

Los Angeles County:

**The Office of AIDS Programs and
Policy Can Improve Its Management
of Grant Funds**



May 1998
97115

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May 13, 1998

97115

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the Bureau of State Audits presents its audit report concerning the Los Angeles County Office of AIDS Programs and Policy (OAPP). Our audit focused on the OAPP's ability to properly allocate its available resources and ensure that AIDS funds are appropriately spent. This report concludes that the OAPP generally allocates and spends its AIDS funding in accordance with service priorities established by its local AIDS commission. However, we found that because the OAPP lacks an accurate time-reporting and cost-allocation system, it cannot ensure that grant funds are spent as intended. Also, because the OAPP does not regularly monitor its contracts, it cannot ensure that contractors spend AIDS funds as intended.

Respectfully submitted,

KURT R. SJOBERG
State Auditor

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Summary



Audit Highlights . . .

Los Angeles County's Office of AIDS Programs and Policy (OAPP) typically allocates and spends funds according to the guidelines of the local AIDS commission. Nonetheless, for the following reasons, the OAPP may not be spending funds as federal or state sources intend:

- The OAPP has used AIDS funds to pay employees who do not provide AIDS services.*
- It has mistakenly charged OAPP salaries to the incorrect grants or has shifted personnel costs among grants.*
- It has not fulfilled commitments it made in federal applications that designate funds for specific salaries.*
- Despite finding significant flaws in the handful of contracts it did review, OAPP's monitoring efforts are infrequent and conducted on lower-risk contractors.*

Thus, the OAPP cannot ensure that it spends funds appropriately or its contractors provide needed services to people living with AIDS.



Results in Brief

When allocating and spending funds for programs that address the needs of citizens living with Acquired Immune Deficiency Syndrome (AIDS), the Office of AIDS Programs and Policy (OAPP) for Los Angeles (L.A.) County generally follows the service priorities established by the local AIDS commission. However, the OAPP cannot ensure that it spends grant funds as the funding sources intend because it lacks an accurate time-reporting and cost-allocation system to properly charge its personnel costs to the appropriate federal or state grants. Further, the OAPP cannot be certain that its contractors spend AIDS funds as specified by federal and state grant programs.

Established in L.A. County in 1985 to administer AIDS services, the OAPP uses its grant funds to foster partnerships with the community in order to change the course of the epidemic and make certain that people living with AIDS receive needed services. These services range from child care and mental health services to outpatient medical care and transportation. Our audit focused on the OAPP's ability to allocate its available resources correctly and ensure that AIDS funds are spent appropriately.

In assessing whether the OAPP itself spends funds as the grant sources intend, we noted the following weaknesses in its use of funds for personnel costs:

- The OAPP spent nearly \$547,000 of federal and state funds on employees who did not provide AIDS services. Five of the 40 employees we reviewed worked in other departments within L.A. County's Department of Health Services; however, the OAPP used AIDS funds to pay the salaries of these five employees.
- The OAPP did not charge salaries for 12 additional employees to the correct grants. Instead, the OAPP charged all 12 salaries to just one AIDS program, but the employees provided services benefiting multiple AIDS programs. The OAPP inappropriately charged these costs because it does not have a proper time-reporting and cost-allocation system.

- To maximize its grant funds, the OAPP inappropriately shifted personnel costs among various state and federal AIDS grants.
- The OAPP did not meet some commitments it had made in federal applications to use funds to pay salaries for specific staff working on AIDS projects related to the respective federal programs. Because these employees performed duties not specified in the application, the employees' work may not fulfill program objectives.

Further, in evaluating the OAPP's monitoring of service contractors, we found that it cannot ensure contractors spend AIDS funds as the funding sources intended. Specifically, we noted the following shortcomings in the monitoring system:

- The OAPP does not monitor its contracts regularly. During fiscal year 1996-97, it conducted program reviews covering only 5 percent of its contracts, and these contracts represent just \$14 million of the \$74 million awarded to contractors. The lack of oversight occurs because staff have many duties besides monitoring contracts, staff have insufficient training, and many positions are vacant.
- In the handful of contract reviews completed by contract monitors, OAPP findings revealed significant flaws in services rendered to individuals living with AIDS. These findings highlight the need for regular monitoring of all contracts so that the OAPP can detect and also prevent problems. For five of the six contract reviews we examined, OAPP monitors noted problems with the quality or medical appropriateness of the services contractors provided.
- Although the OAPP has identified certain contracts as high-risk, it has not monitored these high-risk contracts. Typically, the OAPP identifies contractors for medical outpatient services as the first priority for review because these contractors place the county and persons with AIDS at the highest risk. For fiscal year 1996-97, the OAPP did not review any of its 58 high-risk contracts. These contracts accounted for \$16.4 million, or 22 percent, of all funds that the OAPP contracted to AIDS service providers.

Recommendations

To ensure that it properly charges personnel costs to federal and state programs and that it uses funds only for AIDS services, the OAPP should do the following:

- Cease using AIDS funds to pay for services unrelated to AIDS programs, review the activities of all AIDS employees, and obtain reimbursement for funds used improperly to pay for county administrative services.
- Develop a detailed time-reporting system for employees to properly report time spent on various programs. The OAPP could employ a time study to determine what percentage of time each employee spends on various programs and use this data to develop a cost-allocation plan that could be submitted to the federal government for approval. Further, the OAPP could use the cost-allocation and grant systems currently available through the county's automated reporting system.
- Discontinue improperly shifting employees between funding sources when the employees' duties do not change. Further, charge employees' time to the appropriate grants and honor all personnel commitments made in federal grant applications.

To increase its monitoring of contracts and to make sure its contractors provide appropriate AIDS services to eligible clients, the OAPP should consider implementing the following changes:

- Restructure duties to allow staff more time and verify that staff receive proper training to monitor contracts. Further, the OAPP should accelerate efforts to fill vacant management and contract monitor positions.
- Adhere to its contract monitoring plan, which identifies high-risk contracts as having the highest priority for review. Further, the OAPP should emphasize to its employees that contract monitoring is a key priority.

Agency Comments

The Office of AIDS Programs and Policy concurs with all of our findings and recommendations. Further, the office is taking steps to implement our recommendations.

Introduction

Background

In 1993, Acquired Immune Deficiency Syndrome (AIDS) was the leading cause of death in California among men ages 25 to 44. Today, the AIDS disease continues to be one of the most serious public health threats in California. Although the first cases of the disease in the United States were not identified until 1981, authorities have documented more than 100,000 cases in California alone as of April 1997.

To improve the quality and availability of care for people with the AIDS disease, the U.S. Congress enacted the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act in 1990. The CARE Act distributes funds to communities for vital care and treatment, including health care, nutritional guidance, substance abuse treatment, and transportation. The CARE laws are broad in nature, allowing states and localities great latitude in their administration of AIDS programs.

