COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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May 12, 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: **BIENESTAR HUMAN SERVICES, INC., CONTRACT REVIEW – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE AND PREVENTION SERVICES PROVIDER – FISCAL REVIEW**

We completed a fiscal review of the Bienestar Human Services, Inc. (Bienestar or Agency), a Department of Public Health (DPH) HIV/AIDS care and prevention services provider. The purpose of our review was to determine whether Bienestar provided services to eligible participants and spent funds in accordance with their County contract. We also evaluated the adequacy of Bienestar's accounting records, internal controls, and compliance with the contract and applicable guidelines. Contract services include providing HIV/AIDS treatment education, psychosocial case management, psychosocial/peer support, mental health psychotherapy, health education risk reduction outreach and nutrition support services.

At the time of our review, Bienestar had six cost-reimbursement contracts with DPH's Office of AIDS Programs and Policy (OAPP). OAPP paid Bienestar $1,556,822 from March 2008 to July 2009. Bienestar provides services in the First, Second and Third Districts.

Results of Review

Bienestar appropriately recorded and deposited cash receipts timely in the Agency's bank account, and reconciled its bank accounts on a monthly basis. In addition, the

Agency maintained the required personnel records. However, the Agency did not always comply with other County contract requirements. Specifically, Bienestar:

- Did not ensure that case files contained required documentation. Ten (40%) of the 25 case files sampled did not contain documentation to support the clients'/patients' eligibility for Program services.

  Bienestar's attached response indicates that their Program director will audit the files at least twice a year, and provide technical assistance to address findings and ensure that Program staff are determining eligibility properly at registration and intake.

- Did not implement a client/patient fee determination system, as required by the County contract. As result, nine (36%) of the 25 case files reviewed lacked documentation showing whether the clients were screened for any third-party coverage before billing the services to OAPP. The contract also requires that clients be charged a fee based on their ability to pay using a pre-determined fee schedule that has been approved by OAPP.

  Bienestar's attached response indicates that they have developed a fee determination system and have submitted it to OAPP for approval. In addition, the Program director will ensure that the fee determination system is implemented and that clients are screened for third- party coverage.

- Charged OAPP approximately $37,000 for rent payments made to a related party, Latino Social Justice Foundation (Foundation), a non-profit organization. Two members Bienestar's Board of Directors are also on the Foundation's Board of Directors.

  The County contract requires agencies to comply with the Office of Management and Budget (OMB) Circular A-122. The OMB Circular A-122 defines a less-than-arms-length lease as one under which one party to the lease agreement is able to control or substantially influence the actions of the other, and allows agencies to charge only up to the amount that would be allowed if title to the property was vested in the organization. Bienestar indicated that the lease amount was based on fair market value. However, Bienestar did not provide documentation to support the fair market value or actual costs incurred by the Foundation.

  Bienestar's attached response indicates that they will seek technical assistance and guidance from OAPP to resolve the finding.

- Charged OAPP $1,197 for unallowable expenditures.

Bienestar's attached response indicates that they will repay the disallowed costs, and that their accounting department will work with employees to ensure that they are aware of allowable and unallowable charges to OAPP and all other programs.

- Billed OAPP for salaries based on budgeted estimates, not actual time spent by employees on OAPP activities as required.

  Bienestar's attached response indicates that they have updated their timesheets to show the number of hours worked for staff working on multiple programs, and will bill OAPP based on actual time worked, instead of budgeted hours.

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

Review of Report

We discussed our report with Bienestar and OAPP. The Agency's attached response indicates that they will repay OAPP the $1,197 in questioned costs and describes the actions they have taken or plan to take to address the other recommendations in our report.

We thank Bienestar's management 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:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., Director, Department of Public Health
Rita Gonzales, Chairperson, Board of Directors, Bienestar Human Services, Inc.
Oscar De La O, Chief Executive Officer, Bienestar Human Services, Inc.
Public Information Office
Audit Committee

ELIGIBILITY

Objective

Determine whether Bienestar Human Services, Inc. (Bienestar or Agency) documented services to individuals who met the eligibility requirements of the Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) Program.

