COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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ASST. AUDITOR-CONTROLLERS

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May 17, 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: **SOUTH BAY FAMILY HEALTH CARE – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION AND CARE SERVICES CONTRACT PROVIDER – FISCAL REVIEW**

We completed a fiscal review of South Bay Family Health Care (SBFHC or Agency), a Department of Public Health (DPH) Office of AIDS Programs and Policy (OAPP) HIV/AIDS care contract provider. The purpose of our review was to determine whether SBFHC provided services to eligible participants and spent funds in accordance with their County contract. We also evaluated the adequacy of SBFHC's accounting records, internal controls, and compliance with the contract and other applicable guidelines. Contract services include HIV/AIDS mental health psychotherapy and case management services.

At the time of our review, SBFHC had two cost-reimbursement contracts with DPH, and was paid approximately $236,654 from March 2009 to October 2010. SBFHC provided services in the Second and Fourth Supervisorial Districts.

Results of Review

SBFHC provided services to individuals who met OAPP eligibility requirements, and the Agency's accounting records supported the amounts reported on the Agency's Cost Reports. However, SBFHC did not always comply with all of the County contract requirements. Specifically, SBFHC:

- Did not require their staff to report actual hours worked on the OAPP Programs on their timecards. The questioned costs totaled $3,860.

  Subsequent to our review, SBFHC provided additional documentation to support $2,872 of the $3,860 in questioned costs. SBFHC also provided a narrative to support the remaining $988 ($3,860- $2,872) in questioned payroll expenditures. However, the narrative was not supported by signed revised timecards or other documentation of the hours worked. OAPP will follow-up to ensure that the Agency provides appropriate documentation or repays DPH.

- Paid a subcontractor $1,200 more than their service agreement.

  Subsequent to our review, SBFHC obtained an amendment to the service agreement to support the additional charges.

- Did not develop a Cost Allocation Plan as required by the County contract. According to Agency personnel, shared expenditures were allocated based on budgeted amounts, which is not an allowable allocation method.

  SBFHC submitted a revised Cost Allocation Plan with their response.

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

Review of Report

We discussed the results of our review with SBFHC and OAPP. SBFHC's attached response indicates they agree with our findings and recommendations.

We thank SBFHC 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
Jann Hamilton Lee, President/CEO, South Bay Family Health Care
Public Information Office
Audit Committee

SOUTH BAY FAMILY HEALTH CARE
HIV/AIDS CARE AND PREVENTION SERVICES
MARCH 2009 TO OCTOBER 2010

ELIGIBILITY

Objective

Determine whether South Bay Family Health Care (SBFHC or Agency) provided 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 ten Program participants, who received services from March 2009 to October 2010, for documentation to confirm their eligibility for OAPP services.

Results

SBFHC maintained adequate documentation to support the ten participants' eligibility for OAPP services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether SBFHC had adequate controls to ensure cash receipts and revenue were properly recorded in the Agency's financial records, and deposited in their bank account timely.

Verification

We interviewed the Agency's personnel and reviewed their financial records. We also reviewed the Agency's bank activity for October 2010.

Results

SBFHC had adequate controls to ensure that revenue and cash were recorded properly and deposited timely.

Recommendation

None.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed a sample of shared expenditures incurred by the Agency between August 2009 and October 2010, to ensure that shared expenditures were allocated to the OAPP Programs appropriately.

Results

SBFHC did not develop a Cost Allocation Plan as required by page AP-11 of the County contract's Additional Provisions. Specifically, SBFHC only provided a copy of their procedures for developing a Cost Allocation Plan. According to Agency personnel, shared Program expenditures were allocated based on budgeted amounts. While the amount of unsupported costs we sampled was not material, SBFHC should develop a Cost Allocation Plan that is in compliance with County contract requirements, ensure that shared Program expenditures are allocated among benefited programs appropriately and bill DPH based on actual expenditures.

Subsequent to our review, SBFHC submitted a revised Cost Allocation Plan.

Recommendations

SBFHC management:

1. **Ensure that shared Program expenditures are appropriately allocated to the benefited programs.**

2. **Billed DPH for actual expenditures incurred.**

3. **Review and reallocate all the shared expenditures among the benefited program, and repay DPH for any excess amounts billed.**

EXPENDITURES

Objective

Determine whether Program-related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records, and documentation to support 14 non-payroll expenditures, totaling $3,002, between August 2009 and October 2010.

Results

Generally, SBFHC's direct expenditures were allowable and properly documented. However, SBFHC paid one subcontractor $1,200 more than their service agreement amount. Subsequent to our review, SBFHC obtained an amendment to the service agreement to reflect the updated service charges.

Recommendation

4. **SBFHC management maintain adequate documentation to support all expenditures.**

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced payroll expenditures invoiced for three employees, totaling $3,860, for October 2010 to the Agency's payroll records and time reports. We also reviewed the employees' personnel files.