Although Los Angeles (L.A.) County depends on federal CARE money for AIDS programs, it also receives significant amounts from the federal Centers for Disease Control (CDC) and various state AIDS programs. The CDC distributes funds to states and local organizations for prevention activities, such as AIDS testing and street outreach programs. In 1985, the State of California designated the Office of AIDS within the State Department of Health Services (DHS) as the agency responsible for administering state and federal funding to local health departments. The State has used this office to administer several programs for care and treatment services, such as providing prescription drugs to eligible clients and offering early intervention programs for women.

With approximately 36,000 total AIDS cases as of July 1997, L.A. County accounts for nearly 36 percent of all cases reported in the State. The Office of AIDS Programs and Policy (OAPP), located within the county's Department of Health Services (county health services) administers AIDS services. In 1985, the board of supervisors established the OAPP, then known as AIDS Programs. Currently, it is organized into seven units: administration; contracts and grants; finance; management information systems; medical; policy, planning, research and evaluation; and programs and services.

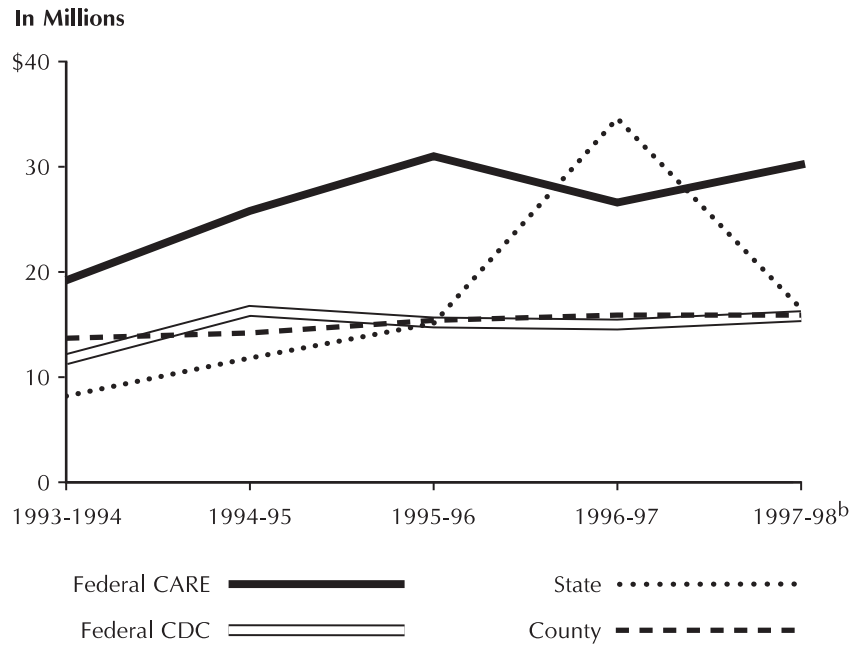
Using federal, state, and county dollars, the OAPP seeks “to foster partnerships with the community . . . and continue developing innovative strategies that positively change the course of the epidemic and ensure greater access to needed services for people living with HIV and AIDS in a cost-effective and medically appropriate manner.” The OAPP plans, develops, and coordinates AIDS-related activities through contracts with local service providers. As part of its coordination efforts, the OAPP applies for federal and state funds, negotiates contracts with county and private AIDS service providers, and monitors client services. As such, the OAPP serves as a major link between the government, community, private providers, and clients.

In 1985, the OAPP’s initial budget was \$1.1 million, but this figure has grown to more than \$92 million in fiscal year 1996-97. Since the early 1990s, the OAPP has received the majority of its funds from the federal CARE Act. Although CARE funding decreased slightly between fiscal years 1995-96 and 1996-97, it has significantly increased over the last seven years. In addition to support from the CARE Act, funding for AIDS prevention comes from the CDC. Again, these federal funds have steadily increased as many states and local organizations focus greater efforts on preventing AIDS. Lastly, the OAPP receives significant funds from the State of California to oversee various AIDS activities. Figure 1 shows the amounts of federal, state, and county resources available to the OAPP in recent years.

Of the \$92 million in federal, state, and county resources available for fiscal year 1996-97, the OAPP distributed approximately \$74 million to 133 contractors through nearly 250 contracts. These contractors, mainly community-based organizations and county hospitals, supply AIDS clients with such services as mental health care, residential housing, and drug treatments.

Although it allocates most funds for contracts providing services, the OAPP furnishes indirect support services, such as budgeting and allocating funds to contractors, negotiating and arranging contracts for services, and monitoring contractor performance. However, in the past year, the OAPP has faced many unfilled staff positions.

Figure 1
Funding Sources for AIDS Programs in Los Angeles County^a



^aFunding years vary for the four different sources.

^bAmounts are estimates because fiscal year 1997-98 information is not final.

Source: Federal and state grant award letters, contracts, and memorandums of understanding provided to us by the OAPP.

Further, the OAPP has experienced frequent turnover at the management level. The OAPP had three different permanent or acting directors in a 17-month period, and has appointed a fourth who will assume OAPP leadership in May 1998. Additional turnover may be due to the OAPP's past practice of using some contract employees to provide AIDS services. Although it has eliminated this practice, when the OAPP attempted to transfer these employees into the civil service system, many of the contract employees chose not to make the transition and are no longer employed with the OAPP.

Scope and Methodology

The Joint Legislative Audit Committee requested that the Bureau of State Audits review Los Angeles County's AIDS programs administered by the OAPP to ensure the OAPP is properly allocating and spending available resources for AIDS services.

Therefore, to gain an overall understanding of the OAPP's responsibilities and major functions, we reviewed relevant laws, regulations, policies, and procedures.

To assess the effectiveness of the system the OAPP uses to track administrative costs for federal and state reimbursements, we interviewed OAPP personnel analysts. We also reviewed personnel documents, staffing rosters, employee time sheets, and accounting records that comprise this system. To determine whether the OAPP charged costs properly, we verified a sample of administrative charges against approved applications for federal and state AIDS funds. Further, we surveyed the employees in our sample to identify their actual job duties and how the employees spent their time.

To review the OAPP's planning process, we examined a needs analysis for those living in L.A. County (county) with AIDS, documents prioritizing client services, and applications for federal and state funds. We found that the OAPP provides decision makers with sufficient data about client needs and actively pursues available funding on a timely basis. In addition, we reviewed grant award letters, federal and state contracts, and county reports to identify all funding the OAPP received over the last five years.

We also analyzed expenditure reports to identify where the OAPP allocated and spent its resources over the last three years. These documents indicate that the OAPP generally allocated and spent its resources on AIDS services in accordance with the priorities established by the local AIDS commission. Lastly, we reviewed accounting records and found that the county has reasonably met federal requirements.

Over the past eight years, the L.A. County Auditor-Controller (auditor-controller) and the Inspection and Audits Division within the county health services conducted several audits focused on the OAPP's use of contracts to meet the needs of the county's AIDS population. To evaluate the effectiveness of the OAPP's contracting practices and use of service providers, we reviewed these audits and the auditors' work papers to identify the types of issues noted. Further, we determined whether the OAPP had addressed all audit recommendations.

