



JOHN NAIMO  
AUDITOR-CONTROLLER

**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

September 22, 2016

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

FROM: John Naimo  
Auditor-Controller

**SUBJECT: ST. JOHN'S WELL CHILD AND FAMILY CENTER – A DEPARTMENT  
OF PUBLIC HEALTH DIVISION OF HIV AND STD PROGRAMS  
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of St. John's Well Child and Family Center (St. John's or Agency), which included a sample of transactions during February 2013 through February 2015. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracts with St. John's to provide Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services. Ryan White services include medical outpatient, medical care coordination, and integrated behavioral health and primary care.

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

Our review covered three DHSP contracts with St. John's, for which DHSP paid the Agency approximately \$1 million on a cost-reimbursement and fee-for-service basis during February 2013 through February 2015. St. John's provides services to residents of all Supervisorial Districts.

### Results of Review

St. John's maintained personnel files and documentation to support the services provided for the clients we reviewed as required. However, the Agency inappropriately allocated shared expenditures, charged for unsupported expenditures, and did not always comply with their County contract requirements. For example, St. John's:

- Allocated \$29,810 in shared expenditures for their behavioral health contract based on contract budgets, instead of actual conditions, as required by the Office of Management and Budget's Circular A-122, Attachment B, Paragraph 8. Of the \$29,810 in shared expenditures, \$3,243 (\$2,596 + \$647) was also unallowable and unsupported.

*St. John's attached response indicates that they will repay DHSP \$3,243, and reallocate all shared expenditures for their behavioral health contract and reimburse DHSP for any unallowable amounts.*

- Charged \$15,950 for independent contractor expenditures that were not supported by time reports or client logs.

*After our review, St. John's provided additional documentation to support \$14,975. The Agency's attached response indicates that they will reduce their fee-for-service program expenditures for the remaining \$975 in questioned costs.*

- Charged \$12,321 for unsupported payroll expenditures. Specifically, the Agency's time reports were not dated by the employees, signed by the supervisors, and one employee's time report did not indicate total hours worked each day by program as required.

*After our review, St. John's provided revised time reports to support the \$12,321 in questioned costs.*

- Did not reassess income and/or residency eligibility once every six months as required for all ten (100%) clients reviewed.

*St. John's attached response indicates that they agree and will maintain proof of client eligibility reassessments as required.*

Details of our review, along with recommendations for corrective action, are attached (Attachment I).

**Review of Report**

We discussed our report with St. John's and DHSP. St. John's attached response (Attachment II) indicates agreement with our findings and recommendations. DHSP will work with St. John's to ensure that our recommendations are implemented.

We thank St. John's management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Aggie Alonso at (213) 253-0304.

JN:AB:PH:AA:EB:ku

Attachments

c: Sachi A. Hamai, Chief Executive Officer  
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health  
Lawrence R. Young, Board Chair, St. John's Well Child and Family Center  
Jim Mangia, President and Chief Executive Officer, St. John's Well Child and Family Center  
Public Information Office  
Audit Committee

**ST. JOHN'S WELL CHILD AND FAMILY CENTER  
DEPARTMENT OF PUBLIC HEALTH  
DIVISION OF HIV AND STD PROGRAMS  
CONTRACT COMPLIANCE REVIEW  
FEBRUARY 2013 THROUGH FEBRUARY 2015**

**ELIGIBILITY**

**Objective**

Determine whether St. John's Well Child and Family Center (St. John's or Agency) maintained documentation to support the eligibility of clients that the Agency claimed received the Department of Public Health, Division of HIV and STD Programs (DHSP), Ryan White Comprehensive AIDS Resources Emergency Act (Ryan White) services.

**Verification**

We reviewed the documentation stored in the case files for ten (26%) of the 38 clients that St. John's claimed received Ryan White services during March 2014 through February 2015.

**Results**

St. John's maintained documentation to support the eligibility of nine (90%) of the ten clients reviewed. However, the Agency did not maintain documentation to support the residency eligibility requirement for one (10%) client.

In addition, St. John's did not conduct the recertification process at least once every six months to ensure that client residency and income continue to meet the eligibility requirements. Specifically, the Agency did not reassess income for all ten (100%) clients and residency for nine (90%) of the ten clients once every six months as required.

**Recommendations**

**St. John's Well Child and Family Center management:**

- 1. Maintain documentation to support client eligibility.**
- 2. Ensure client eligibility is reassessed once every six months as required.**

**PROGRAM SERVICES**

**Objective**

Determine whether St. John's maintained documentation to support the services charged to DHSP, and the Agency collected fees from eligible clients in accordance with their County contracts.

**Verification**

We reviewed the case files for ten (26%) of the 38 clients that the Agency claimed received Ryan White services during March 2014 through February 2015. We also determined whether the Agency collected fees from clients in accordance with their County contracts.

**Results**

St. John's maintained documentation to support the services provided to the ten clients reviewed and collected fees in accordance with their County contracts.