Results

SBFHC's personnel files were maintained as required. However, SBFHC billed OAPP $3,860 in unsupported payroll expenditures. Specifically, SBFHC did not require their staff to report actual hours worked on the OAPP Program on their timecards, and did not provide any other supporting documentation that could be used to verify the payroll expenditures billed to OAPP. According to page AP-10 of the County contract's Additional Provisions, payroll timekeeping records should show time distribution by

program and the accounting for total time worked on a daily basis. We noted a similar issue in our Fiscal Year 2007-08 monitoring review.

Subsequent to our review, SBFHC provided additional documentation to support $2,872 of the $3,860 in questioned costs. SBFHC also provided a narrative to support the payroll expenditures for the remaining $988 ($3,860 - $2,872) in questioned costs. However, the narrative was not supported by signed revised timecards or other documentation, showing the hours worked.

Recommendations

SBFHC management:

5. **Repay DPH $988 or provide documentation to support the expenditures.**

6. **Review prior and subsequent months' payroll expenditures, and repay DPH for unsupported payroll expenditures.**

7. **Ensure employees record actual hours worked each day by program.**

COST REPORTS

Objective

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

Verification

We traced the amounts on SBFHC's February 2010 and March 2010 Cost Reports to the Agency's accounting records. We also reviewed a sample of expenditures incurred in August 2009 and December 2009.

Results

SBFHC's Cost Report reconciled to the Agency's accounting records.

Recommendation

None.

April 05, 2011

Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countrywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Dear Ms. Watanabe,

We are submitting to you our formal written response/corrective action plan for the audit performed on OAPP Case Management and Mental Health program for HIV/AIDS Prevention and Care Services for the period covered March, 2009 to October, 2010.

Please call or email us if you have any questions at 310-8026177.

Thank you.

Sincerely,

Ning Morando
Finance Director

Joanne Silva
Social Services Director

Attachment included:

CC: Yoon S. Park-CPA
Jann Hamilton Lee – SBFHC CEO/Pres

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Fax: 310.802.6178 | www.sbclinic.org Redondo Beach Facility 2114 Artesia Blvd | Redondo Beach, CA 90278 Gardena • Harbor
Gateway Facility 742 West Gardena Blvd | Gardena, CA 90247 Inglewood Facility, Dr. Claudia Hampton Clinic 1091 S. La Brea Ave.
Inglewood, CA 90301 Inglewood OB/Gyn Facility 323 N. Prairie Ave | Ste 210 | Inglewood, CA 90301

SOUTH BAY FAMILY HEALTHCARE
PLAN OF CORRECTIVE ACTION
OAPP CASE MANAGEMENT AND MENTAL HEALTH CONTRACT

Recommendation #	Summary Statement of Recommendations	SBFHC Corrective Action Plan	Responsible Person	Completion/ Implementation Date
1	Develop a Cost Allocation that is in compliance with County contract requirements and ensure that shared program expenditures are appropriately allocated to the benefitted programs	Cost Allocation plan was develop, completed and copy submitted to the auditor Yoon S. Park-CPA on March 31, 2011. Copy of of the report attached.	Ning Morando-Finance Director	30-Mar-11
2	Billed DPH for actual expenditures incurred	Management will ensure that DPH is billed only on actual expenditures incurred for the program.	Ning Morando-Finance Director Richard Pun- Finance Manager Joanne Silva - Social Services Dir	Already being implemented
3	Review and reallocate all the shared expenditures among the benefitted program and repay DPH for any excess amount billed.	Management will ensure that all shared expenditures are reviewed and allocated only to the benefitted programs.	Ning Morando-Finance Director Richard Pun- Finance Manager Joanne Silva - Social Services Dir	Already being implemented
4	SBFHC management maintains adequate documentations to support the expenditures.	SBFHC management will maintains adequate documentations to support the expenditures.	Ning Morando-Finance Director Richard Pun- Finance Manager Joanne Silva - Social Services Dir	Already being implemented

SOUTH BAY FAMILY HEALTHCARE
PLAN OF CORRECTIVE ACTION
OAPP CASE MANAGEMENT AND MENTAL HEALTH CONTRACT

Recommendation #	Summary Statement of Recommendations	SBFHC Corrective Action Plan	Responsible Person	Completion/ Implementation Date
5	Repay DPH $998 ($3,860-$2,872) or provide documentation to support the expenditures.	The expense in question is the payroll of J. Silva-SS Director and J.Callaghan SS Adm Asst., said expenses will be supported by a timesheet indicating the actual hours worked on the program each day. Copy of the revised timesheet and a narrative report to support the expenses in question are attached	Joanne Silva - Social Services Dir	Revised time sheet implemented on March 31, 2011 payroll.
6	Review prior and subsequent months' payroll expenditures and repay for unsupported payroll expenditures.	Management will ensure that payroll expenses were reviewed and supported by a timesheet.	Ning Morando-Finance Director Richard Pun- Finance Manager Joanne Silva - Social Services Dir	Already being implemented
7	Ensure employees record actual hours worked each day by program.	A revised timesheet was presented, reviewed and approved by the auditor Yoon S. Park on March 17, 2011. Employees are asked to indicate on the timesheet the actual hours worked each day by program.	Joanne Silva - Social Services Dir Johanna Macias-Case Manager Graciela Barazza- Case Manager	Revised time sheet implemented on March 31, 2011 payroll.

