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

JOHN NAIMO
AUDITOR-CONTROLLER

February 16, 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: **CITY OF LONG BEACH – A DEPARTMENT OF PUBLIC HEALTH DIVISION OF HIV AND STD PROGRAMS PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of the City of Long Beach (Long Beach or Agency), which included a sample of transactions from Contract Years (CY) 2013-14 and 2014-15. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracts with Long Beach to provide Ryan White Comprehensive AIDS Resources Emergency Act services such as medical outpatient, benefits specialty, and medical care coordination.

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

Our review covered three DHSP contracts with Long Beach, for which DHSP paid the Agency approximately $731,000 on a cost-reimbursement and fee-for-service basis for CYs 2013-14 and 2014-15. Long Beach provides services to residents of all Supervisorial Districts.

Results of Review

Long Beach maintained adequate documentation to support clients' eligibility for DHSP services, and maintained personnel files as required. However, the Agency did not always maintain adequate documentation to support DHSP expenditures resulting in questioned costs totaling $6,269. Specifically, Long Beach inappropriately:

- Charged $3,629 on their Cost Reports for costs that were not supported by their financial records, and $2,640 in unsupported payroll expenditures. We noted similar findings in our prior monitoring review.

  Long Beach's attached response indicates that they will ensure all adequate supporting documentation is maintained. Agency management indicated that they will repay DHSP for the amounts overbilled.

- Did not collect client fees according to their client fee schedule for two (13%) of the 15 clients reviewed.

  Long Beach's attached response indicates that they will ensure clients are evaluated properly.

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

Review of Report

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

We thank Long Beach 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:PH:DC:EB

Attachments

c: Sachi A. Hamai, Chief Executive Officer
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health
Patrick H. West, City Manager, City of Long Beach
Kelly Colopy, Director of Health and Human Services, City of Long Beach
Public Information Office
Audit Committee

CITY OF LONG BEACH
DIVISION OF HIV AND STD PROGRAMS
CONTRACT COMPLIANCE REVIEW
CONTRACT YEARS 2013-14 AND 2014-15

ELIGIBILITY

Objective

Determine whether the City of Long Beach (Long Beach 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 15 (4%) of the 338 clients that Long Beach reported receiving Ryan White services from March through August 2014.

Results

Long Beach maintained documentation to support the eligibility of the 15 clients reviewed.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether Long Beach maintained documentation to support the services billed to DHSP, whether clients received the billed services, and the Agency collected fees from eligible clients in accordance with their County contracts.

Verification

We visited one Long Beach service site, and reviewed the case files for 15 (4%) of the 338 clients that the Agency reported received services from March through August 2014. We also determined whether the Agency collected fees from clients in accordance with their approved client fee schedule.

Results

Long Beach maintained documentation to support the services provided to the 15 clients reviewed. However, the Agency did not collect fees in accordance with the Agency's client fee schedule for two (13%) of the 15 clients reviewed. In addition, Long Beach did not obtain approval from DHSP for their client fee schedule as required by Paragraph 48 of the Additional Provisions of their HIV/AIDS Benefits Specialty Services contract.

Recommendations

City of Long Beach management:

1. **Obtain approval from the Division of HIV and STD Programs for their client fee schedule, when required by County contracts.**

2. **Ensure fees are assessed based on the client fee schedule.**

CASH/REVENUE

Objective

Determine whether Long Beach properly recorded revenue in their financial records, deposited cash receipts into their bank accounts timely, and if the bank account reconciliation was reviewed and approved by Agency management.

Verification

We interviewed Long Beach management, and reviewed their financial records and their June 2014 bank reconciliation for one bank account.

Results

Long Beach properly recorded revenue in their financial records, deposited DHSP cash receipts timely, and their bank reconciliation was reviewed and approved by Agency management.

Recommendation

None.

COST ALLOCATION PLAN/EXPENDITURES

Objective

Determine whether Long Beach 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 Long Beach personnel, and reviewed their Plan and financial records for five non-payroll expenditures, totaling $5,218, that the Agency charged to DHSP from June 2013 through July 2014.

Results

Long Beach developed their Plan using an appropriate cost allocation methodology, and their expenditures were allowable, properly documented, and appropriately allocated.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

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

Verification

We compared the payroll expenditures for nine employees, totaling $36,321 for February 2014, to the Agency's payroll records and time reports. We also interviewed employees, and reviewed personnel files for the nine employees.

Results

Long Beach maintained personnel files as required. However, the Agency billed DHSP $2,640 in questioned costs. Specifically, Long Beach charged:

- $2,126 for payroll expenditures that were not supported by an employee's payroll records and were inappropriately billed in other budget line items. We noted a similar finding in our prior monitoring review.

