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August 29, 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: **LOS ANGELES CENTERS FOR ALCOHOL AND DRUG ABUSE - A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE AND PREVENTION SERVICES PROVIDER – FISCAL REVIEW**

We completed a fiscal review of the Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA or Agency), a Department of Public Health (DPH) HIV/AIDS Office of AIDS Programs and Policy (OAPP) care and prevention contract services provider. Our review was intended to determine whether the Agency provided services to eligible clients, and spent funds in accordance with their County contract. We also evaluated the adequacy of L.A. CADA's accounting records, internal controls, and compliance with the contract and other applicable guidelines. L.A. CADA's contract services include HIV/AIDS health education risk reduction outreach, treatment education, and substance abuse residential rehabilitation services. L.A. CADA provides services in the First Supervisorial District.

At the time of our review, L.A. CADA had two contracts with OAPP; one cost-reimbursement contract and one fixed-fee contract. At the request of OAPP, we also reviewed a cost-reimbursement contract L.A. CADA had with OAPP that was terminated before the end of the contract term due to funding curtailments. OAPP paid L.A. CADA approximately $365,000 from March 2009 to August 2010.

Results of Review

L.A. CADA provided services to clients who met the OAPP eligibility requirements, and maintained the required personnel records. L.A. CADA also properly recorded and

deposited OAPP payments. However, the Agency billed OAPP $7,362 in questioned costs, and did not implement the required a sliding-fee schedule for clients.

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

Review of Report

We discussed our report with L.A. CADA and OAPP. In their attached response, L.A. CADA indicates agreement with our findings and recommendations. L.A CADA agreed to submit a corrective action plan to OAPP within 30 days from the date of this report, and to repay the $7,362 in questioned costs.

We thank L.A. CADA 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

Attachments

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, Director, M.D., Department of Public Health
Dr. Ethan Allen, President, Board of Directors, L.A. CADA
Brenda Wiewel, Executive Director, L.A. CADA
Public Information Office
Audit Committee

ELIGIBILITY/SERVICES BILLED

Objective

Determine whether the Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA or Agency), provided services to clients who met the eligibility requirements of the Department of Public Health's (DPH) Office of AIDS Programs and Policy (OAPP) Program. In addition, determine the accuracy of the units of service billed to OAPP.

Verification

We reviewed the case files for five clients who received services in October 2009 for documentation of their eligibility for OAPP services. We also verified 155 bed-days the Agency billed to OAPP to the supporting documentation.

Results

The case files for the five clients sampled contained documentation of the clients' eligibility to receive services, and the 155 bed-days billed were supported by sign-in logs.

The contract requires the Agency to implement a sliding-fee schedule, that has been approved by OAPP, to charge clients a fee based on their ability to pay. L.A. CADA did not implement a sliding-fee schedule.

Recommendation

1. **L.A. CADA management implement a sliding-fee schedule for clients that has been approved by OAPP.**

CASH/REVENUE

Objective

Determine whether the Agency deposited cash receipts timely and recorded revenue properly in the Agency's records.

Verification

We interviewed L.A. CADA's personnel and reviewed their accounting records. We also reviewed the Agency's bank reconciliation for August 2010.

Results

L.A. CADA deposited OAPP payments timely and recorded revenue properly. However, the bank reconciliation included $4,382 in reconciling items that were six months to six years old. L.A. CADA's management also did not document their review and approval of the bank reconciliation.

Recommendations

L.A. CADA management:

2. **Ensure reconciling items are resolved in a timely manner.**

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

COST ALLOCATION PLAN

Objective

Determine whether the Agency prepared its Cost Allocation Plan in compliance with the County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed L.A. CADA's Cost Allocation Plan and accounting records to ensure expenditures were allocated to the OAPP Program appropriately.

Results

The Cost Allocation Plan complies with the County contract requirements. However, the Agency over-allocated $4,196 in employee health insurance cost to the OAPP cost-reimbursement contract.

Recommendations

L.A. CADA management:

4. **Repay DPH $4,196, or provide documentation to support the expenditures.**

5. **Ensure employee benefits are allocated appropriately.**

EXPENDITURES

Objective

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

Verification

We interviewed Agency personnel, and reviewed the accounting records and documentation for 35 non-payroll expenditures, totaling $26,917, incurred between March 2009 and February 2010.

Results

L.A. CADA did not provide adequate documentation to support $1,540 of expenditures sampled that were charged to the OAPP cost-reimbursement contract. Specifically, L.A. CADA billed OAPP:

- $952 for incentives and insurance that were not supported by vendor receipts or invoices.
- $474 for mileage reimbursements that were not related to OAPP activities.
- $114 for travel expenditures not supported by detailed receipts to establish that the expenditures were related to the OAPP Program.

Recommendations

L.A. CADA management:

6. **Repay DPH $1,540, or provide adequate documentation to support the expenditures.**
7. **Ensure only allowable expenditures are charged to the OAPP Program.**
8. **Maintain adequate documentation to support all Program expenditures.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were charged to the OAPP Program appropriately. In addition, determine whether the Agency maintained personnel files as required.

Verification

We traced payroll expenditures, totaling $19,734, for seven employees for May 2010 and August 2010, and reviewed the personnel files for the seven employees.

Results

The Agency charged payroll expenditures to the OAPP Program appropriately, and maintained personnel files as required by the County contract.

Recommendation

None.

COST REPORTS

Objective

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

Verification

We traced the Agency's Cost Reports to their accounting records for May 2009, October 2009, February 2010, and June 2010.

Results

The expenditures reported in the Agency's Cost Reports exceeded the expenditures in the general ledger by $1,626. The Agency indicated that the variances resulted from adjustments made after the Cost Reports were submitted.

Recommendations

L.A. CADA management:

9. **Repay DPH $1,626, or provide documentation to support the unsupported expenditures.**

10. **Ensure Cost Reports reconcile to the Agency's accounting records.**

Los Angeles Centers for Alcohol and Drug Abuse
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June 13, 2011

Ms. Maria McGloin
Program Specialist III
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 W. Temple Street, Room 525
Los Angeles, CA 90012-2706

Subject: Program Audit Report – HIV/AIDS Program Contract

Dear Maria,

On behalf of Los Angeles Centers for Alcohol and Drug Abuse (L.A. CADA) I would like to thank you for conduction a fiscal review of our records. I have also reviewed the draft report and I am in agreement with the findings and recommendations.

I will work with our Management Team to ensure that we implement the necessary systems to ensure all concerns are addressed as recommended in the draft report.

Thank you in advance for your assistance with this matter and I look forward to hearing from you soon. If you have any questions or need additional information, I can be reached at 562-906-2686 ext. 103.

Sincerely,

Brenda Wiewel
Executive Director

Cc: Juan Navarro