



JOHN NAIMO
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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June 15, 2015

TO: Supervisor Michael D. Antonovich, Mayor
Supervisor Hilda L. Solis
Supervisor Mark Ridley-Thomas
Supervisor Sheila Kuehl
Supervisor Don Knabe

FROM: John Naimo *John Naimo*
Auditor-Controller

SUBJECT: **THE WALL LAS MEMORIAS PROJECT – A DEPARTMENT OF PUBLIC HEALTH DIVISION OF HIV AND STD PROGRAMS PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of The Wall Las Memorias Project (The Wall or Agency), which included a sample of transactions from Contract Years (CYs) 2012 and 2013. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracts with The Wall to provide services such as faith-based HIV/AIDS prevention services.

The purpose of our review was to determine whether The Wall provided the services outlined in their County contracts and appropriately spent DHSP Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with their contracts and other applicable guidelines.

During CYs 2012 and 2013, DHSP had two contracts with The Wall, and paid the Agency approximately \$442,000 on a cost-reimbursement basis. The Wall provides services to clients residing in all Supervisorial Districts.

Results of Review

The Wall appropriately charged payroll costs to DHSP, and maintained personnel files as required. However, the Agency charged DHSP \$4,932 in questioned costs and did not always comply with their County contract requirements. For example, The Wall:

- Billed DHSP \$3,539 for costs that were not supported by their financial records. We noted a similar finding in our prior monitoring review.

After our review, The Wall provided additional documentation, reducing the questioned costs to \$1,088. The Agency's attached response indicates that they will repay DHSP for the amounts overbilled.

- Overbilled DHSP \$1,393 for shared expenditures that were allocated using unallowable or unsupported allocation methodologies. We noted a similar finding in our prior monitoring review.

The Wall's attached response indicates that they will repay DHSP for the amounts overbilled.

- Did not ensure bank reconciliations were signed and dated appropriately. We noted a similar finding in our prior monitoring review.

The Wall's attached response indicates that they will ensure bank reconciliations are signed and dated appropriately.

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

Review of Report

We discussed our report with The Wall and DHSP. The Wall's attached response (Attachment II) indicates that they agree with our findings and recommendations. DHSP will work with The Wall to ensure our recommendations are implemented.

We thank The Wall management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:EB:ku

Attachments

- c: Sachi A. Hamai, Interim Chief Executive Officer
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health
Esteban Torres, Chair Person, The Wall Las Memorias Project
Richard L. Zaldivar, Executive Director, The Wall Las Memorias Project
Public Information Office
Audit Committee

**THE WALL LAS MEMORIAS PROJECT
DIVISION OF HIV AND STD PROGRAMS
CONTRACT COMPLIANCE REVIEW
CONTRACT YEARS 2012 AND 2013**

CASH/REVENUE

Objective

Determine whether The Wall Las Memorias Project (The Wall or Agency) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed The Wall management, and reviewed their financial records and December 2013 bank reconciliation for one bank account.

Results

The Wall properly recorded revenue in their financial records, and bank reconciliations were reviewed and approved by Agency management timely. However, the Agency did not ensure the preparer signed and dated bank reconciliations. We noted a similar finding in our prior monitoring review.

In addition, The Wall did not deposit two Department of Public Health, Division of HIV and STD Programs (DHSP) cash receipts timely. Specifically, the payments were deposited 15 and 46 days after receipt.

Recommendations

The Wall Las Memorias Project management:

- 1. Ensure that bank reconciliations are signed and dated appropriately.**
- 2. Ensure cash receipts are deposited timely.**

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether The Wall's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to DHSP were allowable, properly documented, and accurately billed.

Verification

We reviewed The Wall's Plan and their financial records for 21 non-payroll expenditures, totaling \$12,640, that the Agency charged to DHSP from February 2012 to December 2013. Based on the initial results of our review, we expanded our sample to include an additional \$28,838 in shared expenditures billed in Contract Year (CY) 2013. We also interviewed Agency personnel.

Results

The Wall prepared their Plan in compliance with their County contracts. However, the Agency billed DHSP:

- \$2,009 for computer maintenance, supplies, and printing expenditures that were allocated based on unallowable or unsupported allocation methodologies. We noted a similar finding in our prior monitoring review. After our review, The Wall reallocated all their computer maintenance, supplies, and printing expenditures for CYs 2012 and 2013, which resulted in \$812 in overbillings.
- \$31,295 for rent, utilities, telephone, accounting, and insurance expenditures that were billed based on contract budgets, instead of actual conditions as required. In addition, the expenditures were not recorded in their separate Cost Centers for each contract as required. Given the unallowable allocation methodology used, The Wall recalculated the allocations based on actual conditions, which resulted in \$581 in overbillings.

In addition, The Wall did not always document management's approvals for purchases as required.

Recommendations**The Wall Las Memorias Project management:**

3. **Revise their financial records and Cost Reports based on the reallocations and recalculations completed after our review.**
4. **Repay the Division of HIV and STD Programs \$1,393 (\$812 + \$581).**
5. **Ensure expenditures are allocated appropriately using allowable allocation methodologies.**
6. **Maintain adequate documentation to support expenditures and allocation percentages used.**
7. **Ensure expenditures are recorded in their separate Cost Centers for each contract.**

8. Document management approval for all purchases.

PAYROLL AND PERSONNEL

Objective

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

Verification

We compared the payroll costs for five employees, totaling \$8,293 for December 2013, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for the same five employees.