Verification

We reviewed the case files for 25 Program clients/patients who received services during March 2008 to May 2009 for documentation to confirm their eligibility for OAPP services.

Results

The case files for 10 (40%) of the 25 clients/patients did not contain documentation indicating the participants were eligible for Program services. Specifically, seven case files did not contain residency verification, two case files did not contain income verification, and one case file did not contain residency or income verification as required by the contract.

In addition, nine case files did not contain documentation showing that Bienestar screened the clients for third-party coverage before billing OAPP. Clients are eligible for Program services from OAPP after a financial screening has verified that they do not have other third-party coverage. Also, Bienestar did not implement a client/patient fee determination system, as required by the County contract. The contract requires that a fee be charged based on the client's ability to pay using a pre-determined fee schedule, which must be approved by OAPP.

Recommendations

Bienestar management:

1. **Ensure clients/patients are properly screened for third party-coverage and client files contain sufficient documentation indicating they are eligible for OAPP Program services.**

2. **Establish and implement a client/patient fee determination system for review and approval by OAPP.**

CASH/REVENUE

Objective

Determine whether cash receipts are recorded in the Agency's financial records and deposited timely into the Agency's bank account. In addition, determine whether there are adequate controls over cash.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's August 2009 bank reconciliations for its two bank accounts.

Results

Bienestar appropriately recorded and deposited OAPP payments timely into the Agency's bank account. In addition, the Agency reconciled the two bank accounts monthly. However, one bank reconciliation included reconciling items, totaling $1,297, that were over a year old.

Recommendation

3. **Bienestar management ensure bank reconciling items are resolved timely.**

COST ALLOCATION PLAN

Objective

Determine whether the Agency prepared the Cost Allocation Plan in accordance with the County contract and used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Agency's Cost Allocation Plan and reviewed a sample of shared expenditures incurred by Bienestar for May 2009 to ensure that the expenditures were properly allocated to the OAPP program.

Results

Bienestar's Cost Allocation Plan was not prepared in compliance with the contract. The Agency allocated its shared program expenditures (rent, telephone, utilities, building maintenance/repairs, office supplies and insurance) based on budgeted positions, instead of actual positions.

Recommendation

4. **Bienestar management revise the Cost Allocation Plan and discontinue using budgeted positions to allocate shared costs.**

EXPENDITURES

Objective

Determine whether program expenditures were allowable under the County contract, properly documented, and accurately billed to the OAPP program.

Verification

We interviewed Agency personnel, reviewed financial records and documentation for 52 non-payroll expenditure transactions, totaling $85,479.

Results

Bienestar did not provide appropriate documentation to support $3,917 in program expenditures. Specifically, Bienestar billed OAPP:

- $1,333 for t-shirts and food. However, the Agency did not provide supporting documentation that showed the expenditures were incurred for the OAPP Program.
- $1,197 for office supplies that were received and paid for in a subsequent contract budget period. As a result, the charges are unallowable.
- $1,000 for an agency sponsored event that was not included in Bienestar's approved contract budget.
- $387 for program promotion costs that were not supported by vendor receipts or invoices.

Subsequent to our review, Bienestar provided additional documentation to reduce the questioned costs to $1,197.

In addition, the Agency charged OAPP approximately $37,000 in rent payments made to a related party. Specifically, Bienestar's East Los Angeles location is leased for $8,830 a month from the Latino Social Justice Foundation (Foundation), a non-profit organization. However, two members of Bienestar's Board of Directors are also on the Foundation's Board of Directors.

The County contract requires agencies to comply with the Office of Management and Budget (OMB) Circular A-122. The OMB Circular A-122 defines a less-than-arms-length lease as one under which one party to the lease agreement is able to control or substantially influence the actions of the other. OMB Circular A-122 also allows agencies to charge only up to the amount that would be allowed if the agency owed the building.