**Recommendation**

**None.**

**CASH/REVENUE**

**Objective**

Determine whether St. John's properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if bank reconciliations were prepared timely, and reviewed and approved by Agency management.

**Verification**

We interviewed St. John's management, and reviewed their financial records and January 2015 bank reconciliations for two bank accounts.

**Results**

St. John's did not resolve 13 outstanding reconciling items, totaling \$11,874, on their bank reconciliations timely. Specifically, the 13 outstanding items were over six months old.

In addition, St. John's recorded revenue and expenditures at year-end for their medical outpatient contract, instead of on a monthly basis as required by Section A.2.0 of the Auditor-Controller Contract Accounting and Administration Handbook.

**Recommendations**

**St. John's Well Child and Family Center management:**

- 3. Ensure reconciling items are resolved timely.**
- 4. Properly record revenues and expenditures in their financial records on a monthly basis as required.**

**COST ALLOCATION PLAN/EXPENDITURES**

**Objective**

Determine whether St. John's developed their Cost Allocation Plan (Plan) using an appropriate cost allocation methodology, and if expenditures charged to DHSP were allowable, properly documented, and appropriately allocated.

**Verification**

We interviewed St. John's personnel, and reviewed their Plan and financial records for 94 non-payroll expenditures, totaling \$54,951, that the Agency charged to DHSP during February 2013 through December 2014.

**Results**

St. John's developed their Plan using an appropriate cost allocation methodology. However, the Agency charged DHSP for expenditures that should have been allocated to other payer sources for their medical outpatient contract. Paragraph 4.G of their County contract indicates that DHSP should not be billed for services covered by other payer sources. We recalculated the amounts that should have been charged to the medical outpatient contract, using the ratio of DHSP client visits to total client visits. Our recalculation determined that St. John's was not overpaid for Contract Year (CY) 2013-14. However, the Agency should ensure that expenditures are allocated by payer appropriately.

St. John's also allocated \$29,810 in shared expenditures for their behavioral health contract based on contract budgets, instead of actual conditions, as required by the Office of Management and Budget's Circular A-122, Attachment B, Paragraph 8. Of the \$29,810 in shared expenditures, the Agency also charged:

- \$2,596 for unallowable expenditures, such as baby shower supplies and utilities that did not benefit the DHSP contracts, and were not supported by cancelled checks and invoices.
- \$647 for unsupported expenditures, such as telephone and internet services, that were not supported by cancelled checks and invoices.

In addition, St. John's did not always document management's approvals for purchases as required and charged DHSP \$15,950 (\$14,975 cost-reimbursement + \$975 fee-for-service) for independent contractor expenditures that were not supported by time reports or client logs. After our review, St. John's provided additional documentation to support \$14,975 in questioned costs.

### **Recommendations**

#### **St. John's Well Child and Family Center management:**

- 5. Repay the Division of HIV and STD Programs \$3,243 (\$2,596 + \$647), or provide adequate documentation to support the expenditures.**
- 6. Reduce the fee-for-service program expenditures by \$975, or provide adequate documentation to support the expenditures.**
- 7. Reallocate all Contract Year 2014-15 medical outpatient contract costs by payer, and repay the Division of HIV and STD Programs for any overbilled amounts.**
- 8. Reallocate all shared expenditures for the behavioral health contract based on an allowable methodology, and repay the Division of HIV and STD Programs for any overbilled amounts.**
- 9. Ensure expenditures are allocated appropriately using allowable allocation methodologies.**
- 10. Document management approval for all purchases.**
- 11. Ensure that all expenditures charged are allowable.**
- 12. Maintain adequate documentation to support expenditures.**

### **PAYROLL AND PERSONNEL**

#### **Objective**

Determine whether St. John's maintained personnel files as required and charged payroll expenditures to DHSP that were allowable, properly documented, and appropriately allocated.

#### **Verification**

We interviewed employees, and reviewed personnel files for seven employees. We also compared the payroll expenditures for the seven employees, totaling \$17,987 for September 2014, to the Agency's payroll records and time reports.

**Results**

St. John's maintained personnel files as required. However, as indicated in the Cost Allocation Plan/Expenditures section, the Agency did not allocate expenditures appropriately, which included payroll expenditures. In addition, St. John's charged \$12,321 for unsupported payroll expenditures. Specifically, the Agency's time reports were not dated by the employees, signed by the supervisors, and one employee's time report did not indicate total hours worked each day by program as required. After our review, St. John's provided revised time reports to support the \$12,321 in questioned costs.

**Recommendations**

**Refer to Recommendation 9.**

**St. John's Well Child and Family Center management ensure time reports:**

- 13. Are dated and signed by the employees and supervisors.**
- 14. Indicate the total hours worked each day by program.**

**COST REPORTS****Objective**

Determine whether St. John's CY 2013-14 Cost Reports reconciled to their financial records, and if the Agency's administrative costs were within their contracts' ten percent limits.

**Verification**

We compared St. John's CY 2013-14 Cost Reports to their financial records. We also determined whether St. John's administrative costs were within their contracts' ten percent limits.

