vendor invoices or receipts. To prevent duplicate payments, all invoices and receipts should be appropriately cancelled.

Recommendation

5. **WRHAP management ensure all invoices and receipts are marked "paid" upon payment to prevent duplicate payments.**

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 testwork in this area as the Agency did not purchase fixed assets with OAPP funds.

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced the payroll expenditures for five of the Agency's fourteen program employees from April 2006 and January 2007, totaling $10,500, to the Agency's payroll records and time reports. We also reviewed five employees' personnel files.

Results

WRHAP salaries were properly supported and appropriately charged to the OAPP program. The Agency also maintained personnel files as required by the County contract.

Recommendation

There are no recommendations in this section.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed WRHAP's Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency April 2006 to January 2007 to ensure that expenditures were properly allocated to the benefiting programs.

Results

WRHAP's written Cost Allocation Plan complied with the County contract requirements. In addition, the Agency appropriately allocated shared costs.

Recommendation

There are no recommendations in this section.

February 13, 2008

County of Los Angeles
Department of Auditors-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, CA 90012-2766

Attn: J. Tyler McCauley, Auditor-Controller

Dear Mr. McCauley:

This letter is in response to your monitoring visit in December 2007 that was conducted for our HIV/AIDS Program funds allocated by the Department of Public Health, Office of AIDS Programs and Policy (OAPP). The Auditor Controller's Monitoring Division observed the followed that required our correction action:

ELIGIBILITY

Recommendation

1. WRHAP management establish and implement a client/patient fee determination system and ensure that it is reviewed and approved by OAPP.

Corrective Action Plan

WRHAP now has and implements a client/patient fee schedule that has been approved by OAPP. For your review, the client/patient fee schedule has been attached.

CASH/REVENUE

Recommendation

2. Ensure payroll checks and vendor payments are distributed by persons not responsible for reconciling bank accounts.

Corrective Action Plan

Due to the size of the management and office staff, we have made corrections to have as little overlap in duties as possible and will continue to adjust to maintain checks and balances.

Main Office

Christopher Wahl Youth Center

Pathways

www.wrhap.org

Recommendation

3. Ensure bank reconciliations are reviewed and approved by management.

Corrective Action Plan

We concur. Our policy ensures that all bank reconciliations are prepared by the appropriate managerial staff and reports are reviewed by the executive director or designated member of the Board of Directors.

Recommendation

4. Ensure that reconciling items are resolved timely and credit the appropriate programs if necessary.

Corrective Action Plan

We concur. It is part of our policy and procedures to ensure that reconciling items are resolved timely and credit the appropriate programs.

INTERNAL CONTROLS

Recommendation

5. WRHAP management ensure all invoices and receipts are appropriately cancelled upon payment.

Corrective Action Plan

We concur. It is part of our policy and procedures to ensure all invoices and receipts are immediately stamped upon payment.

If you have any questions, please contact me at (562) 698-3850, x.11.

Sincerely,

Elizabeth Mendia
Executive Director

Enclosures