Bienestar indicated that the lease amount was based on fair market value. However, Bienestar did not provide documentation to support the fair market value or the actual costs incurred by the Foundation.

Recommendations

Bienestar management:

5. **Repay DPH $1,197 or provide adequate documentation to support the expenditures.**

6. **Maintain documentation to support all program expenditures.**

7. **Ensure only allowable expenditures are charged to the OAPP program.**

8. **Provide documentation to support that the lease amount for the East Los Angeles location is in compliance with the provisions of OMB Circular A-122 and repay any amount overbilled for the lease.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with program funds are used for the OAPP program and are safeguarded.

We did not perform test work in this section, because the Agency did not purchase fixed assets with OAPP funds.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced payroll expenditures, totaling $26,025, for ten of the 55 employees for May 2009. We also reviewed the ten employees' personnel files.

Results

Bienestar's payroll billings were not in compliance with the County contract requirements. Specifically, Bienestar charged OAPP for payroll and benefit expenditures based on its budget, not based on actual time spent by employees performing OAPP-related activities.

In addition, the attendance records for two employees were not signed by the supervisor.

These findings were also noted in our Fiscal Year 2005-06 monitoring review.

Recommendations

Bienestar management:

9. **Bill payroll expenditures based on actual hours worked on OAPP related activities.**

10. **Ensure attendance records are approved in writing by a supervisor to certify the accuracy of the reported time.**

COST REPORTS

Objective

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

Verification

We traced the Agency's general ledger to six (21%) of 28 Cost Reports the Agency submitted to OAPP for the periods ended February 2009, March 2009 and June 2009.

Results

Bienestar's Cost Reports reconciled to their accounting records.

Recommendation

None.

BIENESTAR HUMAN SERVICES, INC.

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Fax: (323) 727-0284

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San Fernando Valley Center
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Long Beach Center
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El Monte, CA 91733
(626) 444-9453

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Coachella, CA 92236
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San Diego Center
3020 North Park Way
San Diego, CA 92104-3619
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April 1, 2011

Ms. Wendy Watanabe
Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
Los Angeles, CA 90071-1102

Dear Ms. Watanabe,

Attach please find our agency's response to the audit conducted by your office.

Our organization is committed to strengthen our administrative and infrastructure development, so that we enhance the quality of our services provided to the community impacted by HIV/AIDS.

We will continue to review your findings and recommendations with good-faith effort.

On behalf of our organization, we want to acknowledge the guidance and support provided by your staff, Maria McGloin.

Please call me or Robert Contreras if you have any questions in regards to our response.

Respectfully

Oscar De La O
President & CEO

BIENESTAR HUMAN SERVICES INC.
HIV/AIDS CARE AND PREVENTION SERVICES
CONTRACT FISCAL REVIEW
FISCAL YEAR 2008-2009

ELIGIBILITY

Objective

Determine whether Bienestar provided services to individuals that meet the OAPP eligibility requirements.

Verification

We reviewed the case files for 25 program participants that received services during March 2008 to May 2009 for documentation to confirm their eligibility for OAPP services.

Results

The case files for 10 (48%) of the 25 participants did not contain documentation to support their eligibility for program services. Specifically, seven case files did not contain residency verification, two case files did not contain income verification and one case file did not contain residency and income verification as required by the contract.

In addition, nine case files lacked documentation showing the screening of clients for other third-party payers prior to billing the services to OAPP. Clients are eligible for program services after a financial screening has been completed validating that OAPP funds are the payer of last resort for the client services. Also, Bienestar did not implement a client/patient fee determination system, as required by the County contract. The contract requires that a fee be charged based on the client's ability to pay using a pre-determined fee schedule which must be approved by OAPP.