**Results**

St. John's administrative costs were within their contracts' ten percent limits. However, the Agency's CY 2013-14 Cost Reports did not reconcile to their financial records, resulting in a variance. The questioned costs were immaterial. However, St. John's should ensure that Cost Reports are complete and accurate.

The Agency also did not submit their Cost Reports within 30 days following the close of the contract period as required. Specifically, St. John's submitted their Cost Reports approximately nine months after the close of the contract period.

**Recommendations**

**St. John's Well Child and Family Center management:**

- 15. Ensure Cost Reports are complete, accurate, and reconcile to their financial records.**
- 16. Submit their Cost Reports within 30 days following the close of the contract period as required.**
- 17. Revise their financial records based on our recommendations above, provide the Division of HIV and STD Programs revised Cost Reports, and repay the Division of HIV and STD Programs for any overbilled amounts.**



808 W. 58<sup>th</sup> Street  
Los Angeles, CA 90037  
(323) 541-1600 Fax (323) 541-1601

August 22, 2016

John Naimo, Auditor-Controller  
County of Los Angeles  
350 S. Figueroa Street, 8th Floor  
Los Angeles, CA 90071

Dear Mr. Naimo,

This letter is in response to the audit report of St. John's Well Child and Family Center emailed on August 08, 2016.

**1. Recommendation 1: Maintain documentation to support client eligibility**

Agency Response: We agree with the recommendation and will ensure that documentation to support client eligibility will be updated in the client charts.

**2. Recommendation 2: Ensure client eligibility is reassessed once every six months as required**

Agency Response: We agree with the recommendation and will have proof of client eligibility reassessments once every six months as required.

**3. Recommendation 3: Ensure reconciling items are resolved timely**

Agency Response: We agree with the recommendation and will ensure reconciling items are resolved timely

**4. Recommendation 4: Properly record revenues and expenditures in their financial records at least on a monthly basis as required**

Agency Response: Revenue will be accrued monthly and properly reflected in our financial records.

**5. Recommendation 5: Repay the Division of HIV and STD Programs \$3,243 (\$14,975 - \$14,975 + \$2,596 + \$647), or provide adequate documentation to support the expenditures**

Agency Response: St. John's will repay the Division of HIV and STD Programs \$3,243 for items that didn't satisfy the audit review. Full supporting documentation will be properly provided in all future contract awards.

**6. Recommendation 6: Reduce the fee-for-service program expenditures by \$975, or provide adequate documentation to support the expenditures**

Agency Response: \$975 will be reduced from the fee-for-service program expenditures, however budget expenditures will be reviewed annually to ensure existing cost are being covered.

- 7. Recommendation 7: Reallocate all Contract Year 2014-15 medical outpatient contract costs by payer, and repay the Division of HIV and STD Programs for any overbilled amounts**

Agency Response: St. John's will ensure DHSP expenditures will be properly allocated to the correct payer sources, however after being recalculated it was determined St. John's was not overpaid.

- 8. Recommendation 8: Reallocate all shared expenditures for the behavioral health contract based on an allowable methodology, and repay the Division of HIV and STD Programs for any overbilled amounts**

Agency Response: We agree with recommendation and will reallocate all shared expenditures for the behavioral health contract based on an allowable methodology. The expenditures that were unallowed will be reimbursed back to the county as stated above.

- 9. Recommendation 9: Ensure expenditures are allocated appropriately using allowable allocation methodologies**

Agency Response: We agree with the recommendation and will ensure expenditures are allocated appropriately using allowable allocation methodologies

- 10. Recommendation 10: Document management approval for all purchases**

Agency Response: We agree with the recommendation and will document management's approvals for purchases as required.

- 11. Recommendation 11: Ensure that all expenditures charged are allowable**

Agency Response: We agree with the recommendation and will ensure that all expenditures charged are allowable, properly documented, and appropriately allocated

- 12. Recommendation 12: Maintain adequate documentation to support expenditures**

Agency Response: We agree with the recommendation and will maintain adequate documentation to support expenditures

- 13. Recommendation 13: Ensure that time reports are dated and signed by the employees and supervisors**

Agency Response: We agree with the recommendation and will ensure that time studies are conducted at least once per quarter, and signed by the employees and supervisors

- 14. Recommendation 14: Ensure that time reports indicated the total hours worked each day by program**

Agency Response: We agree with the recommendation and will ensure that time reports indicate total hours worked each day by program

- 15. Recommendation 15: Ensure Cost Reports are complete, accurate, and reconcile to their financial records**

Agency Response: We agree with the recommendation and will ensure Cost Reports are complete, accurate, and reconcile to their financial records.

**16. Recommendation 16: Submit their Cost Reports within 30 days following the close of the contract period as required**

Agency Response: We agree with the recommendation and will submit our Cost Reports within 30 days following the close of the contract period as required

Thank you,



Elizabeth Meisler, CFO  
St. John's Well Child & Family Center  
323-541-1613  
[emeisler@wellchild.org](mailto:emeisler@wellchild.org)