COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

February 25, 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: **ALLIANCE FOR HOUSING AND HEALING – A DEPARTMENT OF PUBLIC HEALTH HIV/AIDS CARE SERVICES PROVIDER**

We completed a fiscal review of Alliance for Housing and Healing (AHH or Agency), which covered a sample of transactions from March 2010 through May 2012. The County Department of Public Health (DPH) Division of HIV and STD Programs (DHSP) contracts with AHH, a non-profit organization, to provide housing and supervision to individuals infected with HIV/AIDS at four residential care facilities.

Our review was intended to determine whether the Agency provided services to eligible clients, and spent Program funds in accordance with their County contract. We also evaluated the Agency's accounting records, internal controls, and compliance with the contract and federal, State, and County guidelines.

At the time of our review, AHH had one fee-for-service contract with DHSP. DPH paid the Agency approximately $4 million from March 2010 through May 2012. The Agency's four residential facilities are in the First, Second, and Fourth Supervisorial Districts.

Results of Review

AHH's Cost Reports reconciled to their accounting records for the periods ended February 2011 and February 2012. However, AHH charged 50% of their Program Manager's pay in May 2012 to the DPH Program based on budget, not actual hours worked as required by the County contract. AHH is not required to repay these funds to

DPH because their total reported Program expenditures exceeded the revenue they received from the contract. However, AHH should reduce their Cost Report for the $2,746 in questioned cost.

In addition, AHH did not always comply with some contract requirements. For example:

- AHH did not develop the required client fee schedule.

- AHH did not develop the required detailed written Cost Allocation Plan. The Agency also allocated its shared expenditures, such as utility and telephone costs, to the DPH Program based on budgeted, instead of actual salaries. The amount of questioned costs was immaterial.

- AHH's fixed asset and equipment inventory listing was incomplete. In addition, AHH could not provide documentation that they conducted regular physical inventories of their fixed assets and equipment as required.

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

Review of Report

We discussed our report with AHH and DHSP. The Agency's attached response indicates that they agree with our findings and recommendations. DHSP will work with AHH to ensure that our recommendations are implemented.

We thank AHH 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, Director, M.D., M.P.H, Department of Public Health
Alliance for Housing and Healing
Brenda Goodman, Chairperson, Board of Directors
Terry Goddard II, Executive Director
Public Information Office
Audit Committee

ALLIANCE FOR HOUSING AND HEALING
DEPARTMENT OF PUBLIC HEALTH
HIV/AIDS CARE SERVICES
MARCH 2010 TO MAY 2012

ELIGIBILITY

Objective

Determine whether Alliance for Housing and Healing (AHH or Agency) provided services to individuals who met the eligibility requirements of the Department of Public Health (DPH) Division of HIV and STD Programs (DHSP). In addition, determine whether AHH provided the services billed to DPH in accordance with their County contract.

Verification

We reviewed the case files for ten (29%) of 34 clients who received services in May 2012 for documentation of their eligibility for DHSP services. In addition, we reconciled 285 days the Agency billed DPH in May 2012 to progress notes and other documents in the clients' files.

Results

AHH maintained adequate documentation of eligibility and services provided for the ten clients reviewed. However, AHH did not develop a client fee schedule as required in Paragraph 10 of the Additional Provisions of the County contract. The fee schedule must also be approved by DPH. We noted a similar finding in our prior monitoring report.

Recommendation

1. **AHH management develop and implement a client fee schedule to charge clients based on their ability to pay, and have the fee schedule reviewed and approved by DPH.**

CASH/REVENUE

Objective

Determine whether AHH recorded revenue in the Agency's financial records properly, deposited cash receipts into the Agency's bank account timely, and had bank account reconciliations reviewed and approved by Agency management.

Verification

We interviewed Agency personnel, and reviewed their financial records and June 2012 bank reconciliation.

Results

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

Recommendation

None.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed AHH's Plan, and a sample of shared costs the Agency incurred from February 2011 to February 2012.

Results

AHH did not develop a detailed written Plan as required by Paragraph 11.B.(3) of the Additional Provisions of the County contract. The Agency allocated shared expenditures, such as utility and telephone costs, to the DPH Program based on annual budgeted direct salaries, instead of actual direct salaries. The questioned costs were immaterial. However, AHH should develop a written Plan in compliance with the County contract, and allocate shared costs based on actual expenditures and/or data.

Recommendation

2. **AHH management develop a written Cost Allocation Plan in compliance with the County contract, and allocate shared costs based on actual expenditures and/or data.**

EXPENDITURES

Objective

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

Verification

We interviewed Agency personnel, and reviewed financial records for 29 non-payroll expenditures, totaling $37,600, that the Agency charged to the DPH Program from March 2010 to April 2012.

Results

AHH generally had adequate documentation to support the non-payroll expenditures charged to the DPH Program. However, AHH purchased clothing for a client with DPH Program funds. According to the federal Health Resource and Services Administration (HRSA) HIV/AIDS Bureau policies 10-02 (4), Ryan White HIV/AIDS Program funds may not be used to purchase clothing. The total amount of unallowable costs identified was immaterial. However, AHH management should ensure that only allowable costs are charged to DPH Program.