Recommendations

Bienestar management:

1. **Ensure clients/patients are properly screened for other third party payers and client files contain documentation indicating their eligibility for program services.**

2. **Establish and implement a client/patient fee determination system and ensure that it is reviewed and approved by OAPP.**

AGENCY RESPONSE:

The L.A County- Office of AIDS Program and Policy (OAPP) mandates that Bienestar Human Services, Inc. (BIENESTAR) to use the Casewatch software to record and maintain clients' files. Staff reported on the system the information noted in the audit that were missing. The case management staff at intake collects documentation for proof of residency, income, proof of diagnosis, and proof of identification for registration and eligibility of services. Case management staff records the information into Casewatch and stores the information in the client's files. Eligibility and registration is conducted on a yearly basis. The program director will audit the files at least twice a year and provide technical assistance to address findings and ensure that program staff are determining proper eligibility at registration and intake.

The majority, if not all, of the clients served by BIENESTAR fall under the 100% federal poverty level guideline and which is documented in each of the client files as proof of income and residency. In addition, client income is also recorded via Casewatch as part of the eligibility and registration. We have since developed a fee determination system and have submitted them to OAPP for approval. As part of the eligibility and registration, we also report any other third party payers for the client on Casewatch. The program director will ensure that the fee determination system is being implemented and clients are assessed for third party payers as part of the eligibility and registration portion of the client intake. The program director will provide ongoing technical assistance to ensure that proper screening is being conducted.

CASH/REVENUE

Objective

Determine whether cash receipts are recorded in the financial 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 August 2009.

Results

Bienestar appropriately recorded and deposited OAPP payments timely into the Agency's bank account. In addition, the Agency reconciled its bank accounts monthly. However, one bank reconciliation included reconciling items totaling $1,297 that were over a year old.

Recommendation

3. **Bienestar management ensure bank reconciling items are resolved timely.**

AGENCY RESPONSE:

We will take the recommendations made and resolve outstanding items in a timely manner.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed the Agency's Plan and reviewed a sample of shared expenditures incurred by Bienestar for May 2009 to ensure that the expenditures were properly allocated to the OAPP program.

Results

Bienestar's Plan was not in compliance with the contract. Bienestar used budgeted positions instead of actual filled positions as the basis for allocating rent, telephone, utilities, building maintenance/repairs, office supplies and insurance expenditures charged to the OAPP Program.

Recommendation

4. **Bienestar management revise the Cost Allocation Plan and discontinue using budgeted positions as the allocation basis for the distribution of shared costs.**

AGENCY RESPONSE:

Bienestar's cost allocation plans are submitted with each budget and justification and approved by OAPP.

The budgeted positions used as the allocation basis is warranted as our staffs are aware of the time they are budgeted for each contract and plan their work accordingly. With the occasional vacancy in the position, the amount budgeted will agree with the allocation basis.

We have also updated our timesheet to show the number of hours worked by the staff that are not 100% charged to the contract for each pay period so that we are billing based on actual time and not budgeted to address this matter.

EXPENDITURES

Objective

Determine whether program expenditures were allowable under the County contract, properly documented, and accurately billed to the OAPP program.

Verification

We interviewed Agency personnel, reviewed financial records and documentation for 52 non-payroll expenditure transactions totaling $85,479.

Results

Bienestar did not provide appropriate documentation to support $3,917 in program expenditures. Specifically, Bienestar billed OAPP:

- $1,333 for t-shirts and food costs. However, the Agency did not provide supporting documentation that showed the expenditures were incurred for the OAPP Program.
- $1,197 for office supplies that were received and paid for in a subsequent contract budget period. As a result, the charges are unallowable.
- $1,000 for an agency sponsored event that was not included in Bienestar's approved contract budget.
- $ 387 for program promotion costs that were not supported by vendor receipts or invoices.

Subsequent our review, Bienestar provided additional documentation to support $2,720 in program promotion costs. As a result the questioned costs were reduced to $1,197.

