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

FROM: J. Tyler McCauley  
Auditor-Controller  

SUBJECT: DHS’ NET COUNTY COST OF AIDS OUTPATIENT SERVICES  
FINANCIAL AND COMPLIANCE AUDIT REPORT  

Attached is the independent auditor’s report for the audit of the Department of Health Services’ (DHS) Net County Cost of AIDS outpatient services. The County and one of its AIDS service providers entered into a legal settlement agreement. One provision of the settlement agreement was that the County would use an independent audit to verify the Net County Cost of providing AIDS outpatient services at the County-operated facilities. Conrad and Associates, L.L.P., Certified Public Accountants, was hired to conduct this audit.

Conrad and Associates expressed an unqualified opinion on the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost for fiscal year ended June 30, 1998. Their Report on Compliance and Internal Control noted some reportable conditions (not considered to be material weaknesses) which are discussed in the attached report. DHS’ response indicates that they will take corrective actions.

If you have any questions, please contact me or Pat McMahon at (213) 974-0301.

JTM:PTM:KM  
Attachment  

To whom it may concern:  
Chief Administrative Office  
David E. Janssen, Chief Administrative Officer  
Public Information Officer  
Department of Health Services  
Mark Finucane, Director  
Fred Leaf, Chief of Staff  
John Schunhoff, Chief of Operations, Public Health Programs & Services  
Charles Henry, Director, Office of AIDS Programs and Policy  
Sachi Hamai, Chief, Inspection & Audit  
Gary Wells, Director of Finance  
Patrick Wu, County Counsel
COUNTY OF LOS ANGELES
Department of Health Services

Net County Cost of AIDS Outpatient Services
Financial and Compliance Audit Report

Fiscal Year Ended June 30, 1998

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Independent Auditors' Report

We have audited the accompanying Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost prepared by the County of Los Angeles Department of Health Services (DHS) for the fiscal year ended June 30, 1998, for the purpose of expressing an opinion as to whether the cost, revenue and resulting net County cost of providing AIDS outpatient services at DHS facilities is fairly presented for the fiscal year ended June 30, 1998. The Schedule is the responsibility of the County of Los Angeles. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost presentation. We believe that our audit provides a reasonable basis for our opinion.

The County of Los Angeles DHS prepared the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost on a budgetary basis of accounting, which is described in Note 2.

In our opinion, the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost for the fiscal year ended June 30, 1998, referred to above, is presented fairly, in all material respects, in conformity with the budgetary basis of accounting described in Note 2.

Our audit was conducted for the purpose of forming an opinion on the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost for the fiscal year ended June 30, 1998. The supplemental data listed in the table of contents is presented for purposes of additional analysis and is not a part of the audited Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost. Such information has been subjected to the auditing procedures applied in the audit of the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost and, in our opinion, is fairly stated in all material respects in relation to the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost taken as a whole. The scope of our audit did not include the cost per visit data listed in the table of contents and we do not express an opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2001 on our consideration of the County of Los Angeles’ DHS internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Conrad and Associates, L.L.P.

