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January 14, 2013

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **FOOTHILL AIDS PROJECT – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS PREVENTION AND CARE SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a review of Foothill AIDS Project (FAP or Agency), which covered a sample of transactions from April 2011 through June 2012. The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with FAP, a non-profit organization, to provide HIV/AIDS counseling, case management, and support services.

The purpose of our review was to determine whether FAP appropriately accounted for and spent DHSP funds to provide the services outlined in their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPH paid the Agency approximately $69,000 on a cost-reimbursement basis from April 2011 through June 2012. FAP provides services to residents of the First and Fifth Supervisorial Districts.

Results of Review

FAP provided services to eligible individuals, and maintained the required personnel records. In addition, FAP's Cost Reports reconciled to the Agency's accounting records, and their Cost Allocation Plan was prepared in compliance with the County

contract. However, FAP used unallowable methods to allocate $1,248 (80%) of the $1,569 non-payroll expenditures reviewed to the DHSP Program. FAP's attached response indicates that they will review and reallocate the shared non-payroll expenditures charged to the DHSP Program during the contract term, provide DPH with supporting documentation, and repay any overbilled amounts.

Review of Report

We discussed our report with FAP and DPH in November 2012. FAP's attached response indicates agreement with our findings and recommendations. DPH will work with FAP to ensure that our recommendations are implemented.

We thank FAP 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:AA:JS

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
Barbette Mobeck, Board President, FAP
Maritza Tona, Executive Director, FAP
Public Information Office
Audit Committee

FOOTHILL AIDS PROJECT
HIV/AIDS PREVENTION AND CARE SERVICES
CONTRACT COMPLIANCE REVIEW
APRIL 2011 TO JUNE 2012

ELIGIBILITY

Objective

Determine whether Foothill AIDS Project (FAP or Agency) provided services to clients who met the Department of Public Health (DPH) Division of HIV and STD Program (DHSP) eligibility requirements.

Verification

We reviewed the case files for 15 (25%) of the 59 clients who received services from FAP from April 2011 through June 2012 for documentation to confirm their eligibility for DHSP services.

Results

FAP had documentation to support all 15 clients' eligibility for DHSP services.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether FAP recorded revenue in the Agency's financial records properly, deposited cash receipts into the Agency's bank account timely, and prepared and approved bank account reconciliations appropriately.

Verification

We interviewed FAP management, and reviewed the Agency's financial records and May 2012 bank reconciliations.

Results

FAP recorded revenue in their financial records properly, deposited DPH payments into the Agency's bank account timely, and prepared monthly bank reconciliations appropriately.

Recommendation

None.

EXPENDITURES/PROCUREMENT

Objective

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

Verification

We interviewed FAP personnel, and reviewed financial records for $1,569 in non-payroll expenditures that the Agency charged to DPH from May 2011 through May 2012.

Results

FAP used unallowable methods to allocate $1,248 (80%) of the $1,569 in non-payroll expenditures reviewed to the DHSP Program. For example, FAP allocated all of its $303 in office supply expenses reviewed to the DHSP Program, instead of allocating the costs among County and non-County programs.

Recommendations

FAP management:

1. **Review and reallocate all non-payroll expenditures charged to DPH during the contract term, provide DPH with supporting documentation, and repay any overbilled amounts.**

2. **Ensure that all non-payroll expenditures billed to the DHSP Program are allocated in compliance with the County contract.**

PAYROLL AND PERSONNEL

Objective

Determine whether FAP charged payroll costs to DPH appropriately, and maintained personnel files as required.

Verification

We traced the May 2012 payroll costs for two employees, totaling $3,715, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed the personnel files for two FAP staff.

Results

FAP appropriately charged payroll costs to DPH, and maintained personnel files as required.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether FAP prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared costs appropriately.

Verification

We reviewed the Agency's Plan, and a sample of expenditures from May 2011 through May 2012.

Results

FAP's Plan was prepared in compliance with the County contract. However, FAP did not comply with their Plan, and inappropriately allocated some non-payroll expenditures to the DHSP Program as discussed above.

Recommendation

Refer to Recommendation 2.

COST REPORT

Objective

Determine whether FAP's Cost Report reconciled to their accounting records, and whether the Agency had any unspent revenue that should be returned to DPH.

Verification

We traced FAP's Cost Report for April 2011 through March 2012 to their accounting records, and to DPH's payment records.

Results

FAP's Cost Report indicated that they did not have any unspent revenue for April 2011 through March 2012. However, the Agency needs to revise their accounting records

based on our recommendations above, provide DPH with a revised Cost Report for the contract term, and repay any unspent revenue.

Recommendation

3. **FAP management revise their accounting records, provide DPH with a revised Cost Report for the contract term, and repay any unspent revenue.**

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November 14, 2012

Wendy Watanabe, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 South Figueroa Street, 8th Floor
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SUBJECT: **FOOTHILL AIDS PROJECT - CONTRACT COMPLIANCE REVIEW PLAN OF CORRECTIVE ACTION**

Dear Ms. Watanabe,

In response to the contract compliance review for DHSP Non-Medical Case Management Contract for the period of April 2011 -- June 2012, below you will find FAP's response and Plan of Corrective Action (POCA).

Recommendation #1

Review and reallocate all non-payroll expenditures charged to DPH during the contract term, provide DPH with supporting documentation, and repay any overbilled amounts.

POCA #1:

FAP agrees with the recommendation and will review and reallocated expenses charged to DPH during the contract term. Upon completion of the review, FAP will provide DPH with supporting documentation of any overbilled/under billed amounts.

Recommendation #2

Ensure that all non-payroll expenditures billed to the DHSP Program are allowable, properly documented, and in compliance with the County contract

POCA #2:

FAP agrees to review all non-payroll expenditures billed to the DHSP Program to ensure that they are allowable, properly documented, and in compliance with the County contract.

Recommendation #3

Refer to Recommendation 2.

POCA #3:

Refer to POCA #2.

Recommendation #4

FAP management revise their accounting records, provide DPH with a revised Cost Reports for the contract term, and repay any unspent revenue.

POCA #4:

FAP agrees with the recommendation and upon completion of POCA #1 will submit a revised Cost Report to DPH.

Should you have any questions, please contact Camila Cristiani, Grants Manager, at 909-482-2066 x302 or via e-mail at camila@fapinfo.org.

Sincerely,

Maritza Tona
Executive Director