South Bay Family Healthcare
Cost Allocation Plan

A Cost Allocation Plan is a means of allocating central service costs that are expensed to more than one funding source based on benefit and usage. These costs must be necessary and reasonable for proper and efficient performance and administration of programs, contracts or other funds received from Federal, State, County and Private grant/awards.

ALLOCATION OF COST:

1. **Direct Cost:** A cost that is chargeable to one specific program/grant and has a specific relationship to a single cost objective. Examples of direct costs include salaries & benefits of employees working exclusively on the program/grant, supplies and other expenses purchased specifically for the program/grant.

   SBFHC allocates these expenditures only to the specific program. All documentations are specifically related and for the sole purpose of the said program.

2. **Indirect Cost:** Are costs that have been incurred for the common or joint objectives and cannot be readily identified with a particular final cost objective. Examples are the salaries, benefits, supplies and other related to general administration of the organization including depreciation and salaries and expenses of executive officers and administration personnel.

   SBFHC allocates indirect cost on the following basis:

   a) Salaries & Benefits: based on the actual time spent on the program documented and approved by the supervisor.

   b) All other expenses: based on the percentage of time spent on the program.

3. **Shared Cost:** Are costs that are shared and allocated to different programs or grants. Examples are facility cost such as rent, utilities and janitorial, telephone, postage, insurance and other expenses that are shared by different program, contracts or grants and therefore the necessity of cost allocation arises.

   SBFHC allocates the shared cost on the following basis:

   a) Facility costs are based on the percentage of square feet of occupied space by the program.

   b) Telephone, internet are based on the percentage or number of telephone lines or computer work stations used by the program/grant.

   c) All other shared cost allocations are based on the percentage or number of personnel time spent on the program, contracts or grants.

Program and year specific allocation worksheet will be developed at the beginning of the program year, and SBFHC will use space, labor costs, labor hours or required services as the basis for allocation of cost, dependent upon which basis is most applicable at the time, and most suits the need of the agency.

Prepared By:

Ning Morando
Finance Director

Approved:

Al Diaz
Chief Financial Officer

South Bay Family Health Care

SEMI-MONTHLY PAYROLL ATTENDANCE RECORD
FOR NON-EXEMPT EMPLOYEES

Employee Name (Print): _____ Position: _____

Month/Day: _____ To: _____ Year: _____

	Hours Worked	Hours Off	Number of Hours Worked	Benefit Time Used				TOTAL HOURS PAID	O/T Just. & Approval	Task Code	Funding Source & Cost Allocation			
											CM	MH	LAFAN	GENERAL
Date	From-To	From-To		PTO	HOL	JD	BL							
TOTAL HOURS														

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STRAIGHT-TIME HOURS TO BE PAID:_ PLUS OVERTIME EARNED: 0.
Your time sheet MUST be filled out COMPLETELY to assure proper payment and allocation of benefit time.
NOTE: All overtime must have PRIOR APPROVAL of supervisor.

This time sheet MUST be submitted to your supervisor on the LAST DAY of the pay period.
The semi-monthly pay periods run from the First through Fifteenth and Sixteenth through the last day of the month.
I HEREBY CERTIFY THAT THE ABOVE INFORMATION IS CORRECT.

Supervisor

Employee Signature:_____ Approval:_____

Task Code

A	Clinical Supervision	C	Patient Case Management
B	Clerical & Admin Support	D	Meetings & Training

Narrative in Support of Payroll Expenditures

Joanne Silva – Between our OAPP Case Management & Mental Health Programs, only 12% of my time is budgeted and billable to OAPP. In reality, far more of my time is spent on these programs in preparing monthly reports, preparing yearly budgets, requesting budget modifications, preparing for audits, conducting chart audits, attending clinical supervision and employee evaluations. The balance of my time is spent on our LAFAN contract as well as General responsibilities.

Date	Hours Case Management	Hours Mental Health
10/4	2	4
10/5	2	2
10/6	4	1
10/7	4	0
10/12	3	1
10/15	2	2
10/19	3	1
10/22	2	2
10/29	2	2

Judith Callaghan - 10% of her time is budgeted and billable to OAPP, however, in reality, far more of her time is spent on these programs. She is responsible for all data entry in to our Casewatch program of the case managers and mental health service hours. In addition, she is responsible for ordering and tracking all supplies used in the programs. She also updates all client lists to ensure their accuracy as well as tracking all clinical supervision to show when the client is due for supervision. The balance of her time is spent on our LAFAN contract as well as General responsibilities.

Date	Hours Case Management	Hours Mental Health
10/18	2	2
10/20	2	2
10/25	1	1
10/27	3	1
10/28	1	1