Results

The Wall appropriately charged payroll costs to DHSP, and maintained personnel files as required.

Recommendation

None.

COST REPORTS

Objective

Determine whether The Wall's CY 2012 Cost Reports reconciled to their financial records.

Verification

We compared the Agency's CY 2012 Cost Reports to their financial records.

Results

The Wall's CY 2012 Cost Reports did not reconcile to their financial records. Specifically, the Agency's financial records did not support \$3,539 reported on their Costs Reports, resulting in an overbilling. We noted a similar finding in our prior monitoring review. After our review, The Wall provided additional documentation, reducing the questioned costs to \$1,088.

In addition, for other budgeted line-items, the Agency's financial records supported more than was what was reported on their Cost Reports by \$3,174. The Wall should ensure that Cost Reports are complete and accurate.

Recommendations

The Wall Las Memorias Project management:

- 9. Repay the Division of HIV and STD Programs \$1,088.**
- 10. Ensure Cost Reports are complete, accurate, and reconcile to their financial records.**



John Naimo, Auditor-Controller
Countywide Contract Monitoring Division
Department of Auditor-Controller
County of Los Angeles
350 South Figueroa St.
Los Angeles, CA. 90071

May 28, 2015

Dear Mr. Naimo,

Attached below is the formal written response/corrective action plan for the FY 2013-14 DHSP monitoring review of The Wall Las Memorias Project.

Most of the listed findings have been addressed by The Wall Las Memorias Project Management and Fiscal Person. The Wall Las Memorias Project Management will ensure to address the recommendations listed below within the specified timeframe.

If you have any questions, please contact Ira Putra, Accountant at (909) 620-3900 ext. 10 or via email at ira@ipconsultingonline.com.

Thank you,

Richard L Zaldivar
Executive Director

Cc: Enrique Topete, Programs Director-The Wall Las Memorias Project
Ira Putra- IP Consulting. The Wall Las Memorias Project Accountant
Katherine Urbanski, CPA. Program Accountant-Auditor

The Wall Las Memorias Project
Corrective Action Plan- FY 2013-14
May 28, 2015

I. CASH/REVENUE

OBJECTIVE: Determine whether The Wall Las Memorias Project (TWLMP) properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

AUDITOR RECOMMENDATION(S):

The Wall Las Memorias Project Management:

1. Ensure that bank Reconciliations are signed and dated appropriately.
2. Ensure cash receipts are deposited timely.

TWLMP CORRECTIVE ACTION:

Effective June 1, 2015, The Wall Las Memorias Project Management will ensure that all bank reconciliations are signed and dated appropriately by the Executive Director and the Accountant (the preparer). The Wall Las Memorias Project Management will ensure that cash receipts and all Department of Public Health Division of HIV and STD Programs (DHSP) payments are deposited timely.

II. EXPEND EXPENDITURES/COST ALLOCATION PLAN

OBJECTIVE: Determine whether The Wall's Cost Allocation Plan (Plan) complied with their County contracts, and if expenditures charged to DHSP were allowable, properly documented, and accurately billed.

AUDITOR RECOMMENDATION(S):

The Wall Las Memorias Project management:

3. Reallocate all computer maintenance, supply, and printing expenditures based on allowable allocation methodologies for Contract Years 2012 and 2013, revise their financial records and Cost Reports, and repay the Division of HIV and STD Programs for any overbilled amounts.
4. Repay the Division of HIV and STD Programs \$581.
5. Ensure expenditures are allocated appropriately using allowable allocation methodologies.
6. Maintain adequate documentation to support expenditures and allocation percentages used.
7. Ensure expenditures are recorded in their separate Cost Centers for each contract.

8. Document management approval for all purchases.

TWLMP CORRECTIVE ACTION:

By May 28, 2015, The Wall Las Memorias Project Management and Accountant will have reallocated all computer maintenance, supply, and printing expenditures based on allowable allocation methodologies for Contract Years 2012 - 2013, revised TWLMP financial records, and also have revised the Cost Reports. Please see the attached reallocation document.

By July 31, 2015, TWLMP will repay the Division of HIV and STD Programs for any overbilled amounts.

By June 1, 2015, TWLMP will maintain adequate documentation to support expenditures and allocation percentages used, ensure expenditures are recorded in their separate Cost Centers for each contract, and will make sure to document management approval for all future purchases.

III. COST REPORTS

OBJECTIVE: Determine whether The Wall's CY 2012 Cost Reports reconciled to their financial records.

AUDITOR RECOMMENDATION(S):

The Wall --- Las Memorias Project management:

9. Repay the Division of HIV and STD Programs \$1,088.

10. Ensure Cost Reports are complete, accurate and reconcile to their financial records.

TWLMP CORRECTIVE ACTION:

By July 31, 2015, TWLMP will repay the Division of HIV and STD Programs for any overbilled amounts.

Effective June 1, 2015, TWLMP will ensure that future Cost Reports are complete, accurate and reconcile to their financial records.