To assess the OAPP's oversight of its contracts, we interviewed office contract monitors and other county monitors and we reviewed policies and procedures. Using the OAPP's monitoring plan, we selected a sample of administrative, program, and fiscal reviews to test whether the OAPP

followed its procedures. Specifically, we reviewed contract files, monitoring instruments, monitoring reports, and corrective action plans.

In addition, we conducted an in-depth analysis of the AIDS drug assistance program (ADAP). Specifically, we interviewed county ADAP personnel and state DHS officials and reviewed audits conducted by the auditor-controller to assess the OAPP's administration of these services. Although the OAPP had a poor performance history in the ADAP, it will no longer manage this program under the State's new centralization process. The centralization eliminates the OAPP's role in reviewing and reimbursing ADAP provider invoices, but the State has implied that the OAPP will maintain the responsibility for monitoring the providers' determination of client eligibility. However, the State's new process has a shortcoming in that there is no written agreement stating that monitoring client eligibility is the OAPP's responsibility. We plan to disclose this issue in a separate management letter issued to the State.

To review the OAPP's efforts in evaluating its own performance in addressing the AIDS epidemic, we assessed existing performance measures and determined whether the OAPP tracks its progress in meeting goals. Specifically, we reviewed the OAPP's strategic planning documents, applications for federal funding, monthly performance reports from AIDS providers, and annual reports submitted to federal and state agencies. We also determined whether the OAPP tracks its contractors' efforts towards meeting the overall goals.

Further, we identified state guidelines or goals requiring OAPP's compliance. Specifically, we interviewed state DHS officials and obtained their guidelines, grant applications, contract documents, and reports on visits to Los Angeles AIDS program sites.

Chapter 1

The Office of AIDS Programs and Policy Has Not Always Properly Charged Personnel Costs to the AIDS Grant Programs It Administers

Chapter Summary

Los Angeles (L.A.) County's Office of AIDS Programs and Policy (OAPP) generally allocates and spends its funding in accordance with priorities established by the local AIDS commission, and the OAPP reasonably meets the federal spending requirements for its AIDS programs. However, it has not properly allocated personnel costs to the various programs it administers for people living with Acquired Immune Deficiency Syndrome (AIDS). Between April 1994 and February 1998, the OAPP charged its AIDS programs almost \$547,000 for salaries and benefits of county administrative staff assigned to programs unrelated to AIDS services. In other instances, because the OAPP does not have a proper time-reporting and cost-allocation system, it has not charged each federal or state grant program appropriately for its fair share of the labor costs. In addition, our review revealed that the OAPP shifted personnel costs between state and federal grants to maximize its grant funds. Furthermore, the OAPP has not met some commitments it made in its federal grant applications to use funds exclusively to pay salaries of specific personnel who would work directly on AIDS projects related to the federal programs. Finally, the OAPP has no assurance that it complies with the spending restrictions of the federal programs it operates, such as one grant's specification that the OAPP limit certain administrative costs to 5 percent of its federal funds. Because it does not correctly allocate personnel costs, the OAPP cannot ensure that it spends federal and state grant funds as intended.

The Background of Funding Sources

As described in the introduction to this report, the OAPP receives AIDS funds from the federal Ryan White Comprehensive AIDS Resources Emergency Act (CARE), the federal Centers for Disease Control (CDC), and the State of California. To receive funds, the OAPP prepares and submits detailed applications to the appropriate federal and state

departments. For instance, in its federal CARE application, the OAPP describes AIDS programs and objectives that it will accomplish if it is awarded the federal funds. In addition, the OAPP provides a detailed budget listing the specific personnel funded with the federal money and the duties the personnel will perform.

***The OAPP Spent Some Funds
Awarded to Its AIDS Programs
on Services Unrelated to AIDS***

◆
Between April 1994 and February 1998, the OAPP used about \$547,000 in AIDS funds to pay for five employees who worked in other departments.

The OAPP generally allocates and spends its AIDS funds according to priorities established by the local AIDS commission. Further, we found that the OAPP generally met the federal spending requirements for its AIDS programs. However, we found instances in which the OAPP spent federal and state AIDS funds on services unrelated to AIDS programs. We selected a sample of 40 employees from nearly 200 current employees on the OAPP's payroll. Between April 1994 and February 1998, 5 of these 40 employees worked in other departments located in L.A. County's Department of Health Services (county health services) and the OAPP used approximately \$547,000 in AIDS funds to pay for the 5 employees. For example, between April 1994 and July 1997, the OAPP used state AIDS funds to pay the salary for a health services personnel technician. Since July 1997, the OAPP has paid this person from county AIDS funds initially earmarked to pay for a public health nurse who was never hired.

Further, since October 1995, the OAPP used federal AIDS funds to pay for a staff analyst in the finance and contracts section of the Public Health Programs and Services Division. This county employee did not perform AIDS testing and counseling services that benefited the federal program. Instead, the employee provided support services for the administration of contract proposals unrelated to AIDS programs and for lease agreements for county health services.

Finally, the OAPP used county AIDS funds to pay the salary for an analyst in county health services' Quality Improvement Program. Since October 1997, this employee has overseen county health services' Safety Program. Further, the employee previously held a key management position in the OAPP's contracts and grants unit. Because the OAPP continues to use AIDS funding to pay the analyst's salary in a department unrelated to AIDS services, the OAPP does not have the available funding to hire another employee to fill this currently vacant management position.

Because the OAPP is spending AIDS funds to pay county health services' administrative costs, people living with AIDS are not receiving the full benefit of the federal, state, and county funds designated for AIDS programs. According to its acting director, the OAPP paid salaries for two of the five employees as part of a prior agreement. Specifically, county health services does not charge the OAPP for department-wide support services in return for funding two health services employees even though the employees do not provide services that directly benefit AIDS programs. However, the acting director agrees that county health services should reimburse the OAPP for the remaining three employees who have not worked on AIDS programs.

Because these five employees have worked for county health services and have not provided services for AIDS programs, the OAPP should remove them from its payroll.

***Some Staff Are Paid From
One Grant but Perform
Services for Multiple Grants***

We found several cases in which the OAPP charged staff salaries entirely to one grant when the staff actually performed duties for multiple grants. With the exception of the 5 employees discussed above, we found that all of the remaining 35 employees in our sample provided services that related to AIDS programs. Of these 35 employees, the OAPP charged the salaries of 27 to its various federal and state AIDS grants. However, we found that the OAPP mistakenly charged 12 of these 27 employees entirely to one grant when the employees actually worked for multiple grants. The monthly salaries and benefits of these 12 employees totaled approximately \$53,000.

In one instance, the OAPP charged the salary of an accounting officer entirely to the federal CARE grant even though the employee stated in a survey that she spends only about 5 percent of her time on CARE programs. We further observed that this employee performs administrative duties benefiting several OAPP grant programs, including the federal CDC and state grant programs, as well as county-funded contracts.


Federal regulations require that costs charged to its programs must be necessary and reasonable for the proper administration and efficient performance of the program. In addition, the regulations state that when employees work on multiple activities, the distribution of their salaries must be supported by monthly time sheets that reflect the actual activities of each employee.

