



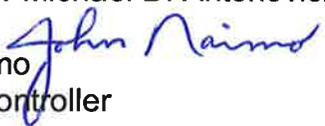
**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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

September 21, 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: WHITTIER RIO HONDO AIDS PROJECT – A DEPARTMENT OF  
PUBLIC HEALTH DIVISION OF HIV AND STD PROGRAMS PROVIDER  
– CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Whittier Rio Hondo AIDS Project (WRHAP or Agency), which included a sample of transactions during March 2013 through September 2014. The Department of Public Health, Division of HIV and STD Programs (DHSP) contracted with WRHAP to provide Ryan White Comprehensive AIDS Resources Emergency Act services such as case management, HIV/AIDS health education, risk reduction, and mental health. WRHAP ended their DHSP contracts in December 2015.

The purpose of our review was to determine whether WRHAP 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 WRHAP, for which DHSP paid the Agency approximately \$271,000 on a cost-reimbursement basis during March 2013 through September 2014. WRHAP provided services to residents of all Supervisorial Districts.

### **Results of Review**

WRHAP maintained personnel files and documents to support the services provided to clients as required. However, the Agency did not always comply with their County contract requirements. For example, WRHAP inappropriately allocated shared expenditures, charged DHSP \$17,770 for unsupported and unallowable expenditures, and did not maintain client eligibility documentation for four (57%) of the seven clients reviewed. We noted similar findings in our prior monitoring review.

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

### **Review of Report**

WRHAP did not respond to our requests for a corrective action plan to address the findings noted in our report. We discussed our report with DHSP and they indicated that they will attempt to contact WRHAP management to resolve the questioned costs, or refer the questioned costs to the Treasurer and Tax Collector.

We thank WRHAP 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

Attachment

c: Sachi A. Hamai, Chief Executive Officer  
Cynthia A. Harding, M.P.H., Interim Director, Department of Public Health  
George Figueroa, Board President, Whittier Rio Hondo AIDS Project  
Elizabeth Mendia, Executive Director, Whittier Rio Hondo AIDS Project  
Public Information Office  
Audit Committee

**WHITTIER RIO HONDO AIDS PROJECT  
DEPARTMENT OF PUBLIC HEALTH  
DIVISION OF HIV AND STD PROGRAMS  
CONTRACT COMPLIANCE REVIEW  
MARCH 2013 THROUGH SEPTEMBER 2014**

**ELIGIBILITY**

**Objective**

Determine whether Whittier Rio Hondo AIDS Project (WRHAP 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 seven (14%) of the 50 clients that WRHAP claimed received Ryan White services during March 2013 through March 2014.

**Results**

WRHAP maintained documentation to support the eligibility of three (43%) of the seven clients reviewed. However, the Agency did not maintain proof of HIV diagnosis, Los Angeles County residency, or income verification for four (57%) of the seven clients reviewed as required. In addition, WRHAP did not adequately screen for insurance coverage for the seven clients reviewed as required.

**Recommendation**

- 1. Before entering into any new contracts with Los Angeles County, Whittier Rio Hondo AIDS Project management should develop procedures to ensure that client eligibility documentation is maintained, and clients are adequately screened.**

**PROGRAM SERVICES**

**Objective**

Determine whether WRHAP 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 seven (14%) of the 50 clients that the Agency claimed received Ryan White services during March 2013 through March 2014. We also determined whether the Agency collected fees from clients in accordance with their approved client fee schedules.

**Results**

WRHAP maintained documentation to support the services provided to the seven clients reviewed. However, the Agency did not provide adequate documentation, such as client fee schedules approved by DHSP, to support that they assessed client fees appropriately for two (29%) of the seven clients reviewed.

**Recommendation**

- 2. Before entering into any new contracts with Los Angeles County, Whittier Rio Hondo AIDS Project management should develop procedures to ensure that client fee schedules are maintained as required.**

**CASH/REVENUE****Objective**

Determine whether WRHAP 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 WRHAP management, and reviewed their financial records and September 2014 bank reconciliations for two bank accounts.

**Results**

WRHAP properly recorded revenue in their financial records. However, WRHAP did not deposit four (100%) of the four DHSP cash receipts reviewed timely. Specifically, the payments were deposited seven to 33 days after receipt. In addition, the Agency did not properly secure their blank check stock as required by their accounting policies and procedures. Specifically, WRHAP did not lock the file cabinet that stored the blank check stock. The file cabinet was located in the administrative office that was accessible to other employees and program clients.