February 13, 2001
COUNTY OF LOS ANGELES  
Department of Health Services  

Schedule of AIDS Outpatient Services Costs,  
Revenues and Net County Cost  

Fiscal Year Ended June 30, 1998

<table>
<thead>
<tr>
<th>Facility</th>
<th>Totals as Submitted by County</th>
<th>Adjustments (Note 3)</th>
<th>Audited Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LAC+USC Medical Center</strong> (a)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIDS outpatient services costs</td>
<td>$ 15,360,037</td>
<td>12,432,901</td>
<td>27,792,938</td>
</tr>
<tr>
<td>Revenues</td>
<td>9,438,377</td>
<td>3,434,037</td>
<td>12,872,414</td>
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<tr>
<td>Net County cost</td>
<td>5,921,660</td>
<td>8,998,864</td>
<td>14,920,524</td>
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<tr>
<td><strong>Harbor/UCLA Medical Center</strong> (b)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIDS outpatient services costs</td>
<td>3,560,832</td>
<td>1,930,229</td>
<td>5,491,061</td>
</tr>
<tr>
<td>Revenues</td>
<td>2,517,715</td>
<td>364,724</td>
<td>2,882,439</td>
</tr>
<tr>
<td>Net County cost</td>
<td>1,043,117</td>
<td>1,565,505</td>
<td>2,608,622</td>
</tr>
<tr>
<td><strong>MLK/Drew Medical Center</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIDS outpatient services costs</td>
<td>1,633,130</td>
<td>3,788,208</td>
<td>5,421,338</td>
</tr>
<tr>
<td>Revenues</td>
<td>1,135,870</td>
<td>1,689,939</td>
<td>2,825,809</td>
</tr>
<tr>
<td>Net County cost</td>
<td>497,260</td>
<td>2,098,269</td>
<td>2,595,529</td>
</tr>
<tr>
<td><strong>Olive View Medical Center</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIDS outpatient services costs</td>
<td>763,792</td>
<td>406,994</td>
<td>1,170,786</td>
</tr>
<tr>
<td>Revenues</td>
<td>680,387</td>
<td>411,657</td>
<td>1,092,044</td>
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<tr>
<td>Net County cost</td>
<td>83,405</td>
<td>(4,663)</td>
<td>78,742</td>
</tr>
<tr>
<td><strong>High Desert Hospital</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIDS outpatient services costs</td>
<td>738,296</td>
<td>1,405,505</td>
<td>2,143,801</td>
</tr>
<tr>
<td>Revenues</td>
<td>332,039</td>
<td>139,457</td>
<td>471,496</td>
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<tr>
<td>Net County cost</td>
<td>406,257</td>
<td>1,266,048</td>
<td>1,672,305</td>
</tr>
<tr>
<td><strong>Totals - All Hospitals</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>AIDS outpatient services costs</td>
<td>22,056,087</td>
<td>19,963,837</td>
<td>42,019,924</td>
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<tr>
<td>Revenues</td>
<td>14,104,388</td>
<td>6,039,814</td>
<td>20,144,202</td>
</tr>
<tr>
<td>Net County cost</td>
<td>$ 7,951,699</td>
<td>13,924,023</td>
<td>21,875,722</td>
</tr>
</tbody>
</table>

(a) Includes Roybal Comprehensive Health Center's costs and revenues  
(b) Includes Long Beach Comprehensive Health Center's costs and revenues
COUNTY OF LOS ANGELES
Department of Health Services

Notes to Financial Statements

Fiscal Year Ended June 30, 1998

(1) Background

The Department of Health Services’ (DHS) administers HIV/AIDS services throughout the County of Los Angeles. The DHS provides AIDS outpatient services either indirectly through contracts with local service providers, which are administered by DHS’s Office of AIDS Programs and Policy, or through five DHS hospitals and two comprehensive health centers (CHC).

The five DHS hospitals are: 1) LAC+USC Medical Center; 2) Harbor/UCLA Medical Center; 3) MLK/Drew Medical Center; 4) Olive View/UCLA Medical Center; and 5) High Desert Medical Center. The two comprehensive health centers are the Roybal Comprehensive Health Center and the Long Beach Comprehensive Health Center. Roybal Comprehensive Health Center is included as part of LAC+USC Medical Center, and Long Beach Comprehensive Health Center is included as part of Harbor/UCLA Medical Center in the accompanying Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost.

In December 1998, the County and one of its AIDS service providers entered into a legal settlement agreement. One of the provisions of the agreement requires the County, through the use of an independent audit, to verify the net County cost (i.e. cost less revenue) of providing AIDS outpatient services at the County-operated facilities.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost was prepared by the County of Los Angeles DHS to reflect the AIDS Outpatient Services costs and revenues for the fiscal year ended June 30, 1998. The basis of accounting used by DHS to prepare this schedule was the budgetary basis of accounting. This budgetary basis of accounting did include some accruals of revenues and expenses but not all accruals associated with generally accepted accounting principles.

The following information summarizes some of the other differences from generally accepted accounting principles:

Depreciation and amortization expense – The depreciation and amortization costs associated with each of the hospitals was not allocated to the AIDS outpatient cost center.

Interest expense – Interest payments made on long-term debt were not allocated to each hospital’s AIDS outpatient cost center.

Certain salary related expenses (worker’s compensation and compensated absences) – Salary related expenses are recorded on a cash basis and not on an accrual basis.
COUNTY OF LOS ANGELES  
Department of Health Services  

Notes to Financial Statements (Continued)  

Fiscal Year Ended June 30, 1998  

(2) Summary of Significant Accounting Policies (Continued)  

Bad debt expense – Costs associated with writing off uncollectible receivables were not allocated to each hospital’s AIDS outpatient cost center.  

Equipment purchases – Purchases of equipment are reflected as expenses in the current period and are not capitalized and depreciated over a longer period.  