One Employee Is Paid From One Grant but Performs Services for a Different Grant

In addition to finding errors in the distribution of salaries for the 12 employees discussed above, we noted a separate instance in which the OAPP inappropriately charged an employee's salary to one grant program even though the employee spent her time performing services for an entirely different grant program. Specifically, this employee spends 100 percent of her time negotiating, managing, and monitoring federal CARE contracts; however, the OAPP charged her salary to its federal CDC grant program. If it continues to charge employees' salaries improperly, the OAPP cannot ensure it complies with the spending restrictions of its federal programs. Furthermore, the OAPP may put itself at risk of losing future federal grant funds.

The OAPP Lacks a Proper Time-Reporting and Cost-Allocation System

The OAPP does not properly charge its employees' salaries to the various grant programs because it lacks a time-reporting and cost-allocation system that accurately reflects the amount of time employees spend on different programs. When employees work on multiple activities or programs, a time-reporting system assists an entity in distributing salaries equitably to the various programs. Currently, OAPP employees working on multiple grants simply report the total number of hours worked each day and do not specify how many hours they work on individual programs.


Rather than using a cost-allocation system, the OAPP fully charges all of its administrative costs to one grant program or another.

Furthermore, the OAPP does not use a cost-allocation system designed to charge direct and indirect costs appropriately and equitably to various grant programs.¹ Instead, the OAPP fully charges an employee's salary costs to one grant program or another even when an employee works on multiple programs. Federal regulations specify that direct costs chargeable to federal grants include employees' salaries for the time devoted specifically to meeting the program objectives of those grants. Indirect costs may be allocated to a federal program if the goods or services involved are charged in accordance with the relative benefits received. Because the OAPP does not correctly charge

¹ Direct costs are those connected directly to a program, such as salaries for employees who spend 100 percent of their time working on one specific program. Conversely, indirect costs do not benefit a specific program and generally include administrative expenses in management, budgeting, accounting, and personnel.

its administrative costs, it cannot be certain it complies with the spending restrictions of its federal programs. For example, the CARE grant limits certain administrative costs to 5 percent of the awarded grant funds.

Lastly, because the OAPP does not have a cost-allocation system, the OAPP shifts personnel costs between different funding grants to ensure it uses all awarded grant funds. These shifts are improper because they are not always supported by changes in employees' duties and do not represent an equitable distribution of salaries to various grant programs. While the county considers maximizing federal grant funds beneficial, it is not appropriate to shift personnel costs to grant programs where the services are not actually performed. As a result of these unsupported shifts of salary costs, the OAPP may charge a specific grant program for salaries that do not benefit the respective program. This condition is just another reason why it is imperative for the OAPP to develop and use a cost-allocation system.


***The OAPP Has Not Fulfilled
Some of the Personnel
Commitments It Made in Its
Federal Grant Applications***

By improperly charging its personnel costs to federal grants, the OAPP has paid for employees who perform duties different from those that the OAPP outlined in applications for federal AIDS funds. Of the 35 employees assigned to AIDS programs, the OAPP detailed in its grant application specific duties for 12 positions. For 7 of these 12 employees, at least some portion of their duties did not agree with the duties to which the OAPP committed in the application. Three of these seven employees spent a major portion (between 85 and 99 percent) of their time performing duties for AIDS grants other than the funding grant. The remaining four employees spent between 5 and 20 percent of their time on other AIDS programs. As a result, the federal government is not receiving the service for which it paid.

◆
*Since September 1997,
CARE grant funds
designated for an
epidemiologist paid
for a contract program
auditor who spent only
17 percent of his time on
that grant.*

For example, in its CARE grant application for the period April 1997 through April 1998, the OAPP committed to pay the salary of an epidemiologist to develop and implement the OAPP's strategic plan to stem the AIDS epidemic in L.A. County. Instead, since September 1997, the OAPP has used these federal funds to pay for a contract program auditor who mostly provided services to other AIDS programs. In fact, in a survey completed by the program auditor, he stated that he

spent only 17 percent of his time on the federal CARE grant, and he spent the other 83 percent on CDC, state, and county AIDS programs.


Because of its improper charging of personnel costs, the OAPP did not meet some federal commitments.

In addition to reviewing the duties of the 12 employees discussed above, we analyzed all personnel costs the OAPP charged to the federal CARE formula grant between February 1996 and January 1997. Again, we found improper charging of personnel costs; therefore, the OAPP did not meet some of the commitments it made in the federal application.

Specifically, 10 other employees charged to the grant performed duties different from those the OAPP committed to in the application. Even though 4 of the 10 employees did not perform any duties related to this program, the OAPP nonetheless charged costs of nearly \$82,000 for these employees to the CARE grant. The OAPP also charged to the grant 100 percent of the salaries for the remaining 6 employees; however, the employees actually performed duties that related to multiple grant programs.

Because the OAPP did not meet all of its commitments in its federal grant applications, the OAPP is not spending the grant funds as the federal government intended. Further, because it improperly charged personnel costs to the CARE grant, the OAPP cannot ensure that it complies with federal spending limits for grant administration. According to the OAPP, it makes every effort to maximize its federal and state funding while also ensuring it meets spending requirements. However, the OAPP has not stressed that OAPP staff funded through federal and state grants must strictly limit activities to the objectives specified in the grant. In the future, the OAPP will perform semiannual evaluations to “align its staffing to match the duties of the staff with the grant supporting the position as closely as possible.”

Conclusion

The OAPP does not properly allocate personnel costs to the federal and state grant programs it administers to benefit people living with AIDS in Los Angeles County. The OAPP does not have a proper time-reporting and cost-allocation system to distribute its personnel costs equitably among its AIDS programs, and it uses AIDS funds inappropriately to pay for salaries of staff not working on AIDS programs. We also found that the OAPP improperly shifts the salaries of employees from one grant funding source to another to maximize the funding it receives. Because the OAPP does not correctly allocate its personnel costs, its various AIDS programs do not receive the

full benefit of the awarded funds. Additionally, the OAPP is not honoring some of the personnel commitments that it makes in its federal grant applications. As a result, the OAPP is not spending the awarded grant funds as approved by the federal government.

Recommendations

To ensure it properly charges all personnel costs to federal and state programs and uses funds appropriately, the OAPP should do the following:

- Cease using AIDS funds to pay for services unrelated to AIDS programs. Furthermore, county health services should review the activities of all its AIDS employees and reimburse the appropriate AIDS programs for funds used to pay for county administrative services.
- Develop a detailed time-reporting system for OAPP employees to properly report the time they spend on various programs.
- Consider performing a time study of OAPP employees to determine what percentage of time each employee spends on various programs. The OAPP could use this data to develop a cost-allocation plan and submit it to the federal government for approval. Further, to assist in implementing this approved plan, the OAPP could consider using the cost-allocation and grant systems already available through the county's automated reporting system.
- Discontinue the improper shifting of employees between funding sources when duties do not change.
- Periodically review the personnel commitments in its grants to ensure that it is honoring its commitments appropriately.

