



**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

April 3, 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: **CITY OF LONG BEACH – A DEPARTMENT OF PUBLIC HEALTH
HIV/AIDS PREVENTION AND CARE SERVICES PROVIDER –
CONTRACT COMPLIANCE REVIEW**

We completed a review of the City of Long Beach (Long Beach or Agency), which covered a sample of transactions from March 2011 through May 2012. The County Department of Public Health Division of HIV and STD Programs (DHSP) contracts with Long Beach, a local government agency, to provide HIV/AIDS case management, medical outpatient, and health education and risk reduction outreach services.

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

At the time of our review, Long Beach had three cost-reimbursement contracts with DHSP. DHSP paid the Agency approximately \$535,000 from March 2011 through May 2012. Long Beach provides services to residents of the Fourth Supervisorial District.

Results of Review

Long Beach recorded and deposited DHSP payments timely, provided services to eligible individuals, and maintained the required personnel records. However, the Agency did not provide adequate documentation to support \$8,279 in non-payroll

expenditures and \$4,650 in indirect costs charged to the DHSP Program. Long Beach's attached response indicates that they will provide supporting documentation to DHSP.

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

Review of Report

We discussed our report with Long Beach and DHSP on January 31, 2013. Long Beach's attached response indicates agreement with our findings and recommendations. DHSP indicated they will work with Long Beach to ensure that our recommendations are implemented.

We thank Long Beach 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:AB:DC:AA:JS

c: William T Fujioka, Chief Executive Officer
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health
Patrick H. West, City Manager, City of Long Beach
Cheryl Barrit, Preventive Health Bureau Manager, City of Long Beach
Public Information Office
Audit Committee

**CITY OF LONG BEACH
HIV/AIDS PREVENTION AND CARE SERVICES
MARCH 2011 TO MAY 2012**

ELIGIBILITY

Objective

Determine whether the City of Long Beach (Long Beach or Agency) provided services to clients who met the Department of Public Health Division of HIV and STD Programs (DHSP) eligibility requirements.

Verification

We reviewed the case files for 15 (7%) of the 224 clients who received services during March 2011 through March 2012 for documentation to confirm their eligibility for DHSP services.

Results

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

Recommendation

None.

CASH/REVENUE

Objective

Determine whether Long Beach recorded revenue in the Agency's financial records properly, deposited cash receipts into their bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

Verification

We interviewed Long Beach management, and reviewed the Agency's financial records and May 2012 bank reconciliation.

Results

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

Recommendation

None.

EXPENDITURES/PROCUREMENT**Objective**

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

Verification

We interviewed Long Beach's personnel, and reviewed financial records for seven non-payroll expenditures, totaling \$16,635, that the Agency charged to the DHSP Program from July 2011 through May 2012.

Results

Long Beach did not provide adequate supporting documentation for \$7,334 (44%) of the \$16,635 non-payroll expenditures reviewed. Specifically, the Agency did not provide a cancelled check or an invoice for \$5,157 in laboratory costs and did not provide invoices for \$2,177 in computer lease costs that they billed to the DHSP Program.

Recommendations

Long Beach management:

1. Repay DHSP \$7,334, or provide DHSP documentation to support the expenditures.
2. Maintain adequate documentation to support Program expenditures.

PAYROLL AND PERSONNEL**Objective**

Determine whether Long Beach charged payroll costs to DHSP appropriately, and maintained personnel files as required.

Verification

We reviewed the Agency's financial records, and compared the payroll costs for all five employees, totaling \$27,504, for January 2012 to the Agency's payroll records and time reports. We also reviewed personnel files for all five Long Beach staff.

Results

Long Beach appropriately charged payroll costs to DHSP, and maintained personnel records as required.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

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

Verification

We reviewed Long Beach's Plan, and a sample of expenditures from March 2011 through May 2012.

Results

Long Beach prepared its Plan in compliance with the County contract. However, Long Beach did not have documentation to support \$4,650 in indirect costs charged to the DHSP Program during March 2011 through February 2012.

Recommendation

3. Long Beach management repay DHSP \$4,650, or provide DHSP documentation to support the expenditures.

COST REPORTS**Objective**

Determine whether Long Beach's Cost Reports reconciled to their accounting records, and whether the Agency had unspent revenue that should be returned to DHSP.

Verification

We compared Long Beach's Cost Reports for March 2011 through March 2012 to their accounting records, and to DHSP's payment records.