Revenues  

There are various revenues associated with AIDS Outpatient Services. These revenues have been included on the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost to arrive at the net County cost of providing such services. These revenue sources included the following:  

- Medi-Cal Fee for Service  
- Medicare  
- Self-pay  
- SB 855  
- SB 1255  
- SB 1732  
- Other Third Party Payers  

The SB 855, SB 1255 and SB 1732 revenues allocated to AIDS Outpatient Services during the fiscal year ended June 30, 1998 amounted to approximately $7,125,000. Each year the County receives these revenues from the State of California to help offset costs associated with inpatient care. In accordance with the Omnibus Budget Reconciliation Act (OBRA) of 1993, the County of Los Angeles DHS used both outpatient and inpatient costs in determining its revenue cap for the year ended June 30, 1998. Since the AIDS Outpatient Services costs were used in determining this limit, any revenue generated as a result of the limit determination was allocated to the AIDS Outpatient Services cost center.  

Allocated Costs  

Each of the hospitals and comprehensive health centers provide numerous services to the communities. AIDS Outpatient Services represents only a portion of those services provided each year. Below we have identified the percentage of AIDS Outpatient Services costs in relation to total hospital costs provided during the fiscal year ended June 30, 1998:  

<table>
<thead>
<tr>
<th>Hospital</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAC+USC Medical Center</td>
<td>2.71%</td>
</tr>
<tr>
<td>Harbor/UCLA Medical Center</td>
<td>1.24%</td>
</tr>
<tr>
<td>MLK/Drew Medical Center</td>
<td>1.25%</td>
</tr>
<tr>
<td>Olive View Medical Center</td>
<td>0.43%</td>
</tr>
<tr>
<td>High Desert Hospital</td>
<td>3.64%</td>
</tr>
</tbody>
</table>
Each hospital has developed methods to equitably allocate costs to the hospital’s various cost centers. The basis of allocation varies based on the type of costs being allocated.

(3) Audit Adjustments

There were certain adjustments made to the balances reported by the County of Los Angeles Department of Health Services to properly reflect the costs and revenues associated with AIDS Outpatient Services.

The original schedule prepared by DHS did not include pharmacy costs and revenues associated with AIDS Outpatient Services. Adjustments were made to each of the hospitals to include the related pharmacy costs and revenues. This information was provided by each of the hospitals and was subjected to various auditing procedures.

There were also other adjustments that were made to reflect the actual costs recorded for each individual hospital and to correct minor discrepancies noted during the review of the supporting schedules.

The following summarizes the adjustments by individual hospital:

**LAC+USC Medical Center**

| Costs: Pharmacy costs charged to the AIDS Outpatient Services cost center | $12,432,901 |
| Revenues: Pharmacy revenue applied to the AIDS Outpatient Services cost center | $3,434,037 |

**Harbor/UCLA Medical Center**

| Costs: Pharmacy costs charged to the AIDS Outpatient Services cost center | $2,455,000 |
| Understatement of Blood Bank costs | 4,303 |
| Understatement of Respiratory costs | 566 |
| Understatement of Pharmaceutical costs | 358,588 |
| Overstatement of Pharmacy costs | (73,836) |
| Other adjustments | (2,561) |
| Subsequent adjustment by DHS due to a prior misallocation of certain costs | (811,831) |
| Total cost adjustments | $1,930,229 |
COUNTY OF LOS ANGELES
Department of Health Services

Notes to Financial Statements (Continued)

Fiscal Year Ended June 30, 1998

(3) Audit Adjustments (Continued)

Revenues:
Pharmacy revenue applied to the AIDS Outpatient Services cost center $887,000
Subsequent adjustment by DHS due to a prior misallocation of certain revenues (522,442)
Other adjustments 166
Total revenue adjustments $364,724

MLK/Drew Medical Center

Costs:
Pharmacy costs charged to the AIDS Outpatient Services cost center $3,788,208

Revenues:
Pharmacy revenue applied to the AIDS Outpatient Services cost center $1,689,939

Olive View/UCLA Medical Center

Costs:
Pharmacy costs charged to the AIDS Outpatient Services cost center $407,018
Other Adjustments (24)
Total cost adjustments $406,994

Revenues:
Pharmacy revenue applied to the AIDS Outpatient Services cost center $407,018
Other Adjustments 4,639
Total revenue adjustments $411,657