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Chapter 2

The Office of AIDS Programs and Policy Needs to Ensure That Contractors Use AIDS Funds As Intended

Chapter Summary

Los Angeles (L.A.) County's Office of AIDS Programs and Policy (OAPP) has limited assurance that the AIDS funds it awards to community-based contractors and county hospitals are used as intended. Thus, the OAPP cannot be sure people living with AIDS throughout L.A. County have access to appropriate, quality services. Although the OAPP has designed an adequate monitoring system that, if followed, would satisfy federal, state, and county requirements, the OAPP is not monitoring its contractors adequately. Typically, the OAPP uses monitoring to ensure that clients are eligible for AIDS services, the services rendered are appropriate, contractors have proper staffing, and contractors are spending grant funds properly.

Because it has not established monitoring as a priority nor assigned staff responsibilities accordingly, the OAPP conducts infrequent program reviews of contractors. For instance, in fiscal year 1996-97, the OAPP conducted program reviews of only 13 of its 241 contracts. Significantly, however, this handful of reviews identified many problems. For example, several reviews found contractors documented client treatment unsatisfactorily and others lacked the required proof of client eligibility. The presence of these findings in the small number of reviews conducted suggest that other contractors may also have significant deficiencies that, without adequate monitoring, may go undetected. In addition, the OAPP's oversight efforts do not focus on all high-risk contracts, such as those contracts placing the county and persons with AIDS at the highest risk. Rather, the OAPP reviewed lower-risk contracts.




The OAPP Underuses Its Monitoring System

Federal, state, and county regulations and policies require the OAPP to monitor its contracts to verify that service providers spend grant funds properly and meet performance goals.

In accordance with these policies, the OAPP designed a system for periodic reviews as shown in Figure 2. Although this system appears sufficient, the OAPP has not used it for regular monitoring.

Figure 2

Monitoring System for the OAPP

Type of Monitoring	Required Frequency	Conducted By	Purpose of Review
 Program Review	Annual	OAPP	To assess providers' performance and progress towards achieving program objectives.
 Administrative Review	Annual	OAPP	To ensure contractors have provided documentation required by the county.
 Fiscal Review	Biannual	Contract Fiscal Compliance Unit	To determine if contractors comply with Generally Accepted Accounting Principles (GAAP), laws, regulations, and contract terms. Also, to assure claims paid by the county are justified.


In its program reviews, the OAPP examines a contractor's activity or client files to determine whether services are appropriate. The OAPP first identifies which high-risk contracts it should review. High-risk contracts can be those that receive the largest funds, provide services with potential liability risks, or receive complaints. Monitors evaluate contractor performance using a monitoring instrument on which they record those items evaluated during the review. Each review results in a written report describing the review's scope, documenting unsatisfactory performance, and recommending improvements. Contractors submit a plan of corrective action within 30 days of receiving the reports. The OAPP's procedures then require monitors to assess their completeness and responsiveness. If followed, this monitoring system should provide the OAPP reasonable assurance that contractors supply AIDS services as intended.

Through its brief administrative reviews, the OAPP determines whether contractors have submitted required documentation, such as health certificates, proofs of insurance, and signed


conflict-of-interest statements. The OAPP requests missing information in writing. To complement these OAPP reviews, the L.A. County's Department of Health Services' (county health services) Contract Fiscal Compliance Unit conducts fiscal reviews of AIDS contractors. The units work in unison to ensure contractor compliance with fiscal laws and regulations and to resolve any overpayments to contractors.

Beyond conducting the reviews described above, the OAPP also reviews contractors' invoices and performance reports that contractors are required to submit monthly. Monthly invoices specify how contractors spent funds, and performance reports summarize client information and services delivered. The OAPP examines these invoices and reports to ensure costs are accurate and that the appropriate clients receive a sufficient level of services. The OAPP also conducts informal site visits to observe contractors' operations and to investigate complaints. Further, the OAPP advises contractors to maximize their efficiency and improve the quality of services delivered.

The OAPP Does Not Monitor Its Contracts Regularly



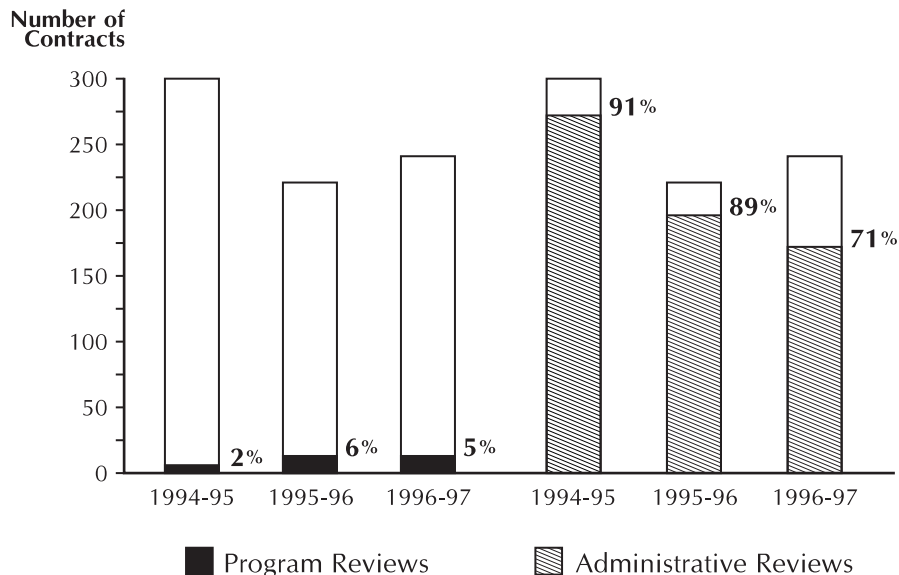
For fiscal year 1996-97, only 5 percent of AIDS contracts, representing only \$14 million of the approximately \$74 million of funds distributed, were reviewed.



Although it develops an annual, prioritized review schedule, the OAPP conducts infrequent program reviews of contractors. For fiscal year 1996-97, the OAPP conducted program reviews of only 13 (5 percent) of its 241 contracts, representing just \$14 million of the approximately \$74 million distributed. As highlighted in Figure 3, during the last three completed fiscal years, the OAPP subjected only 2 percent to 6 percent of its contracts to program reviews each year. However, the OAPP has done a better job of conducting administrative reviews, examining between 71 percent to 91 percent of its contracts. Without regular program and administrative reviews, the OAPP is not fulfilling its responsibility to ensure funds are spent for their intended purpose and eligible clients receive high quality services meeting their needs. Moreover, the OAPP cannot ensure that contractors have proper staffing and comply with laws, regulations, and contract terms.

Figure 3

Percentage of Administrative and Program Reviews Conducted by the OAPP




Sources: The Contractor Monitoring Office of L.A. County's Department of Health Services and the OAPP's Status of Contract Monitoring Reports for fiscal years 1994-95 through 1996-97.