In addition, the Agency charged OAPP approximately $37,000 in rent payments made to a related party. Bienestar's East Los Angeles location is leased for $8,830 a month from the Latino Social Justice Foundation (Foundation) a non-profit organization. However, two members on Bienestar's Board of Directors are also on the Foundation's Board of Directors.

The County contract requires agencies to comply with the OMB Circular A-122. The OMB Circular A-122 defines a less-than-arms-length lease as one under which one party to the lease agreement is able to control or substantially influence the actions of the other and allows agencies to charge only up to the amount that would be allowed had title to the property vested in the organization. Bienestar indicated that the lease amount was based on fair market value. However, Bienestar did not provide documentation to support the fair market value or actual costs incurred by the Foundation.

Recommendations

Bienestar management:

5. **Repay DPH $1,197 or provide adequate documentation to support the expenditures.**
6. **Maintain documentation to support all program expenditures.**
7. **Ensure only allowable expenditures are charged to the OAPP program.**
8. **Provide documentation to determine the lease amount for the East Los Angeles location is in compliance with the provisions in OMB A-122 and repay any amount overbilled for the lease.**

AGENCY RESPONSE:

Bienestar reviewed the amount being disallowed and will payback to DPH the amount of $1,197.

Bienestar will also continue to improve the maintenance for the support for all program expenditures by continually addressing the importance of proper documentation with all center, program manager and directors.

The accounting department continues to work with all employees to ensure that they are aware of what is allowed and not allowed to be charged for not only OAPP programs but all programs.

Bienestar had requested further clarification from OAPP and LAC Auditors office and received different guidance and interpretations.

It was not until recent negotiation had the concern of related party been brought to the attention by OAPP. After the discussion of possible disallowance for the rent item for future budgets, Oscar resigned from Latino Social Justice Foundation as of February 2010.

Also, the transfer of the building from Bienestar to Latino Social Justice Foundation was done at the recommendation of OAPP and legal firm secured by OAPP for Paul Hastings to conduct the transactions.

Bienestar seeks technical assistance and guidance from OAPP to properly address this finding.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchases made with program funds are used for the OAPP program and are safeguarded.

We did not perform test work in this section, as the Agency did not purchase fixed assets with OAPP funds.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced payroll expenditures for ten employees totaling $26,025 to the payroll records and time reports for May 2009. We also reviewed the employees' personnel files.

Results

Bienestar's payroll billings were not in compliance with the County contract requirements. Specifically:

- Bienestar did not require their staff to report actual hours worked by program on their timecards and did not provide any other supporting documentation that could be used to verify the accuracy and appropriateness of the payroll expenditures billed to OAPP.
- OAPP was charged for payroll and benefit expenditures that were based on budgeted estimates not based on actual time spent by employees performing OAPP related activities.
- Two employee attendance records were not signed by the supervisor.

These findings were also noted in our monitoring review for Fiscal Year 2005-06.

Recommendations

Bienestar management:

9. **Bill payroll expenditures based on actual hours worked on OAPP related activities.**

10. **Ensure attendance records are approved in writing by a supervisor to certify the accuracy of the reported time.**

AGENCY RESPONSE:

Bienestar staffs are aware of the time they are budgeted for each contract and plans their work accordingly. We have also updated our timesheet to show the number of hours worked by the staff that are not 100% charged to the contract for each pay period so that we are billing based on actual time and not budgeted. This does not apply to any staff that are 100% charged to 1 contract.

Bienestar does ensure the timesheet are approved by a supervisor to certify the accuracy of the reported time and will continue to ensure and improve the process.

COST REPORTS

Objective

Determine whether the Agency's Cost Reports reconcile to the Agency's financial accounting records.

Verification

We traced the Agency's general ledger to 6 (21%) of 28 Cost Reports the Agency submitted to OAPP for the periods ended February 2009, March 2009 and June 2009.

Results

Bienestar's Cost Reports reconciled to their accounting records.

Recommendation

None.