High Desert Hospital

Costs:
Pharmacy costs charged to the AIDS Outpatient Services cost center $1,428,000
Overstatement of Maintenance and Repairs expense (22,495)
Total cost adjustments $1,405,505
(3) Audit Adjustments (Continued)

Revenues:
- Pharmacy revenue applied to the AIDS Outpatient Services cost center: $113,272
- Minor error in the preparation of the summarized general ledger: (27,961)
- Subsequent adjustment to include patient care revenues (Medi-Cal, Medicare and Pharmacy) that were not Previously allocated: 54,146

Total: $139,457
SUPPLEMENTAL DATA
## Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost - LAC+USC Medical Center

Fiscal Year Ended June 30, 1998

### AIDS OP-RT

**Direct expenses:**
- CL OP ACQ IMMUN - NSG: $2,438,250
- CL OP AMED / Material: 364,452

**Total direct expenses:** $2,802,702

**Indirect expenses:**
- Med Staff Admin-Phys: 1,074,375
- Emp Health and Welf: 454,090
- Admin and Gen: 1,105,794
- Maint and Repair: 529,901
- Operation of Plant: 68,323
- Laundry and Lien: 5,973
- Housekeeping: 85,711
- Cafeteria: 28,244
- Nursing Admin: 196,468
- Inservice Edu-Nrsng: 18,305
- Central S&S: 9,097
- Pharmacy: 4,073,818
- Medical Records: 195,806
- Medical Library: 12,085
- Social Services: 657,597
- PFSW Provider: 109,043
- Supp STF: 577,399
- Less Amount relating to NICU R&B: (67,286)

**Total indirect expenses:** $9,134,743

**Total AIDS OP-RT expenses:** $11,937,445
COUNTY OF LOS ANGELES  
Department of Health Services  

Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost - LAC+USC Medical Center  

(Continued)  

AIDS OP- ANC  
Indirect expenses:  
<table>
<thead>
<tr>
<th>Service</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical Supplies Charged to PT</td>
<td>101,264</td>
</tr>
<tr>
<td>Drugs Charged to PT</td>
<td>12,432,900</td>
</tr>
<tr>
<td>Rad-Diagnostic</td>
<td>347,086</td>
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<tr>
<td>Rad-Diagnostic - Ultrasound</td>
<td>5,608</td>
</tr>
<tr>
<td>CT Scanner</td>
<td>22,293</td>
</tr>
<tr>
<td>Nuclear Medicine</td>
<td>71,824</td>
</tr>
<tr>
<td>Mag Res Imaging</td>
<td>28,811</td>
</tr>
<tr>
<td>Laboratory</td>
<td>2,360,133</td>
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<tr>
<td>Pulmonary Function</td>
<td>66,359</td>
</tr>
<tr>
<td>Blood Bank</td>
<td>58,712</td>
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<tr>
<td>Resp Therapy</td>
<td>16,786</td>
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<tr>
<td>Physical Therapy</td>
<td>2,676</td>
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<tr>
<td>OCC Therapy</td>
<td>2,490</td>
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<tr>
<td>Speech Pathology</td>
<td>1,797</td>
</tr>
<tr>
<td>Audiology</td>
<td>2,154</td>
</tr>
<tr>
<td>ECG</td>
<td>303,337</td>
</tr>
<tr>
<td>Echocardiology</td>
<td>9,843</td>
</tr>
<tr>
<td>EEG</td>
<td>2,009</td>
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<tr>
<td>Renal Dialysis</td>
<td></td>
</tr>
<tr>
<td><strong>Total AIDS OP-ANC expense</strong></td>
<td><strong>15,855,493</strong></td>
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<tr>
<td><strong>Total AIDS outpatient costs</strong></td>
<td><strong>27,792,938</strong></td>
</tr>
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</table>

Revenues:  
<table>
<thead>
<tr>
<th>Revenue Type</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Medical/CHP revenues</td>
<td>1,101,384</td>
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<tr>
<td>SB 855 revenues</td>
<td>6,195,714</td>
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<tr>
<td>Other revenues:</td>
<td></td>
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<tr>
<td>Patient Care related</td>
<td>717,714</td>
</tr>
<tr>
<td>Non Patientcare related</td>
<td>4,703,925</td>
</tr>
<tr>
<td>Other revenues - Roybal CHC</td>
<td>153,677</td>
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<tr>
<td><strong>Total revenues</strong></td>
<td><strong>12,872,414</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net County Cost</strong></td>
<td><strong>$14,920,524</strong></td>
</tr>
</tbody>
</table>
COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - Harbor/UCLA Medical Center