For more than eight years, the L.A. County Auditor-Controller (auditor-controller) has noted in its audit reports that the OAPP should strengthen its contract monitoring. (We discuss these reports in more detail later in this chapter and again in Appendix A.) To address this deficiency, the OAPP recently assigned one contract monitor and a part-time consultant to conduct program reviews full-time. The OAPP believes this assignment is the first step towards completing more program reviews. Although assigning a staff person for program reviews full-time is an improvement, the OAPP needs additional full-time staff to complete a sufficient number of program reviews. Likewise, the OAPP recently assigned a separate staff person the responsibility of performing all administrative reviews. According to the OAPP, this assignment should result in 90 percent of all contracts receiving annual administrative reviews in fiscal year 1997-98.


In addition to the OAPP's lack of program and administrative reviews, we found that the Contract Fiscal Compliance Unit for county health services is not conducting the required biannual fiscal reviews. We examined records from fiscal years 1995-96, 1996-97, and the first six months of fiscal year 1997-98 and

found that health services reviewed only 63 percent of AIDS contractors during this time. Lacking more frequent reviews, the county cannot ensure that claims paid by L.A. County are justified.

The OAPP's Few Program Reviews Revealed Significant Problems



The handful of reviews completed by the OAPP revealed significant problems and highlights the necessity for regular monitoring.



Although the OAPP infrequently monitors its contracts, the handful of program reviews it did complete revealed many problems with the contracts and highlights the necessity for regular monitoring. Specifically, a sample of reports we reviewed disclosed that OAPP monitors detected in lower-risk contracts many significant program weaknesses, such as unsatisfactory documentation of client treatment and eligibility.

In five of the six contract reviews we examined, the OAPP monitors could not determine the quality or appropriateness of the services. Contractors should document client contact and diagnosis, detail the treatment, and provide assurance of adequately trained staff. For example, the OAPP found one mental health services contractor, awarded \$175,000 in fiscal year 1996-97, lacked diagnoses of clients' conditions in most of its records, making it impossible to identify appropriate treatment or to document clients' progress. A provider's failure to document client contact may jeopardize client health because the provider then has no record of client progress, and this omission may result in problems going undetected and untreated.

Likewise, for another contractor awarded nearly \$50,000, the OAPP found most of the clients' charts for case management services did not include either client service plans or assessments of clients' strengths or needs. The contractor is required to develop a service plan based on individual assessments. The plan, which should be accepted by the client, identifies goals of clients who are incarcerated men and women with AIDS who are being released from county jail to reside in the county, as well as specific steps to reach the goals. Without a service plan, there is no benchmark by which to measure the effectiveness of interventions or services.

Additionally, of the six contracts we reviewed, four contracts totaling approximately \$308,000 provided service at levels below contractual requirements. For example, the OAPP found that the same contractor mentioned above had only 3 active clients as opposed to the required client caseload of 60. Ultimately, the OAPP did not renew this nearly \$50,000 contract, which also had other significant problems. The OAPP

found another contractor that had been awarded \$90,000 for one year had only provided services to 10 clients after five months. Therefore, it is unlikely that the contractor will meet the objective of serving 400 adolescents by the end of the contract term.

◆
In program reviews of two contracts totaling \$220,000, the OAPP found that the contractors did not confirm their clients' AIDS diagnosis.



Finally, in program reviews of two contracts totaling approximately \$220,000, the OAPP found that contractors did not verify clients' AIDS diagnosis. Specifically, one review found that none of the 10 client charts documented an AIDS diagnosis. Thus, the contractors cannot ensure they provided mental health and case management services to eligible clients.

If a small sample of cases indicate problems, it is reasonable to speculate that other contracts may also have problems. Further, because the monitors found significant issues in contracts considered lower-risk, contracts deemed high-risk may also have significant problems—and monitors do not currently review these contracts. Without regular contract monitoring, these problems could remain undetected and uncorrected, and they may impair the delivery of AIDS services.

Various Factors Have Led to Infrequent Monitoring by the OAPP

The OAPP offered various reasons why it monitors its contracts infrequently. Specifically, the OAPP appears to have given monitoring a low priority. The OAPP has also stated that it lacks sufficiently trained staff and that staff positions are vacant. As discussed in Appendix A of this report, the OAPP previously received criticism about its lack of monitoring. In 1992, the auditor-controller found that contract monitors' responsibilities are too broad to allow them to monitor sufficiently. For instance, monitors spend more time preparing contract budgets or approving invoices than monitoring contracts. In its response, the OAPP stated that it had developed a plan to assess all monitors' functions and determine what reassignments were appropriate. However, the OAPP never implemented the plan.

In 1994, the auditor-controller again reported the need for the OAPP to improve its monitoring of its contractors and establish additional procedures to monitor the accuracy of the data contractors report for costs and patient workload. According to the auditor-controller, the OAPP should then analyze the data to identify ways to cut costs and improve services. To address this recommendation and ensure accuracy in contractors' reports, the OAPP standardized contractor


The OAPP collects the relevant contractor performance data but does not analyze it to identify ways to cut costs and improve services.


reporting requirements for costs and workload data. Although the OAPP currently collects the data, it does not analyze the data to identify ways to cut costs and improve services.

When we questioned why it has not corrected its monitoring weaknesses, the OAPP stated that staff spend time on other duties that prevent them from monitoring contracts. Staff are responsible for contract management, which may entail revising contractors' budgets and informally assisting contractors. Staff also assist with special projects assigned by management, such as changing the method of contractor reimbursement and responding to board of supervisors' inquiries. The OAPP's comments suggest that it has assigned its monitoring staff additional administrative duties and has not stressed the importance of reviews.


In addition to lacking the time necessary to conduct program reviews, the OAPP staff has had insufficient training and monitoring experience. Staff last received monitoring training more than three years ago; however, staff hired within the last three years have not participated in any formalized training. As such, monitors may not have sufficient training for program reviews. Additional classroom training, as well as consistent experience with reviews, should result in the performance of more reviews.

Lastly, the OAPP stated that staff shortages and vacancies have also contributed to its lack of monitoring. Currently, two of five key management positions responsible for monitoring contracts are vacant. In addition, 10 of 26 contract monitor positions are vacant. Certainly, the OAPP's failure to fill vacancies could impair its ability to review contractors regularly; however, several positions, particularly those in management, were vacated only within the last six months. Our concerns about insufficient monitoring cover the past three fiscal years. For this reason, staff vacancies do not fully explain the OAPP's lack of regular reviews.


OAPP Does Not Review All High-Risk Contracts

In addition to not meeting federal, state, and county monitoring requirements, the OAPP is not following its own annual monitoring plan. In fiscal year 1996-97 alone, the OAPP did not review any of the 58 contracts identified as high risk. Typically, the OAPP identifies contractors for medical outpatient service contracts as the first priority because these contractors place the county and persons with AIDS at the highest risk. In fiscal year 1996-97, these service

contracts accounted for approximately 22 percent, or \$16.4 million, of total funds disbursed to service providers. The OAPP also identifies as high-risk those contracts receiving complaints. Although we agree with the OAPP's designation of high-risk contracts, we believe the OAPP should ensure that it monitors such contracts adequately.



Instead of reviewing the 58 high-risk contracts, the OAPP mostly reviewed contracts identified as lower-risk.