- $514 for salaries that were not supported by an employee's time reports. We noted a similar finding in our prior monitoring review.

Recommendations

City of Long Beach management:

3. **Repay the Division of HIV and STD Programs $2,640, or provide adequate documentation to support the expenditures.**

4. **Maintain adequate documentation to support expenditures.**

5. **Ensure that billed expenditures are allowable.**

COST REPORTS

Objective

Determine whether Long Beach's Contract Years (CY) 2012-13 and 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 the Agency's CYs 2012-13 and 2013-14 Cost Reports to their financial records. We also determined whether Long Beach's administrative costs were within their contracts' ten percent limits.

Results

Long Beach's administrative costs were within their contracts' ten percent limits. However, the Agency's CYs 2012-13 and 2013-14 Cost Reports did not reconcile to their financial records. Specifically, Long Beach's financial records did not support $3,629 reported on their Costs Reports. We noted a similar finding in our prior monitoring review.

In addition, for other budgeted line-items, the Agency's financial records exceeded their Cost Reports by $26,619. There were no questioned costs because the Agency was not overpaid. However, Long Beach should ensure Cost Reports are complete and accurate.

Recommendations

City of Long Beach management:

6. **Repay the Division of HIV and STD Programs $3,629.**

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

CITY OF LONG BEACH

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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

December 7, 2015

John Naimo
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 PH-002425, Scheduled 1, 2, 3, 4, 5, 6, 7, 8 - AMBULATORY OUTPATIENT MEDICAL/FFS, H-210813 Scheduled 19 - BENEFITS SPECIALTY, AND PH-002431, Scheduled 1, 2 – MEDICAL CARE COORDINATION

Dear Mr. Naimo:

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

PROGRAM SERVICES:

County of Los Angeles Department of Auditor-Controller finding #1:
Long Beach did not collect fees in accordance with the Agency's fee schedule for two (13%) of the 15 clients reviewed.

LBDHHS Response #1:
LBDDHS Clinical Services staff will ensure that all clients are evaluated properly and screened every 6 months to determine that appropriate fees are collected for all clients provided a service. For those clients that are determined not to be required to pay a fee, documentation will be placed in client file and will also be maintained electronic health record (Nextgen).

County of Los Angeles Department of Auditor-Controller finding #2:
Long Beach did not obtain approval from DHSP for their client fee schedule as required by Paragraph 489 of the Additional Provisions of their HIV/AIDS Benefits Specialty Services contract.

LBDHHS Response #2:
LBDDHS management staff has since the review in question obtained approval from Division of HIV and STD Programs for the current year fee schedule as required by County contracts. The approval letter was dated May 20, 2015.

FISCAL REVIEW:

County of Los Angeles Department of Auditor-Controller finding #1:
Long Beach did not provide adequate supporting documentation for $2,640 in payroll expenditures questioned costs.

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

- Repay DHSP $2,640, or provide DHSP documentation to support the expenditures.
- Maintain adequate documentation to support Program expenditures.
- Ensure that billed expenditures are allowable

LBDHHS Response #1:
LBDHHS-Physician Services Bureau Analyst, Sarady C. Kong, will work with Financial Management and Human Resources to ensure all adequate supporting documentation is placed in the file by December 31, 2015.

City of Long Beach will only invoice DHSP based on allowable and approved budget in accordance with the fully executed contract.

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

- Long Beach management repay DHSP $3,629, or provide DPHS documentation to support the expenditures.
- Ensure Cost Reports are complete, accurate and reconcile to their financial records.

LBDHHS Response #2:
LBDHHS-Physician Services Bureau Analyst, Sarady C. Kong, will work with Financial Management and Human Resources to ensure all adequate supporting documentation is placed in the file by December 31, 2015.

The City of Long Beach would like to purpose that the Department of Public Health Division of HIV and STD Program revise the language of the contract to reflect sixty (60) vs thirty (30) calendar days to complete the Annual Cost Report following the close of the contract period (see page 7, exhibit E of contract number H-210813).This will ensure that the Agency's costs reconcile with financial records (General Ledger) and will allow for the tracking of actual DHSP Program costs back to the actual cost reported.
Secondly, we would like to request that DHSP consider revising the format of the Annual Cost Report pages 2-6, column B to reflect actual expenditure vs. funds expended as of the budget end date.

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 contracts 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 me, Sarady C. Kong, Analyst at (562)570-4341 or via email at sarady.kong@longbeach.gov.

Sincerely,

Sarady C. Kong
Analyst

W Physician Services SC, audit
cc: DHSP Fiscal Audit FY12-15 RESPONSE 12.03.2015

SK