Fiscal Year Ended June 30, 1998

AIDS OP-RT
Direct expenses:
- Nursing, clerical $ 595,915
- Physicians 152,708
- Services & supplies 216,514

Total direct expenses 965,137

Indirect expenses:
- Depreciation - building & fixtures 14,122
- Depreciation - movable equipment 100
- Employee health & welfare 191,463
- Administration & general 198,753
- Overhead (HAS, TTC, A-C, CAO, etc.) 15,734
- Maintenance & repair 21,024
- Operation of plant 3,452
- Laundry & linen 1,345
- Housekeeping 13,054
- Cafeteria/dietary 49,932
- Nursing administration 68,114
- Inservice education - nursing 1,558
- Central S & S 18,539
- Medical Records 98,869
- Medical school contracts 25,999
- Medical library 3,539
- Social services 3,528

Total indirect expenses 729,125

Total AIDS OP-RT expenses 1,694,262
COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost - Harbor/UCLA Medical Center

(Continued)

AIDS OP- ANC
Indirect expenses:
- Medical supplies charged to patient: 24,013
- Pharmaceuticals: 2,739,776
- Radiology-diagnostic: 31,421
- Nuclear medicine: 508
- Laboratory: 785,568
- Pulmonary function: 2,272
- Blood bank: 7,286
- Respiratory therapy: 672
- Electrocardiogram (ECG): 1,823

Total AIDS OP-ANC expense: 3,593,339

Specialty Clinic:
- Otolaryngology: 15,798
- Ophthalmology: 27,831
- Dermatology: 73,686
- Oncology: 25,274
- IV Infusion: 60,871

Total specialty clinic expenses: 203,460

Total AIDS outpatient costs: 5,491,061

Revenues:
- Patientcare revenues: 413,021
- SB 855 revenues: 25,273
- Other revenues
  - ADAP revenues: 887,000
  - Additional ADAP revenues: 334,704
  - AIDS OP services: 891,144
  - Psychiatric: 214,686
  - Lab: 116,611

Total revenues: 2,882,439

Net County Cost: $2,608,622
COUNTY OF LOS ANGELES  
Department of Health Services  

Schedule of AIDS Outpatient Services Costs, Revenues  
and Net County Cost - MLK/Drew Medical Center  

Fiscal Year Ended June 30, 1998  

AIDS OP- RT  
Direct expenses:  
- CL OP ACQ IMMUN - NSG $ 11  
- Med CI/OASIS 295,385  
- HHS-ADMIN 182,003  

Total direct expenses 477,399  

Indirect expenses:  
- Med Staff Phys. Peds 6,883  
- Phy/Plum Funct 15,115  
- Med Staff Admin-Phys 38,663  
- MD School Contact 10,674  
- Dep/Amort of building and Imp. 22,826  
- Admin and Gen 243,330  
- Main and Rep 37,152  
- Operation of Plant 5,035  
- Housekeeping 6,384  
- Dietary 13,796  
- Nursing Admin 35,239  
- Central S&S 2,578  
- Pharmacy 27,333  
- Interns 3,583  
- Residents 65,403  
- PFS - Providers 30,984  
- Supp STF - Ped 193  
- Supp STF - Plum Function 13,702  
- Supp STF 31,620  

Total indirect expenses 610,493  

Total OP - RT expense 1,087,892
COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - MLK/Drew Medical Center

(Continued)

AIDS OP-ANC
Indirect expenses:
- Medical Supplies Charged to PT 23,215
- Drugs Charged to PT 131,577
- Rad-Diagnostic 72,492
- Rad-Diagnostic - Ultrasound 2,369
- CT-Scanner 2,903
- Laboratory 216,970
- Pulmonary Function 179
- Blood Bank 1,339
- Physical Therapy 2,076
- ECG 7,133

| Total AIDS OP-ANC expense | 460,253 |

Other expenses:
- Employee Benefits 58,491
- Medical Records 25,410
- Medical Library 1,301
- Drugs Directly Billed 3,787,991