Results

Long Beach's Cost Reports did not reconcile to their accounting records. Specifically, the Agency's accounting records did not support \$945 in non-payroll expenditures billed to DHSP as indicated in their Cost Reports. Long Beach needs to repay DHSP \$945 or update their accounting records and provide DHSP with supporting documentation.

Recommendation

4. Long Beach management repay DHSP \$945, or update their accounting records and provide DHSP with supporting documentation.



CITY OF LONG BEACH

DEPARTMENT OF HEALTH AND HUMAN SERVICES

2525 GRAND AVENUE • LONG BEACH, CALIFORNIA 90815 • (562) 570-4000

February 14, 2013

Wendy L. Watanabe
Auditor Controller
500 W. Temple Street, Room 525
Los Angeles, CA 90012

SUBJECT: CITY OF LONG BEACH DEPARTMENT OF HEALTH AND HUMAN SERVICES FISCAL REVIEW: CONTRACT NUMBER H-209210, Scheduled 41, 42, 43, 44, 45, 46 - AMBULATORY OUTPATIENT MEDICAL, MEDICAL SPECIALITY SERVICES, H-21813 Scheduled 15, 16, 17, 18 - HIV/AIDS CASE MANAGEMENT, BENEFITS SPECIALTY, AND PH-001003, Scheduled 3, 4, 5, 6 - HIV/AIDS HEALTH EDUCATION AND RISK REDUCTIONS SERVICES

Dear Ms. Watanabe :

This letter serves as acknowledgement of The City of Long Beach Department of Health and Human Services fiscal contract compliance review report for the contract referenced above. The recommendations are addressed below with specific actions step for improvement.

FISCAL REVIEW:

County of Los Angeles Department of Auditor-Controller finding #1:

Long Beach did not provide adequate supporting documentation for \$7,334 (44%) of the \$16,635 in non-payroll expenditures reviewed. Specially, the Agency did not provide a cancelled check or an invoice for \$5,157 in laboratory costs and did not provide invoices for \$2,177 in computer lease costs that they billed to the DHSP Program.

Recommendation from County of Los Angeles Department of Auditor-Controller #1:

- Repay DPH \$7,334, or provide DPH documentation to support the expenditures.
- Maintain adequate documentation to support Program expenditures.

LBDHHS Response #1:

LBDHHS Analyst, Sarady C. Kong, will ensure and provide DPH all adequate supporting documentation placed in the file by Friday, February 15, 2013.

County of Los Angeles Department of Auditor-Controller finding #2:

Long Beach prepared its Plan in compliance with the County contract. However, Long Beach used an unapproved rate to charge \$4,650 in indirect cost to the DHSP Program during March 2011 through February 2012.

Recommendation from County of Los Angeles Department of Auditor-Controller #2:

- Long Beach management repay DPH \$4,650, or provide DPHS documentation to support the expenditures.

LBDHHS Response #2:

LBDHHS Analyst, Sarady C. Kong, will ensure and provide DPH with LBDHHS approved indirect cost rate along with all adequate supporting documentation placed in the file by Friday, February 15, 2013.

County of Los Angeles Department of Auditor-Controller finding #3:

Long Beach's Cost Reports did not reconcile to their accounting records. Specially, the Agency's accounting records did not support \$942 in non-payroll expenditures billed to DPH as indicated in their Cost Reports. Long Beach needs to repay DPH \$942 or update their accounting records and provide DPH with supporting documentation. In addition, the Agency needs to revise their accounting records based on our recommendations above and provide DPH with revised Cost Reports.

Recommendation from County of Los Angeles Department of Auditor-Controller #3:

- Repay DPH \$942, or update their accounting records and provide DPH with supporting documentation.
- Revised their accounting records based on our recommendations above and provide DPH with revised Cost Reports.

LBDHHS Response #3:

LBDHHS Analyst, Sarady C. Kong, will ensure accounting records, Cost Reports and all adequate supporting documentation placed in the file by Friday, February 15, 2013.

Thank you for your feedback and the opportunity to further improve upon City of Long Beach Department of Health and Human Services grant accounting records, internal controls and compliance with DHSP contract and other applicable guidelines. The City of Long Beach will continue to strive to maintain the appropriate documents in support of program expenditures.

Should you have any questions, please don't hesitate to contact Sarady C. Kong, Analyst, at (562)570-4341 or via email at sarady.kong@longbeach.gov

Sincerely,



Mitchell S. Kushner, MD
Physician Services Bureau Manager/City Health Officer

W:\physician Services.SC, audit
cc: Fiscal Review Contract File FY09-12
HE1208B
HE1220A-AOM
HE1220A-MS
HE1220A-TMP
HE1239
HE1239A
HE1267