Recommendation

3. **AHH management ensure only allowable costs are charged to the DPH Program.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchased with County funds are used for the DPH Program, and are safeguarded.

Verification

We interviewed Agency personnel, reviewed the Agency's fixed asset inventory listing, and reviewed the usage of five items purchased with County funds.

Results

AHH used the equipment and fixed assets purchased with County funds for the DPH Program, and the assets were safeguarded. However, AHH's fixed asset and equipment inventory listing was incomplete. Specifically, the five items purchased during our review period were not included on the inventory listing. In addition, AHH

was unable to provide documentation that they conducted regular physical inventories of fixed assets and equipment as required by Paragraph 18.C of the Additional Provisions of the County contract.

Recommendations

AHH management:

4. **Ensure that the inventory listing is complete.**

5. **Conduct and document regular physical inventories of fixed assets and equipment as required by the County contract.**

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced the payroll expenditures for 12 employees who worked on the DPH Program for May 2012, totaling $32,014, to the Agency's payroll records and time reports. We also reviewed the personnel files for DPH Program staff.

Results

AHH's Program Manager did not record the actual hours he worked on the DPH Program on a daily basis as required. AHH charged 50% of the Program Manager's payroll expense in May 2012 to the DPH Program based on budget, not actual hours worked. Page AP-10 of the County contract's Additional Provisions requires the Agency to have payroll records showing the time worked by program, and the total time worked each day. The questioned costs totaled $2,746. As previously mentioned, the Agency's Program expenditures exceeded the revenue they received from DPH for the contract. Therefore, AHH does not need to repay DPH, but should reduce their Cost Report accordingly.

In addition, AHH did not always maintain the employees' approved salary rates in their personnel files as required by the Agency's personnel policy.

Recommendations

AHH management:

6. **Determine the total amount of unsupported payroll expenditures for the Program year, and reduce their Cost Report accordingly.**

7. **Ensure employees record actual hours worked each day by program on their time records.**

8. **Maintain approved salary rates in the employees' personnel files.**

COST REPORTS

Objective

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

Verification

We traced AHH's Cost Reports submitted to DPH for the periods ended February 2011 and February 2012 to the Agency's accounting records.

Results

AHH's Cost Reports reconciled to their accounting records for the periods ended February 2011 and February 2012.

Recommendation

None.

ALLIANCE FOR HOUSING AND HEALING (FORMERLY KNOWN AS SERRA ANCILLARY CARE CORPORATION)

BOARD OF DIRECTORS
Officers
Brenda Goodman, R.Ph.
President
Woody Sides
Vice President
Sallie Olmsted MacKinnon
Secretary
John Monahan
Treasurer
Members-at-Large
W. David Hardy, M.D.
Fred Paston
Matthew Rikin
Brian Schield, Esq.
John Sonego
Warren R. Wimmer

MEDICAL ADVISORY COUNCIL
Peter Anton, M.D.*
W. David Hardy, M.D.*
Philip Musikantin, M.D.*
Dale Prokupek, M.D.*
Kalvin Yu, M.D.
* *Founding Members*

EXECUTIVE DIRECTOR
Terry Goddard II

November 29, 2012

To: Wendy L. Watanabe
Auditor-Controller

From: Raul Pavia
Chief Financial Officer

Subject: Fiscal Review – Alliance For Housing and Healing

Dear Ms. Watanabe:

Listed below is our response to the recommendations listed in your report:

A) Recommendation 1 – We will develop a progressive client-fee schedule. This plan will then be submitted to DHSP for their approval. This will be done by the end of this year.

B) Recommendation 2 - AHH follows County rules when preparing the cost reports. We will revise our accounting manual explaining our policies and procedures regarding the allocation of shared cost based on actual expenditures.

C) Recommendation 3 – We agree; these, however, were coding errors. Our policy is to report only allowable costs on the cost report.

D) Recommendation 4 and 5 – We generally only include capitalized items on our fixed asset listing. However, for the Group Homes, we will take a fixed asset and equipment inventory and include all items.

E) Recommendation 6 and 7 – We will revise the cost report as suggested after discussions with DHSP concerning this recommendation. The program Manager is now listing the days worked at each cost center on her timesheets.

F) Recommendation 8 – All salary increases were approved; however, the required form was not placed in the personnel files. This has been done for the periods reviewed, and will be done in future periods.

Very truly yours,

Raul Pavia

CC: Yoon S. Park
Terry Goddard II

Alliance for Housing and Healing (F/K/A Serra Ancillary Care Corporation) □ Tax ID 95-4147364
Doing Business as "Aid For AIDS" and "The Serra Project"
Main Office: 825 Colorado Blvd., Suite 100 □ Los Angeles, CA 90041-1741 □ Tel: 323-344-4888 □ Tel: 323-254-2956
Satellite Office: 8235 Santa Monica Blvd., Suite 200, West Hollywood, CA 90046
Visit Us on the Web at www.aidforaids.net and www.serraproject.org