| Total other expenses | 3,873,193 |

| Total AIDS outpatient cost | 5,421,338 |

Revenues:
- Patient Care revenues 494,565
- SB 855 revenues 439,567

Other revenues:
- Care ACT 726,391
- Drugs 963,561
- VNA Home Health 201,725

| Total revenues | 2,825,809 |

<p>| Net County Cost | $2,595,529 |</p>
<table>
<thead>
<tr>
<th>Service Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS OP-RT: Direct expenses</td>
<td></td>
</tr>
<tr>
<td>CL OP ACQ IMMUN - NSG</td>
<td>$38,561</td>
</tr>
<tr>
<td>Total direct expenses</td>
<td>38,561</td>
</tr>
<tr>
<td>AIDS OP-RT: Indirect expenses</td>
<td></td>
</tr>
<tr>
<td>Med Staff Admin-Int. Med.</td>
<td>40,105</td>
</tr>
<tr>
<td>Dep/Amort of building and Imp.</td>
<td>22,500</td>
</tr>
<tr>
<td>Emp Health and Welf</td>
<td>22,067</td>
</tr>
<tr>
<td>Admin and Gen</td>
<td>31,939</td>
</tr>
<tr>
<td>Admin and Gen-PFSW</td>
<td>5</td>
</tr>
<tr>
<td>Central S&amp;S</td>
<td>2,359</td>
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<tr>
<td>Pharmacy</td>
<td>4,778</td>
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<tr>
<td>Medical Records</td>
<td>6,579</td>
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<td>Medical Library</td>
<td>432</td>
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<tr>
<td>Social Services</td>
<td>27</td>
</tr>
<tr>
<td>Supp STF</td>
<td>13,829</td>
</tr>
<tr>
<td>Total indirect expenses</td>
<td>144,620</td>
</tr>
<tr>
<td>Total AIDS OP-RT expense</td>
<td>183,181</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIDS OP-ANC: Indirect expenses</td>
<td></td>
</tr>
<tr>
<td>Medical Supplies Charged to PT</td>
<td>13,038</td>
</tr>
<tr>
<td>Drugs Charged to PT</td>
<td>24,982</td>
</tr>
<tr>
<td>Rad-Diagnostic</td>
<td>49,290</td>
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<tr>
<td>Rad-Diagnostic - Ultrasound</td>
<td>1,341</td>
</tr>
<tr>
<td>Nuclear Medicine</td>
<td>3,144</td>
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<tr>
<td>Laboratory</td>
<td>88,218</td>
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<tr>
<td>Pulmonary Function</td>
<td>42</td>
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<tr>
<td>Blood Bank</td>
<td>3,360</td>
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<tr>
<td>Resp Therapy</td>
<td>1,044</td>
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<td>Physical Therapy</td>
<td>203</td>
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<tr>
<td>OCC Therapy</td>
<td>133</td>
</tr>
<tr>
<td>ECG</td>
<td>640</td>
</tr>
<tr>
<td>EEG</td>
<td>737</td>
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<tr>
<td>Total AIDS OP-ANC expense</td>
<td>186,172</td>
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COUNTY OF LOS ANGELES
Department of Health Services

Schedule of AIDS Outpatient Services Costs, Revenues
and Net County Cost - Olive View Medical Center

(Continued)

Cost allocated to AIDS:

<table>
<thead>
<tr>
<th>Cost Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maint and repair</td>
<td>18,661</td>
</tr>
<tr>
<td>Operation of plant</td>
<td>5,453</td>
</tr>
<tr>
<td>Laundry and linen</td>
<td>130</td>
</tr>
<tr>
<td>Housekeeper</td>
<td>11,298</td>
</tr>
<tr>
<td>Dietary</td>
<td>249</td>
</tr>
<tr>
<td>Cafeteria</td>
<td>39</td>
</tr>
<tr>
<td>Nursing admin</td>
<td>12,418</td>
</tr>
<tr>
<td>Inservice education</td>
<td>5,500</td>
</tr>
<tr>
<td>Interns</td>
<td>10,452</td>
</tr>
<tr>
<td>Residents</td>
<td>62,679</td>
</tr>
<tr>
<td>PFSW providers</td>
<td>11,267</td>
</tr>
<tr>
<td>VNA cost</td>
<td>146,208</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>407,018</td>
</tr>
<tr>
<td>Salaries</td>
<td>110,061</td>
</tr>
</tbody>
</table>