Instead of reviewing the 58 high-risk contracts, the OAPP mostly reviewed contracts identified as lower-risk. Not only did the OAPP's actions during fiscal year 1996-97 counter its monitoring plan, but the OAPP also did not make the best use of its limited staff resources. Given its staffing limitations, the OAPP should allocate its contract monitoring resources towards reviewing those contracts targeted as high-risk. When the OAPP does not monitor these high-risk contracts, it cannot ensure that people living with AIDS are receiving medically appropriate, quality services.

According to the OAPP, it has not reviewed high-risk contracts partly because it has been unable to fill the vacant medical director position. Without a medical director, the OAPP states it cannot review the risky medical outpatient contracts because other OAPP staff do not possess the medical knowledge or training. Currently, the OAPP is negotiating with a physician to fill this position.

Conclusion

Monitoring of contracts is required by federal, state, and county policies and is the OAPP's main tool to ensure that it provides greater access to cost-effective, high-quality services to people living with AIDS in L.A. County. However, the OAPP cannot ensure that contractors are using as intended the funds it awards for the provision of AIDS services. Specifically, the OAPP does not review many contractors because it assigns staff to other duties, staff do not have adequate training, and positions are vacant. Furthermore, the few reviews that the OAPP conducted on lower-risk contracts identified significant problems with the contractors. In our sample of six contract reviews, we found that five of the six contracts had significant problems. This finding suggests that many other contractors could also have weaknesses that may go undetected because the OAPP does not conduct program reviews regularly.

Recommendations

To increase its monitoring of contracts and ensure that the OAPP's contractors provide appropriate AIDS services to eligible clients, the OAPP should consider the following steps:

- Evaluate staff duties to identify activities not related to contract monitoring. The OAPP should also restructure the workload so some staff members manage contracts and the remainder conduct program reviews.
- Ensure that staff receive proper training to monitor contracts.
- Improve efforts to fill key management and monitoring positions.
- Adhere to its plan to give high-risk contracts the greatest priority for review. Further, the OAPP should identify regular monitoring as an office priority.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,



KURT R. SJOBERG
State Auditor

Date: May 13, 1998

Staff: Steven M. Hendrickson, Audit Principal
Catherine M. Giorgi, CPA
Reed M. McDermott, CPA
Farra C. Bracht

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Appendix A

Reviews Conducted by Los Angeles County Auditors on the Contracting Practices of the Office of AIDS Programs and Policy

Summary

Between 1990 and 1998, the Los Angeles (L.A.) County Auditor-Controller and the Inspection and Audit Division for L.A. County's Department of Health Services (auditors) conducted several audits of the contracting process at the Office of AIDS Programs and Policy (OAPP). The audits concluded that the OAPP and the local AIDS commission need to improve their contracting practices. The following discussion highlights the results for some of those reviews.

Past Audits Found That the OAPP Must Ensure That the Contract Process Is Executed Fairly

In reviews conducted over the last eight years, county auditors evaluated elements of the OAPP's contracting process, such as the efficiency of its contracting process, the role of the local AIDS commission, the results of the competitive bidding process, and the reasonableness of reimbursement rates for contract expenditures. The county auditors also compared contract costs between a county facility and a community-based organization. The auditors found that the OAPP and the local AIDS commission need to improve contracting practices and ensure that the process is fairly executed. According to the auditors, the OAPP's contracting operations evolved during a rapid increase in funding, pressure for increased community participation, and demands for the faster award of contracts. However, the auditors noted that the OAPP needs to progress beyond the crisis management that characterized its first few years of existence and to improve its contracting systems.

Specifically, in two audits conducted between 1990 and 1992, the auditors found that the OAPP should monitor contractor operations to ensure that contractors remain fiscally viable and that people living with AIDS have access to appropriate, high-quality services. In a review conducted in 1992, the auditors suggested changes to correct conflict-of-interest

situations among local AIDS commission members responsible for awarding county contracts and to hasten the contract award process for local AIDS providers. Further, in 1994, the auditors again stressed that the OAPP strengthen reviews to ensure contractors improve service delivery. Lastly, in 1997, the auditors found a lack of documentation of funding decisions for awarded contracts and the apparent mishandling of contract process appeals.

The OAPP Has Addressed Many Audit Recommendations

The OAPP has taken steps toward improving its contracting process. For example, in May 1993, the OAPP consolidated all contract preparation within its office to streamline the award process. To further improve contract processing, the OAPP implemented standard procedures to prioritize potential contractors before it receives official notification about the award of grant funds. These procedures allow more time for the OAPP to work with AIDS service providers on their proposals. Also, in 1993, the OAPP excluded the local AIDS commission from the selection of service providers, thereby eliminating inherent conflicts-of-interest from the process. Because commission members who were also AIDS service providers were sometimes placed in the position of evaluating their own or competing agencies' proposals, the OAPP eliminated the commission from its contractor selection process and now uses an independent review panel to evaluate proposals.

The OAPP Must Document Contract Funding Decisions As Recommended

Although the OAPP has taken steps to improve its contracting process, it must still document its funding decisions for contract awards. In a June 1997 report, the auditors noted that the OAPP did not identify or weigh several variables it used to determine funding amounts for substance abuse housing services. For example, although the OAPP considers variables, such as ethnic or cultural needs and the geographical distribution of services, it does not identify what weight these variables have on the awards to contractors. According to the OAPP, it applies these and other variables during its evaluation process to determine amounts of funding for each contractor. However, at the time of our report, the OAPP had not maintained any documentation of its funding recommendations; thus the auditors could not validate the reasonableness of the

decisions. Specifically, the auditors could not validate whether the OAPP applied the variables equitably and consistently to each bidder.

In response to the audit recommendations, the OAPP reassessed its funding decisions but did not make changes from its original decisions. Further, the OAPP has developed numerical values for the variables it considered during its reassessment and will use them in future funding recommendations. However, in a follow-up review conducted in January 1998, the auditors found that the OAPP still had not adequately documented its funding decisions. Given the OAPP's authority in determining contract awards, the auditors believe that the OAPP should ensure that all decisions are well documented and free from the appearance of bias.

The OAPP Still Needs to Strengthen Its Monitoring

As early as 1990, the auditors noted that the OAPP should strengthen its monitoring over contractors and ensure that funds are spent as intended. Next, in 1992, the auditors stressed that the OAPP should regularly assess the medical quality and effectiveness of contractor services. The auditors emphasized the importance of strengthening OAPP monitoring again in 1994.

In response to these recommendations, the L.A. County's Department of Health Services, representing the OAPP, stated in 1992 that the OAPP would continue its program reviews to assess the quality of services. When its monitoring problems resurfaced in a 1994 audit report, the OAPP again responded that it would regularly conduct program reviews of all outpatient programs. However, we found that the OAPP has still not improved its monitoring. As described in detail in Chapter 2, the OAPP is not conducting a sufficient number of program reviews. Further, the OAPP has not monitored any medical outpatient programs in nearly four years because its medical director position is vacant. As a result, the OAPP cannot ensure that it properly spends its federal, state, and county funds on people living with AIDS.