**Recommendation**

3. **Before entering into any new contracts with Los Angeles County, Whittier Rio Hondo AIDS Project management should develop procedures to ensure that cash receipts are deposited timely, and blank checks are properly secured.**

**COST ALLOCATION PLAN/EXPENDITURES****Objective**

Determine whether WRHAP 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 WRHAP personnel, and reviewed their Plan and financial records for 36 non-payroll expenditures, totaling \$18,570, that the Agency charged to DHSP during April 2013 through June 2014.

**Results**

WRHAP developed their Plan using an appropriate cost allocation methodology. However, the Agency:

- Allocated shared expenditures based on projected and prior year's salaries, instead of actual conditions as required by Office of Management and Budget's Circular A-122, Attachment B, Paragraph 8. We noted a similar finding in our prior monitoring review.
- Charged DHSP \$9,430 for unallowable and unsupported rent, travel, and office supplies. We noted a similar finding in our prior monitoring review.
- Did not always document management's approvals for purchases as required.

**Recommendations****Whittier Rio Hondo AIDS Project management:**

4. **Repay the Division of HIV and STD Programs \$9,430.**
5. **Reallocate all shared expenditures based on an allowable methodology, and repay the Division of HIV and STD Programs for any overbilled amounts.**

6. **Before entering into any new contracts with Los Angeles County, develop procedures to ensure that expenditures are allocated appropriately, allowable, supported by adequate documentation, and approved properly.**

### PAYROLL AND PERSONNEL

#### Objective

Determine whether WRHAP 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 five employees. We also compared the payroll expenditures for the five employees, totaling \$13,499 for June 2014, to the Agency's payroll records and time reports.

#### Results

WRHAP 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, WRHAP charged \$3,750 for unsupported payroll expenditures. Specifically, one employee's timecard was not signed by their supervisor. We noted a similar finding in our prior monitoring review. The Agency also did not reduce variance hours correctly for two (40%) of the five employees reviewed.

#### Recommendations

**Refer to Recommendation 5.**

**Whittier Rio Hondo AIDS Project management:**

7. **Repay the Division of HIV and STD Programs \$3,750.**
8. **Before entering into any new contracts with Los Angeles County, develop procedures to ensure that timecards are signed by supervisors and variance balances are reduced appropriately.**

## COST REPORTS

### Objective

Determine whether WRHAP's Contract Year (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 WRHAP's CY 2013-14 Cost Reports to their financial records. We also determined whether the Agency's administrative costs were within their contracts' ten percent limits.

### Results

WRHAP's CY 2013-14 Cost Reports did not reconcile to their financial records, and the Agency did not comply with all of their County contract requirements. Specifically, the Agency's:

- Financial records did not support \$4,590 reported on their Cost Reports. We noted a similar finding in our prior monitoring review.
- Financial records supported more than what was reported on their Cost Reports by \$10,578 for various budgeted line-items. There were no questioned costs because the Agency was not overpaid. However, Cost Reports should be complete, accurate, and reconcile to their financial records.
- Administrative costs exceeded the contracts' ten percent limits in CY 2013-14 by \$11,209, mainly due to rent and utilities being classified as administrative costs. During the period covered by our review, the Health Resources and Services Administration (HRSA), the federal agency with oversight of the Ryan White programs, indicated rent and utilities should be classified as administrative costs subject to the ten percent limitation. Subsequent to the period covered by our review, HRSA revised its guidelines and allowed rent as a program cost, not subject to the ten percent administrative limit. DHSP will determine whether these costs have to be repaid. Administrative costs should be classified appropriately and not exceed contract percentage limits.
- Cost Reports were not always submitted within 30 days following the close of the contract period as required. Specifically, WRHAP submitted two Cost Reports approximately six months after the contracts ended.

**Recommendations**

**Whittier Rio Hondo AIDS Project management:**

- 9. Repay the Division of HIV and STD Programs \$4,590.**
- 10. Before entering into any new contracts with Los Angeles County, develop procedures to ensure that administrative costs are classified appropriately, and Cost Reports reconcile to their financial records and are complete, accurate, and submitted timely.**
- 11. Revise their accounting 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.**