Total costs allocated to AIDS 801,433

Total AIDS outpatient cost 1,170,786

Revenues

<table>
<thead>
<tr>
<th>Revenues Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medi-Cal/CHP Revenues</td>
<td>133,941</td>
</tr>
<tr>
<td>SB 855 Revenues</td>
<td>40,522</td>
</tr>
<tr>
<td>Other Revenues:</td>
<td></td>
</tr>
<tr>
<td>CARE ACT</td>
<td>285,116</td>
</tr>
<tr>
<td>VNA Billing</td>
<td>146,208</td>
</tr>
<tr>
<td>Drugs Billed to AIDS</td>
<td>160,142</td>
</tr>
<tr>
<td>ADAP Pharmacy</td>
<td>246,876</td>
</tr>
<tr>
<td>Other</td>
<td>79,239</td>
</tr>
</tbody>
</table>

Total revenues 1,092,044

Net County Cost $78,742
COUNTY OF LOS ANGELES  
Department of Health Services  

Schedule of AIDS Outpatient Services Costs, Revenues  
and Net County Cost - High Desert Hospital  

Fiscal Year Ended June 30, 1998

AIDS OP- RT  
Direct expenses:  
CL OP ACQ IMMUN - NSG  $ 198,800  

Total direct expenses  198,800  

Indirect expenses:  
Med Sstf Phys Int Med  32,013  
Emp Health and Welf  63,159  
Admin and Gen  45,858  
Admin and Gen - PFSW  92,167  
Maint and Repair  87,987  
Operation of Plant  27,398  
Housekeeping  9,457  
Nursing Admin  53,593  
Inservice Edu-Nrsng  659  
Medical Records  16,890  
Medical Library  2,867  
Social Services  20,367  
PFSW  55  
PFSW Provider  683  

Total indirect expenses  453,153  

Total AIDS OP-RT expenses  651,953  

AIDS OP- ANC  
Indirect expenses:  
Medical Supplies Charged to PT  100  
Drugs Charged to PT  1,428,180  
Rad-Diagnostic  12,920  
CT Scanner  196  
Laboratory  48,383  
Resp Therapy  1,835  
ECG  234  

Total AIDS OP-ANC expenses  1,491,848  

Total AIDS outpatient cost  2,143,801  

Revenues:  
Patient care revenues  54,147  
SB855 Revenues  1,575  
Other revenues:  
Drugs  113,272  
CARE Act  251,542  
AIDS prog-Skills Building  34,657  
AIDS prog-Mental Health  16,303  

Total revenues  471,496  

Net County Cost  $ 1,672,305
<table>
<thead>
<tr>
<th></th>
<th>AIDS Outpatient Cost</th>
<th>Net County Cost</th>
<th>Visits</th>
<th>Total Cost Per Visit</th>
<th>Net County Cost Per Visit</th>
</tr>
</thead>
<tbody>
<tr>
<td>LAC+USC Medical Center</td>
<td>$27,792,938</td>
<td>14,920,524</td>
<td>47,958</td>
<td>579.53</td>
<td>311.12</td>
</tr>
<tr>
<td>Harbor/UCLA Medical Center</td>
<td>5,491,061</td>
<td>2,608,622</td>
<td>11,410</td>
<td>481.25</td>
<td>228.63</td>
</tr>
<tr>
<td>MLK/Drew Medical Center</td>
<td>5,421,338</td>
<td>2,595,529</td>
<td>8,330</td>
<td>650.82</td>
<td>311.59</td>
</tr>
<tr>
<td>Olive View Medical Center</td>
<td>1,170,786</td>
<td>78,742</td>
<td>1,781</td>
<td>657.38</td>
<td>44.21</td>
</tr>
<tr>
<td>High Desert Hospital</td>
<td>2,143,801</td>
<td>1,672,305</td>
<td>1,083</td>
<td>1,979.50</td>
<td>1,544.14</td>
</tr>
<tr>
<td>Totals</td>
<td>$42,019,924</td>
<td>21,875,722</td>
<td>70,562</td>
<td>595.50</td>
<td>310.02</td>
</tr>
</tbody>
</table>
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost prepared by the County of Los Angeles Department of Health Services (DHS) for the fiscal year ended June 30, 1998, for the purpose of expressing an opinion as to whether the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost is presented fairly, in all material respects for the fiscal year ended June 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the County of Los Angeles’ Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Los Angeles’ internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of Los Angeles’ ability to record, process, summarize and report financial data consistent with the assertions of management in the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost. The reportable conditions are described in the accompanying schedule of findings and recommendations as items 1 and 2.
A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above are material weaknesses. We also noted an other matter involving the internal control over financial reporting that is described in the accompanying schedule of findings and recommendations as item 3.

This report is intended solely for the information of the County of Los Angeles and certain AIDS service providers and is not intended to be and should not be used by anyone other than these specified parties.

February 13, 2001
Pharmaceutical Activity Associated with AIDS Outpatient Services Should be Included when Preparing Schedule of Net County Costs

When the County of Los Angeles Department of Health Services (DHS) prepared the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost, pharmacy costs and pharmacy revenues were not included. This decision was made by DHS because pharmaceutical activity was not considered an area that could be serviced by the organization that requested the preparation of this schedule. The DHS did not believe that the purpose of preparing the schedule would warrant the inclusion of pharmaceutical activity.

During our review of the general ledgers of each of the individual hospitals, we noted that each hospital had allocated a portion of pharmacy costs and revenues to the AIDS Outpatient Services cost center. The DHS had eliminated these items when the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Cost was prepared, based on the reason identified above. Since the purpose of the Schedule is to properly report all activity associated with AIDS Outpatient Services, the pharmaceutical activity associated with AIDS Outpatient Services should be included in the preparation of the Schedule.

Recommendation

We recommend that the DHS include all pharmaceutical activity related to AIDS Outpatient Services when preparing future Schedules of AIDS Outpatient Services Costs, Revenues and Net County Costs.

Department’s Response Regarding Corrective Action Planned

In future years, DHS will produce two schedules of AIDS Outpatient Services Costs, Revenues, and Net County Costs. One schedule will include pharmacy costs and revenues associated with AIDS outpatient services and the other schedule will exclude these costs and revenues.

Each Hospital’s Schedule G Should be Reviewed Prior to Preparing the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Costs

At the end of each fiscal year, each hospital will prepare a schedule summarizing that fiscal year’s activity. This schedule is known as the Variable and Fixed Costs Schedule (Schedule G). These schedules will identify the costs incurred by each hospital by cost center. One of the costs centers included on the Schedule G is AIDS Outpatient Services.
Each Hospital’s Schedule G Should be Reviewed Prior to Preparing the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Costs (Continued)

We noted for one of the hospitals, Harbor/UCLA Medical Center, that the Schedule G used in the preparation of the Schedule of Net County Costs had not been properly completed. The DHS had to reallocate certain costs to properly reflect the costs and revenues associated with AIDS Outpatient Services.

Recommendation

We recommend that all Schedule G’s prepared by the hospitals be reviewed prior to preparing the Schedule of Net County Costs.

Department’s Response Regarding Corrective Action Planned

DHS Health Services Administration, Finance will review each hospital’s Schedule G prior to preparing the Schedule of AIDS Outpatient Services Costs, Revenues and Net County Costs.

Harbor/UCLA Medical Center Should Consider Establishing an AIDS Outpatient Services Cost Center

Each hospital has implemented an allocation plan where costs are charged to various cost centers based on various allocation methodologies. We noted that each hospital allocated doctors’ salaries to the AIDS Outpatient Services cost centers based on time studies, except for Harbor/UCLA Medical Center. Harbor/UCLA Medical Center allocated doctors’ salaries to the AIDS Outpatient Services cost center based on information provided by department heads.

All of the hospitals except Harbor/UCLA Medical Center had a separate cost center for AIDS Outpatient Services. By not having a separate AIDS Outpatient Services cost center, Harbor/UCLA Medical Center had to use other reasonable methods to determine the amount of costs and revenues that pertain to AIDS Outpatient Services. One of the methods was to use the knowledge of the department heads.
COUNTY OF LOS ANGELES
Department of Health Services
Net County Cost of AIDS Outpatient Services

Findings and Recommendations

(Continued)

(3) Harbor/UCLA Medical Center Should Consider Establishing an AIDS Outpatient Services Cost Center, (Continued)

The determination of AIDS Outpatient Services costs and revenues at Harbor/UCLA Medical Center is based on reasonable allocation methodologies. However, to provide a more systematic and comprehensive approach of allocating costs and revenues to AIDS Outpatient Services, we suggest that Harbor/UCLA Medical Center consider establishing a separate AIDS Outpatient Services cost center.

Recommendation

We recommend that Harbor/UCLA Medical Center consider establishing an AIDS Outpatient Services cost center to more equitably account for costs and revenues associated with AIDS Outpatient Services.

Department’s Response Regarding Corrective Action Planned

Harbor/UCLA Medical Center will establish an AIDS Outpatient Services cost center, starting FY 2001-02, to more equitably account for the AIDS outpatient services costs and revenues.