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Appendix B

Examples of AIDS Services Funded By the Office of AIDS Programs and Policy

- **Child Care** for patients who need AIDS medical or support services for themselves or other family members. Child care services may be in-home, at a state-licensed day care, or at the site where the parent is receiving services.
- **Dental Care** by fully licensed health care professionals.
- **Family Support Services** to maintain, enhance, or promote family stability and integrity of the family unit. Includes child development, mental health, and respite care.
- **Food Distribution** through food banks, delivery of prepared meals, and use of vouchers. May also include nutritional supplements and personal hygiene items.
- **Household Support** to assist individuals with day-to-day tasks, such as cleaning, laundry, shopping, and errands.
- **Housing Residential Services** for adults and children. Includes care and supervision in a homelike licensed facility, group homes for children, and housing for terminal patients needing medical supervision, dietary, and supportive care.
- **Legal Services** and advice provided by an attorney. Includes preparations of wills, powers of attorney, trusts, bankruptcy proceedings, guardianship, and discrimination litigation.
- **Mental Health Services**, such as intervention provided by mental health professionals for patients experiencing acute and/or ongoing psychological distress.
- **Outpatient Medical Care** provided by licensed professionals to delay the progression of the disease and prevent infections. Includes medications, acupuncture, herbal therapy, psychiatric consultations, eye care, and skin care.
- **Substance Abuse Services**, including crisis counseling, planned daytime activities in a drug- and alcohol-free environment, detoxification treatments, residential services, and counseling to reduce depression and anxiety.
- **Transportation** for indigent clients with medical or other support service appointments.

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Agency's response to the report provided as text only:

COUNTY OF LOS ANGELES
DEPARTMENT OF HEALTH SERVICES
313 N. Figueroa
Los Angeles, CA 90012
(213) 240-8101
Mark Finucane, Director

Board of Supervisors
Gloria Molina
First District
Yvonne Brathwaite Burke
Second District
Zev Yaroslavsky
Third District
Don Knabe
Fourth District
Michael D. Antonovich
Fifth District

April 30, 1998

Kurt R. Sjoberg, State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, California 95814

Dear Mr. Sjoberg:

RESPONSE TO OFFICE OF AIDS PROGRAMS AND POLICY AUDIT

Thank you for the opportunity to comment on the draft version of the County of Los Angeles, Department of Health Services (DHS), Office of AIDS Programs and Policy (OAPP) audit that your office conducted.

Response to recommendations as listed in Chapter 1-Allocation of Personnel Cost

- Cease paying for non-AIDS services with AIDS funds. Furthermore, county health services should review the activities of all its AIDS employees and reimburse the appropriate AIDS programs for funds used to pay for county administrative services.

We concur. Effective with July 1997 salaries, OAPP has identified employees on the OAPP item control who currently work at other DHS facilities on non-AIDS services. Internal Vouchers, which are the County's mechanism to transfer funds between departments, were prepared to transfer the charges to the appropriate department. Additionally, OAPP will pursue transferring these employees items to their respective departments. The reimbursement by Internal Voucher will remain in effect until all employees in this category are transferred out of OAPP's item control.

- Discontinue improperly shifting employees between funding sources.

We concur. OAPP has recently completed a reconciliation of the personnel component of the various grant budgets and the staffing roster. Only positions filled and funded by the grant will be charged. This reconciliation provides OAPP with a better mechanism to control the reporting of salary expenditures. We will charge employees to the appropriate grant and will no longer allow shifts between funding sources without verification that their duties have changed to fulfill grant objectives.

- Develop a detailed time-reporting system of OAPP employees to properly report their time spent on various programs.

We concur. OAPP will develop and implement a time reporting system to properly distribute labor cost to the various grant and administrative programs.

- Consider a time study of OAPP employees to determine what percentage of time each employee spends on different programs. The OAPP could then develop a cost-allocation plan and submit it to the federal government for approval. Further, to assist in implementing this approved plan, the OAPP should consider using the cost-allocation and grant systems already available through the county's automated reporting system.

We concur. OAPP will evaluate a cost reporting/allocation system for employee's time spent on various programs. OAPP will review and evaluate the cost reporting system that currently exists in the Los Angeles County accounting and purchasing system. Additionally, OAPP will review a system currently under development by DHS that utilizes direct interfaces with existing financial systems for financial reporting.

- Periodically review the personnel commitments in its grants to ensure that it is appropriately honoring its commitments.

We concur. As mentioned above, a detailed reconciliation of the staffing roster will ensure only positions approved by the granting agency are charged to the grant.

Response to recommendations as listed in Chapter 2-Contract Monitoring

- Evaluate staff duties to identify activities not related to Contract Monitoring. Restructure the workload so some staff manage contracts and the remainder conduct program reviews.

We concur. OAPP continues ongoing evaluations of staff responsibilities to identify activities not related to contract program monitoring. The following activities identified in the Contract Monitoring Plan, approved August 28, 1996, have been implemented:

In October 1977 the invoice review process was streamlined by reinforcing the need for Contract Managers to conduct a cursory review of invoices, with Finance performing a more detailed review.

With the April 1998 appointment of a new Management Information Systems (MIS) Section Chief, the implementation of the new database is now a priority. The new database will reduce the time required for Contract Managers who gather data manually in response to Board of Supervisors, Department, and Community requests.

The OAPP Contracts and Grants (C&G) supervisory staff are finalizing a restructuring plan to enable OAPP to monitor 70% of the contracts, on an annual basis, which meets the Department's standard. The current OAPP policy is to perform a program review biannually. This policy will be revised. The restructuring plan will be implemented July 1, 1998.

- Ensure that staff are properly trained to monitor contracts.

We concur. OAPP is developing a training plan and schedule to train all staff who have contract monitoring responsibilities. In the interim, the OAPP Contracts and Grants supervisory staff will be responsible for the ongoing training of staff to perform program reviews. In May 1998, a C&G general staff meeting will be held to review proper use of the newly revised OAPP Administrative Review instruments. By July 1, 1998, the OAPP Contract Monitoring Policies and Procedures will be updated.

- Improve efforts to fill key management and monitor positions.

We concur. OAPP C&G supervisors have reviewed, evaluated, and offered positions to candidates to fill vacant Contract Program Auditor (CPA) positions. Filling these positions with qualified individuals is difficult due to the inherent obstacles presented by the County's human resources system. OAPP C&G has filled two vacancies at the contract manager supervisory level. The remaining vacancy at that level has not been filled, pending approval of the restructuring plan.

- Adhere to its plan to give high-risk contracts the greatest priority for review. Further, identify regular monitoring as an office priority.

We concur. OAPP has identified program reviews as a priority. OAPP C&G, consistent with departmental priority standards, will develop a monitoring schedule of contracts with priority given to those contracts with the highest dollar amounts funded, potential risk, and/or complaints.

Kurt R. Sjoberg
April 30, 1998
Page 4

Once again, we appreciate this opportunity to comment on your draft audit report.

Very truly yours,

Mark Finucane
Director of Health Services

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- c. Each Supervisor
Auditor-Controller
Chief Administrative Office

cc: Members of the Legislature
Office of the Lieutenant Governor
Attorney General
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps