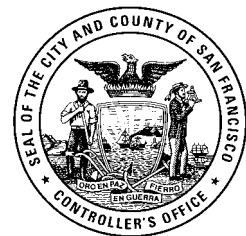


**DEPARTMENT OF
PUBLIC HEALTH:**

Fiscal & Compliance Monitoring
of Selected Community-based
Organizations for Fiscal Year
2004-05

**FINANCIAL AUDITS
DIVISION**



*April 4, 2006
05058*



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

April 4, 2006

Audit Number 05058

Mitchell Katz, MD
Director of Public Health
Department of Public Health
101 Grove Street, Room 308
San Francisco, CA 94102

Dear Dr. Katz:

The Office of the Controller presents its report summarizing the results from the fiscal and compliance monitoring of 22 community-based organizations that received funds from the Department of Public Health (department) in fiscal year 2004-05. As requested by the department, the Controller's Financial Audits Department conducted fiscal and compliance reviews of their organizations to ensure fiscal and programmatic accountability.

For each of the organizations we reviewed, the report identifies any areas of weakness, and makes recommendations to improve or correct the situation. The department will follow up on the recommendations made by the Controller's Financial Audits Department.

Respectfully submitted,

Original signed by:
Ed Harrington
Controller

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BACKGROUND

The Department of Public Health (department) depends on contracts with local community-based health and human service organizations to provide care for the most vulnerable populations in the City and County of San Francisco (City). During fiscal year 2004-2005, the department contracted for more than \$167.3 million of nonprofit services, including but not limited to services assisting the elderly, poor, youth, displaced and unemployed families, as well as serving those at risk from drugs, violence, mental illness, criminal justice involvement, or HIV/AIDS. Through monitoring, the department evaluates a community-based organization quantitatively, qualitatively, programmatically, and fiscally. Quantitatively and fiscally, the department monitors to ensure that the organization, on behalf of the taxpayers and state and federal funders, has been fiscally prudent with the use of available funds to improve the health and well-being of the City's residents. Qualitatively and programmatically, the department monitors to assess compliance and determine that the organization is operating in accordance with the approved application, grant agreement, regulation, and law.

At the request of the department, the Controller's Financial Audits Division assumed the fiscal and compliance monitoring of city funds awarded by the department in fiscal year 2004-05. We visited 22 organizations out of 55. This report summarizes the results from the review of financial and programmatic records and observed operations of those organizations we visited.

SCOPE AND METHODOLOGY

The department selected organizations to receive fiscal and compliance monitoring site visits through a risk assessment process. The site visit determination process was based on criteria including but not limited to funding amounts, performance, financial stability, staff turnover, and previous monitoring reports. Organizations not selected to receive a site visit either received a desk review by the department or were required to submit audited financial statements, single audit reports, and management letters for review and follow-up by the Controller's Financial Audits Division with results separately presented in audit report number 05061. However, the department will require all organizations to receive at least one physical site visit every three years.

MONITORING REPORT LETTERS AND CORRECTIVE ACTION PLANS

After the fiscal and compliance visits had been completed, monitoring report letters were issued to the 22 organizations, specifying any findings, explaining those findings and setting a deadline of March 15, 2006, for a written response to be submitted to the department. Currently, the department is continually receiving responses. After an organization submits a response and completes any corrective actions, the department will issue a verification of compliance letter.

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BAY AREA YOUNG POSITIVES

Site Location: 701 Oak Street
San Francisco, CA 94117

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$89,600

Contract Description: The program provided:

- 1) Venue based individual outreach and street intercept outreach to target population in the Mission, Castro, Lower Haight/Western Addition, and Polk, as well at clinics such as Haight Ashbury and community-based organizations such as Larkin Street Youth Center.
- 2) Venue based group outreach events at street fairs.
- 3) Individual risk reduction counseling through intake and follow-up sessions with new HIV positive clients and case management with multiple follow-up sessions.
- 4) Evaluation will include required data collection for Centers for Disease Control and Prevention and San Francisco Department of Public Health.

Date of Fiscal & Compliance Monitoring: August 16, 2005

Finding 1: Reimbursement Not Properly Supported

In the May 2005 invoice, the Individual Risk Reduction Counseling program reported 81 units of service (\$52 per unit of service) and the Venue Based Individual Outreach program reported 19 units of service (\$74 per unit of service), while time log showed only 77 and 16 units of services, respectively. This resulted in \$430 paid in excess over actual units of service, \$208 for the Individual Risk Reduction Counseling program and \$222 for the Venue Based Individual Outreach program.

Recommendation: Requests for reimbursement should include only actual units of services.

Finding 2: Required Independent Audit Not Conducted

The organization did not obtain the required audit or waiver for fiscal year 2003-04. The department contract requires the organization to annually have its books of accounts audited by a certified public accountant and to transmit the audit report and any associated management letter to the director within 180 calendar days following the audit's fiscal year. The director may approve a waiver of audit requirement, if submitted within 90 calendar days before the end of the agreement term or organization's fiscal year, whichever comes first.

Recommendation: Conduct the required annual audit or acquire the waiver to comply with the contract requirements for future contract years.

Finding 3: Board Minutes Not Available

The organization did not make available its board meeting minutes during our site visit and we were unable to verify whether the Board of Directors had approved the annual budget. Per contract, section 28A, “Contractor agrees to keep and maintain and make available to the City during regular business hours, accurate books, fiscal records, and all other material relative to its activities whether funded in whole or in part under this agreement.”

Recommendation: Make all board meeting minutes available at the organization’s administration office at all times.

BAYVIEW HUNTERS POINT FOUNDATION FOR COMMUNITY IMPROVEMENT, INC.

Site Location: 5815 Third Street
San Francisco, CA 94124

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$6,522,208

Contract Description: Provided medical and psychological services to alcohol and other drug users, incarcerated adults and adolescents, HIV positive individuals, clients enrolled in substance abuse treatment programs, youth who are in out-of-home placements or who are at risk for out-of-home placements, and persons with developmental and mental disabilities. Clients received intake assessments, methadone detoxification services, and counseling sessions to develop and regularly review their individualized treatment plans to facilitate and help maintain successful growth, habilitation, and rehabilitation in reaching and maintaining productive, clean, and sober lives. Youth programs provided family counseling, mental health services, and drug and rehabilitation treatments.

Date of Fiscal & Compliance Monitoring: September 8, 2005

Finding: Inadequate Segregation of Duties

We noted the accountant opened the mail, retained the checks received in her desk drawer, and was responsible for depositing the checks. In addition, cash receipts were not recorded into the organization's accounting system from July 2005 to September 2005. We recommend segregating duties over the collections of cash receipts, in addition to timely recording of cash receipts to maintain good accountability and internal control.

Recommendation: Segregate duties over the collections of cash receipts and record cash receipts in time to maintain good accountability and internal control.

Corrective Action: According to the organization's interim director, this matter occurred due to the unexpected medical leave of its controller, which set back the organization's normal operations and said the issue had been resolved upon the hiring of a new controller at the end of September 2005.

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BAYVIEW HUNTERS POINT HEALTH AND ENVIRONMENTAL RESOURCE CENTER

Site Location: 828 Innes Avenue, Unit 111
San Francisco, CA 94124

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$545,562

Contract Description: Provided asthma and cancer outreach/recruitment, community/client education, training, alternative therapies, and capacity building/promotion services to increase health awareness and wellness management of Bayview Hunters Point residents.

Date of Fiscal & Compliance Monitoring: September 21, 2005

Finding 1: Incorrectly Reported Units of Services Provided

Two programs in the May and June 2005 Monthly Statement of Deliverables and Invoices were not properly supported by time logs. The Asthma Community/Client Education Hours program reported 261 units of service and 381 clients seen, while the time logs showed 60 and 155, respectively for May 2005. For June 2005, the same programs reported 101 units of service and 355 clients and the time logs indicated 10 units of service and 27 clients seen. In addition, the June 2005 statement reported 115 clients served in the Cancer Community/Client Education program while time logs indicated 27 clients seen. A misclassification of \$349 of operating expenses for materials and supplies reported under consultant/subcontractor expenses were also noted on the June statement.

Recommendation: Properly classify expenses and record only actual units of services and clients seen in the Monthly Statement of Deliverables and Invoice.

Finding 2: Budget Not Properly Approved

The Board of Directors did not approve the use of the organization's resources or help control finances by setting practical limits on the amount that can be spent on specific programs and activities.

Recommendation: Submit the budget to the Board of Directors for approval to provide oversight and to prevent future cash flow problems.

Finding 3: Sunshine Ordinance Requirements Not Met

Notifications were only distributed to the San Francisco Public Library, but not the Clerk of the Board of Supervisors for the public meetings held during the year. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public per year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet of financial information was not available for public review. The City's Sunshine Ordinance requires nonprofit contractors to maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

BOOKER T. WASHINGTON FAMILY RESOURCE CENTER

Site Location: 800 Presidio Avenue
San Francisco, CA 94115

Contract Term: September 30, 2004, through September 29, 2005

Contract Amount: \$319,415

Contract Description: The program provided:

- 1) Logistical support for meeting, training, conference and other group events, and activities,
- 2) Community organization in four neighborhoods,
- 3) Ongoing support and health education outreach for vulnerable persons in the target areas, and
- 4) Leadership in the areas of "Undoing Racism."

Date of Fiscal & Compliance Monitoring: August 23, 2005

Finding: Sunshine Ordinance Requirement Not Met

No proper notifications were distributed for the public board meetings held during fiscal year 2004-05. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public per year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements.

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CENTER ON JUVENILE AND CRIMINAL JUSTICE

Site Location: 54 Dore Street
San Francisco, CA 94103

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$249,250

Contract Description: The Supportive Living Program is a residential abuse treatment program that developed individualized treatment plans for State parolees who reside in San Francisco and has a history of substance abuse. The goal of the program is to reduce the level of recidivism of parolees by providing participants with food and shelter, substance abuse recovery services, intake assessments, counseling, mentoring, employment services, exit plans, and after care services.

Date of Fiscal & Compliance Monitoring: August 29, 2005

Finding 1: Budget Not Properly Approved

The Board of Directors did not approve the use of the organization's resources or help control finances by setting practical limits on the amount that can be spent on specific programs and activities.

Recommendation: Submit the budget to the Board of Directors for approval to provide oversight and to prevent future cash flow problems.

Finding 2: Reimbursement Request Not Accurate

The units of service requested for reimbursement in the May and June 2005 invoices did not agree with the supporting documentation. The May 2005 invoice was under billed by 51 units at a rate of \$46; which totaled to an under billing of \$2,346, while the June 2005 invoice was over billed by 23 units at a rate of \$46, totaled to an over billing of \$1,058.

Recommendation: Requests for reimbursement should include only units of service completed within the approved budgeted.

Finding 3: Timesheet Not Properly Approved

One of the timesheets selected for review did not have the signature indicating approval by the supervisor.

Recommendation: All timesheets must be reviewed and submitted to immediate supervisor for signature to provide proper authorization for payment.

Finding 4: Sunshine Ordinance Requirements Not Met

No proper notifications were distributed for the public board meetings held during fiscal year 2004-05. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public per year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet of financial information was not available for public review. The City's Sunshine Ordinance requires nonprofit contractors to maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

COMPASSPOINT NONPROFIT SERVICES

Site Location: 706 Mission Street, 5th Floor
San Francisco, CA 94103

Contract Term: March 1, 2004, through February 28, 2005

Contract Amount: \$43,600

Contract Description: Assisted the San Francisco Ryan White CARE Act to fund agencies and their respective sites in the collection and reporting of client level data. Data is collected using Reggie, a centralized computerized client registration system with decentralized access.

Date of Fiscal & Compliance Monitoring: September 8, 2005

Finding: Sunshine Ordinance Requirement Not Met

A packet of financial information was not available for public review. The City's Sunshine Ordinance requires nonprofit contractors to maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Make available a packet of financial information for public review at all times to remain compliant with city requirements.

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HARM REDUCTION COALITION

Site Location: 1440 Broadway, #510
Oakland, CA 94612

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$176,217

Contract Description: Provided HIV counseling, prevention case-management, and outreach to drug and alcohol users.

Date of Fiscal & Compliance Monitoring: August 30, 2005

Finding: Reimbursement Request Not Accurate

The February 2005 invoice included expenses for a canceled training in the amount of \$700 for reimbursement. In addition, eight units of service were reported in the invoice as provided, even though the training was canceled.

Recommendation: Claim and report only actual cost and units of service that have been incurred and provided for the purposes of accurate reporting.

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IMMUNE ENHANCEMENT PROJECT

Site Location: 3450 16th Street
San Francisco, CA 94114

Contract Term: July 1, 2004, through March 31, 2005

Contract Amount: \$151,511

Contract Description: Served San Francisco residents (multiply diagnosed, especially Americans of African descent, women and youth) diagnosed with HIV/AIDS disease, who have low income, are uninsured, and/or underinsured through complementary therapy. Complementary therapy includes the following: assessments, acupuncture service, and/or massage therapy. Acupuncture treatments may have included but are not limited to acupuncture moxibustion, electro acupuncture, nutritional consultation, and herbs/herbal consultation. Group services including educational and supportive sessions were also provided.

Date of Fiscal & Compliance Monitoring: August 11, 2005

Finding 1: Budget Not Properly Approved

The Board of Directors did not approve the use of the organization's resources or help control finances by setting practical limits on the amount that can be spent on specific programs and activities.

Recommendation: Submit the budget to the Board of Directors for approval to provide oversight and to prevent future cash flow problems.

Finding 2: Required Independent Audit Not Conducted

The organization did not obtain the required audit or waiver for fiscal year 2003-04. The department contract requires the organization to annually have its books of accounts audited by a certified public accountant and to transmit the audit report and any associated management letter to the director within 180 calendar days following the audit's fiscal year. The director may approve a waiver of audit requirement, if submitted within 90 calendar days before the end of the agreement term or organization's fiscal year, whichever comes first.

Recommendation: Conduct the required annual audit or acquire the waiver to comply with the contract requirements for future contract years.

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JELANI HOUSE, INC.

Site Location: 1601 Quesada Street
San Francisco, CA 94124

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$3,418,606

Contract Description: The organization has many programs for outpatient and residential patients. Services were provided for men, women and families with substance abuse, domestic violence and parenting counseling. Women and families with children were provided with short-term housing, food, and life skills education. All programs were designed to prevent relapse and provide a safe environment for recovery.

Date of Fiscal & Compliance Monitoring: September 7, 2005

Finding 1: Budget Not Properly Approved

The Board of Directors did not approve the use of the organization's resources or help control finances by setting practical limits on the amount that can be spent on specific programs and activities.

Recommendation: Submit the budget to the Board of Directors for approval to provide oversight and to prevent future cash flow problems.

Finding 2: Invoice Not Submitted Timely

The monthly invoice for May 2005 was submitted on July 15, 2005. Per contract section 7(A), "Contractor shall submit monthly invoices by the fifteenth (15th) calendar day of each month based upon the number of units of service that were delivered in the immediately preceding month."

Recommendation: Submit invoices timely in accordance with the terms of the contract to avoid any disallowance or revoking of funds.

Finding 3: Sunshine Ordinance Requirements Not Met

Only one Board of Director's meeting was open to the public. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public per year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet of financial information was not available for public review. The City's Sunshine Ordinance requires nonprofit contractors to maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

LEGAL SERVICES FOR CHILDREN

Site Location: 1254 Market Street, 3rd Floor
San Francisco, CA 94102

Contract Terms:

- Project Home: July 1, 2004, through June 30, 2005
- Children System of Care (CSOC): July 1, 2004, through June 30, 2005

Contract Amounts: \$135,007

- Project Hope: \$104,522
- CSOC Youth Task Force: \$30,485

Contract Descriptions:

- Project Hope assisted families affected by HIV/AIDS to stabilize and plan for the future of their children through legal representation, case management, crisis intervention, a family support program, and individual counseling.
- CSOC Youth Task Force is a youth group that provided an opportunity for youth to develop advocacy skills and to make specific recommendations to improve Children System of Care system services.

Date of Fiscal & Compliance Monitoring: September 17, 2005

Finding: Records Not Available

Supporting documents of the units for service and units of unduplicated clients for the CSOC Youth Task Force contract were not available for inspection and retained for five years, as required in section 24C of the contract.

Recommendation: Retain supporting documentation on-site in accordance with the terms of the contract to avoid any disallowance or revoking of funds.

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MISSION COUNCIL ON ALCOHOL ABUSE FOR THE SPANISH SPEAKING, INC.

Site Location: 820 Valencia Street
San Francisco, CA 94110

Contract Term: July 1, 2003, through June 30, 2007

Contract Amount: \$3,792,248

Contract Description: Provided services that minimize and prevent alcohol and other drug-related problems to individuals, families, and groups of the underserved population. The contract provided funding for six programs: Intensive Outpatient Program, Outpatient Program, Family Day Treatment Program, Family Aftercare Program, Latino Behavioral Health Week Program and Proposition 36 Intensive Outpatient Program. The programs provided intake assessments; education sessions, group and individual counseling, housing assistance, childcare, and alternative therapies to assist in the recovery process of drug and alcohol abuse and to prevent relapse.

Date of Fiscal & Compliance Monitoring: September 21, 2005

Finding 1: No Global Budget

The organization maintained budgets for individual programs, but did not have a global budget for the organization as a whole. Each contractor must have an organization-wide budget that lists all funding sources and expenses by program level or cost center. Such budget can help an organization focus resources on long-term goals, control finances on specific programs and activities, and ensure that program and activity costs are consistent with revenue.

Recommendation: Develop an organization-wide budget for the upcoming fiscal year to present to the Board of Directors for approval.

Finding 2: Reimbursement Request Not Accurate

The contracted units of service amount and unit rate on the June 2005 invoice submitted for reimbursement did not agree to those on the contract signed and dated on October 14, 2004. As a result, the department was over billed by \$22. However, the department did not reimburse the organization beyond the contracted amount.

Recommendation: Submit invoices based on the latest approved invoice template to accurately reflect the amount of services and unit rate.

Finding 3: Lack of Written Policies and Procedures

No written fiscal policies and procedures were observed during the site visit.

Recommendation: Maintain a set of written fiscal policies and procedures in accordance with the City's *Finance Guide for Nonprofit Organizations*, section 2-5.

Corrective Action: According to the new controller, the organization is currently developing a written set of fiscal policies and procedures.

Finding 4: Sunshine Ordinance Requirements Not Met

Notifications were only distributed to the Clerk of the Board of Supervisors, but not the San Francisco Public Library for the public meetings held during the year. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public each year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet was not available for public review. The Sunshine Ordinance requires nonprofit contractors maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

MORRISANIA WEST, INC.

Site Location: 205 13th Street, Suite #3300
San Francisco, CA 94103

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$680,046

Contract Description: The Youth, Outreach, Recovery, and Education Service is a day treatment substance abuse program that has served the City since 1994. Services included assessment, treatment planning, individual, group and family counseling, acupuncture, computer training, and nutrition education, sports and cultural activities.

Date of Fiscal & Compliance Monitoring: August 31, 2005

Finding 1: Reimbursement Request Not Accurate

The May and June 2005 Youth, Outreach, Recovery, and Education invoices funded by the general fund reported 425 and 230 units of service, respectively, while the actual units of service was 409 and for June's was 407. In addition, the May and June invoices funded by Proposition 36 reported 230 and 170 units of service, respectively, while the actual units of service were 191 and 121.

Recommendation: Requests for reimbursement should include only actual units of service.

Finding 2: Sunshine Ordinance Requirements Not Met

Notifications were only posted at the location of the meetings and not distributed to the Clerk of the Board of Supervisors, nor the San Francisco Public Library for the public meetings held during the year. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public per year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet of financial information was not available for public review. The City's Sunshine Ordinance requires nonprofit contractors to maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

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POSITIVE DIRECTIONS EQUALS CHANGE

Site Location: 2111 Jennings Street
San Francisco, CA 94124

Contract Term: July 1, 2003, through June 30, 2005

Contract Amount: \$588,224

Contract Description: Provided methadone services by use of a mobile methadone van to substance abusing African Americans who reside in the Bayview district of San Francisco and are possibly involved with the criminal justice system. The organization conducted individualized counseling, case management, mentoring, HIV education, and weekly support groups. The organization also provided drug education, spirituality and cultural identity groups; parenting classes, relapse prevention and anger management sessions to encourage treatment and recovery efforts.

Date of Fiscal & Compliance Monitoring: August 12, 2005

Finding 1: Reimbursement Request Not Accurate

The amounts requested for reimbursement in the May 2005 invoice to the department did not agree to actual receipts. Actual receipts for the utilities and van parking line items totaled \$2,230; however reimbursement was requested for \$4,650. The organization requested \$2,420 more than the actual expenses.

Recommendation: Include only actual costs incurred within the approved budgeted line items in reimbursement requested.

Finding 2: Sunshine Ordinance Requirements Not Met

Notifications were only distributed to the San Francisco Public Library, but not the Clerk of the Board of Supervisors for the public meetings held during the year. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public per year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet of financial information was not available for public review. The City's Sunshine Ordinance requires nonprofit contractors to maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

Finding 3: Auditor Not Independent

The organization's certified public accountant performed not only the monthly reporting of the organization's transactions, but also conducted the independent audit of the financial statements for the period ended in June 30, 2004. According to section 3-3 of the City's *Finance Guide for Nonprofit Organizations*, an independent auditor does not create records (journals, ledgers, reports, etc) that the organization should have created and should be maintaining as part of its accounting system. An auditor also does not initiate or record transactions. Thus, an auditor is independent from performing any financial activity for the organization.

Recommendation: Do not allow the independent auditor to conduct any financial transaction for the organization.

PUBLIC HEALTH FOUNDATION ENTERPRISES MANAGEMENT SOLUTIONS

Site Location: 13200 Crossroads Parkway North
City of Industry, CA 91746

Contract Terms:

- Syphilis Prevention: July 1, 2003, through December 31, 2004
- Morbidity and Risk Behavior Surveillance: September 1, 2004, through May 31, 2008

Contract Amounts: \$827,079

- Syphilis Prevention: \$379,667
- Morbidity and Risk Behavior Surveillance: \$447,412

Contract Descriptions:

- The Syphilis Prevention contract provided community-based syphilis outreach activities as well as developed and implement culturally appropriate sexual health materials to gay and bisexual men and other men who have sex with men. The objective was to provide education on the syphilis epidemic and to improve access to syphilis information and testing and treatment services in San Francisco.
- The Morbidity and Risk Behavior Surveillance contract provided fiscal intermediary support to the Statistics and Epidemiology Section. The organization developed and implemented a supplemental HIV/AIDS surveillance system that produced population-based estimates of characteristics of persons in San Francisco with HIV infection and the care they receive.

Date of Fiscal & Compliance Monitoring: Desk review performed in September 2005.

Finding 1: Invoices Not Submitted Timely

The December 2004 final invoice for the Syphilis Prevention and the May 2005 final invoice for the Morbidity and Risk Behavior Surveillance contracts were submitted 55 and 49 days, respectively, after the end of the contracted period. Per contract section 7B, "a final closing invoice, clearly marked 'final', shall be submitted no later than forty-five (45) calendar days following the closing date of the agreement."

Recommendation: Submit invoices timely in accordance with the terms of the contract to avoid any disallowance or revoking of funds.

Finding 2: Timesheet Not Accurate

One of the timesheets sampled, had eight hours more reported on the payroll register, resulting in an overpayment to the employee.

Recommendation: Review and reconcile timesheets prior to submittal to ensure proper reporting.

Finding 3: Sunshine Ordinance Requirement Not Met

A packet of financial information was not available for public review. The City's Sunshine Ordinance requires nonprofit contractors to maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Make available a packet of financial information for public review at all times to remain compliant with city requirements.

QUAN YIN HEALINGS ARTS CENTER

Site Location: 455 Valencia Street
San Francisco, CA 94103

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$89,400

Contract Description: The Access Program provided complementary therapy encounters and education groups to persons residing in San Francisco, diagnosed with HIV/AIDS and who are of low income, uninsured, or underinsured. Treatments included assessments, acupuncture service, and massage therapy. Education groups provided opportunities to learn about the use of complementary therapies to enhance health and well being.

Date of Fiscal & Compliance Monitoring: August 19, 2005

Finding: Required Independent Audit Not Conducted

The organization did not obtain the required audit or waiver for fiscal year 2003-04. The department contract requires the organization to annually have its books of accounts audited by a certified public accountant and to transmit the audit report and any associated management letter to the director within 180 calendar days following the audit's fiscal year. The director may approve a waiver of audit requirement, if submitted within 90 calendar days before the end of the agreement term or organization's fiscal year, whichever comes first.

Recommendation: Conduct the required annual audit or acquire the waiver to comply with the contract requirements for future contract years.

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SAN FRANCISCO STUDY CENTER

Site Location: 1095 Market Street, #602
San Francisco, CA 94103

Contract Term: July 1, 2003, through June 30, 2007

Contract Amount: \$5,264,872

Contract Description: Acted as a fiscal sponsor to the community-based organizations funded through the Tobacco Free Project. Specific activities included, but are not limited to:

- 1) Disbursement of funds to community-based organizations selected by the Tobacco Free Project from a pool of applicants.
- 2) Disbursement of funds for payment of training costs associated with provision of training services to the Tobacco Free Project Providers, Tobacco Free Coalition, and other agencies.
- 3) Disbursement of funds for payment for Tobacco Control Consultants to the Tobacco Free Coalition and Tobacco Free Project to provide research, promotion, outreach, education regarding special projects related to tobacco control as identified.
- 4) Upon approval of the Tobacco Free Project Director, provided payment for purchase and/or development of education items and other capacity building support related costs.

Date of Fiscal & Compliance Monitoring: August 17, 2005

Finding: Sunshine Ordinance Requirement Not Met

A packet of financial information was not available for public review. The City's Sunshine Ordinance requires nonprofit contractors to maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Make available a packet of financial information for public review at all times to remain compliant with city requirements.

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ST. JAMES INFIRMARY

Site Location: 1372 Mission Street
San Francisco, CA 94103

Contract Term: January 1, 2005, through June 30, 2005

Contract Amount: \$51,131

Contract Description: Provided peer based HIV prevention services to male, transgender, and female sex workers and their male partners (intimate and clients).

Date of Fiscal & Compliance Monitoring: September 21, 2005

Finding 1: Records Not Retained

The organization did not maintain all records and supporting documents on-site, but instead was located in New York with the organization's contracted accountant. As a result, their documents were not made available for our review. Per contract, section 28A, "Contractor agrees to keep and maintain and make available to the City during regular business hours, accurate books, fiscal records, and all other material relative to its activities whether funded in whole or in part under this agreement."

Recommendation: All supporting documents and records should be kept and maintained at the organization.

Finding 2: Timesheet Not Accurate

One of the timesheets sampled had seven hours not reported on the payroll register and resulted in an underpayment of \$123 to the employee.

Recommendation: Review and reconcile timesheets prior to submittal to ensure proper reporting.

Finding 3: Policies and Procedures Not On-Site

The organization does not maintain a copy of accounting policies and procedures on-site, but did have a copy available in New York where the subcontracted accountant is located.

Recommendation: Maintain a set of written fiscal policies and procedures in accordance with the Controller's *Finance Guide for Nonprofit Organizations*, section 2-5 on-site at the organization.

Finding 4: Invoices Not Submitted Timely

The monthly invoice for May 2005 was received on June 27, 2005, four working days late. Per contract section 5A, "Contractor shall submit monthly invoices by the fifteenth (15th) working day of each month, based upon the number of units of service that were delivered in the immediately preceding month."

Recommendation: Submit invoices timely in accordance with the terms of the contract to avoid any disallowance or revoking of funds.

SAGE PROJECT, INC.

Site Location: 1385 Mission Street, Suite 300
San Francisco, CA 94103

Contract Term: July 1, 2003, through June 30, 2007

Contract Amount: \$1,204,430

Contract Description: Provided drug treatment programs counseling as well as treatment for trauma by facilitating groups on location in other treatment programs and jail facilities. The services provided specialized treatment in the areas of prostitution, trauma, abuse, domestic violence, healthy relationship, boundaries, building positive support systems, and the link between these issues and drug and alcohol abuse.

Date of Fiscal & Compliance Monitoring: August 24, 2005

Finding 1: Accounting Manual Not Complete

The accounting manual did not include policy and procedures for purchasing, cost-allocation plan, contingency backup plans for disasters such as alternative computer processing, and computer backups including off-site backups as recommended in the management letter written by organization's independent auditor.

Recommendation: Revise the accounting manual to include those important sections as recommended by the auditor.

Finding 2: Sunshine Ordinance Requirements Not Met

Notifications were only distributed to the Clerk of the Board of Supervisors, but not the San Francisco Public Library for the one public meeting held during the year. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public each year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet was not available for public review. The Sunshine Ordinance requires nonprofit contractors maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and City performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

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TENDERLOIN AIDS RESOURCE CENTER

Site Location: 187 Golden Gate Avenue
San Francisco, CA 94102

Contract Term: July 1, 2004, through June 30, 2005

Contract Amount: \$535,613

Contract Description: Provided HIV prevention services through outreach, groups, workshops, prevention case management, individual risk reduction counseling, and HIV counseling, and testing services.

Date of Fiscal & Compliance Monitoring: September 9, 2005

Finding 1: Payroll Register Not Accurate

One of the time clock reports sampled, had 7 hours and 40 minutes not reported on the payroll register, resulting to an underpayment to the employee. In addition, on this same sample, there was no support for the paid time off hours used during the pay period of May 1-15, 2005 on the payroll register.

Recommendation: Review and reconcile timesheets prior to submittal to ensure proper reporting.

Finding 2: Required Independent Audit Not Conducted

The organization did not obtain the required audit or waiver for fiscal year 2003-04. The department contract requires the organization to annually have its books of accounts audited by a certified public accountant and to transmit the audit report and any associated management letter to the director within 180 calendar days following the audit's fiscal year. The director may approve a waiver of audit requirement, if submitted within 90 calendar days before the end of the agreement term or organization's fiscal year, whichever comes first.

Recommendation: Conduct the required annual audit or acquire the waiver to comply with the contract requirements for future contract years.

Finding 3: Sunshine Ordinance Requirements Not Met

Notifications were only distributed to the San Francisco Public Library, but not the Clerk of the Board of Supervisors for the public meetings held during the year. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public per year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet was not available for public review. The Sunshine Ordinance requires nonprofit contractors maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and City performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

THE VOLUNTEER CENTER OF SAN FRANCISCO

Site Location: 1675 California Street
San Francisco, CA 94109

Contract Term: July 1, 2003, through June 30, 2007

Contract Amount: \$905,340

Contract Description: Served individuals in the setting most appropriate to their level of need and disability with the resources available to Community Behavioral Health Services and developed a single network of services by strengthening the partnership between the private sector (contract providers) and public (civil service providers), working toward the common goal of optimizing the use of limited resources for those in need.

Date of Fiscal & Compliance Monitoring: August 19, 2005

Finding: Timesheets Not Properly Approved

Two of the timesheets selected for review did not have the signature indicating approval by the supervisor.

Recommendation: Submitted timesheet to immediate supervisor for signature to provide proper authorization for payment.

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WEST BAY PILIPINO MULTI-SERVICE CENTER

Site Location: 180 7th Street
San Francisco, CA 94103

Contract Term: July 1, 2003, through June 30, 2007

Contract Amount: \$268,800

Contract Description: Served the individuals in the setting most appropriate to their level of need and linked them to resources available in the community including the Community Mental Health Services through:

- 1) Educating the community on mental health issues and increase access to primary care and mental health services for the youth and their families.
- 2) Developing the organization's infrastructure and capacity to address the need for bilingual and culturally appropriate mental health services for Filipino youth and families.

Date of Fiscal & Compliance Monitoring: September 23, 2005

Finding 1: Required Independent Audit Not Conducted

The organization did not obtain the required audit or waiver for fiscal year 2003-04. The department contract requires the organization to annually have its books of accounts audited by a certified public accountant and to transmit the audit report and any associated management letter to the director within 180 calendar days following the audit's fiscal year. The director may approve a waiver of audit requirement, if submitted within 90 calendar days before the end of the agreement term or organization's fiscal year, whichever comes first.

Recommendation: Conduct the required annual audit or acquire the waiver to comply with the contract requirements for future contract years.

Finding 2: Sunshine Ordinance Requirements Not Met

Notifications were only distributed to the Clerk of the Board of Supervisors, but not the San Francisco Public Library for the public meetings held during the year. The City's Sunshine Ordinance requires nonprofit contractors that meet the Sunshine Ordinance threshold of receiving \$250,000 or more of city funds must open two board meetings to the public per year. To ensure compliance with this particular requirement, notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

A packet was not available for public review. The Sunshine Ordinance also requires nonprofit contractors maintain and make available a packet of financial information for public review. The packet should include the most recent city contract budget, state and federal tax returns, recent audits, and city performance evaluations. Privileged information can be withheld.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements and make available a packet of financial information for public review at all times.

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WESTSIDE COMMUNITY MENTAL HEALTH WELLNESS CENTER, INC.

Site Location: 1153 Oak Street
San Francisco, CA 94117

Contract Terms:

- Women's HIV Prevention: July 1, 2004, through June 30, 2005
- Home Care/Hospice/Attendant Care Services: March 1, 2005, through August 31, 2005

Contract Amounts: \$160,830

- Women's HIV Prevention: \$64,569
- Home Care/Hospice/Attendant Care Services: \$96,261

Contract Descriptions:

- The Women's HIV Prevention Project provided HIV educational and prevention drop-in groups; venue based individual outreach and risk reduction counseling for African American females to eliminate new HIV infections in San Francisco.
- The Home Care/Hospice/Attendant Care Services provided attendant care and homemaker services to prevent hospitalizations to home bound, multi-diagnosed individuals living with HIV/AIDS; are uninsured or underinsured; and are from African Americans, Latino Asian Pacific Islander, or Native American communities.

Date of Fiscal & Compliance Monitoring: September 15, 2005

Finding 1: Billed For Service Not Received

During the review of supporting documents for the Home Care/Hospice/Attendant Care Services' June 2005 invoice, one client was not home at the scheduled time upon the arrival of the attendant, however four service hours, equivalent to \$210.00, were billed to the department. Per discussion with the organization's senior accountant, this was a rare incident and did not occur often.

Recommendation: Bill only administrative and travel time, but not the entire scheduled appointment if the client did not receive service.

Finding 2: Attendance Forms Not Accurate

Attendance forms reviewed for 3 out of 88 had a total of 4.5 more hours entered into the billing system for the month of June 2005 than actual worked. The total amount of hours recorded in the billing system supports the amounts billed to the department.

Recommendation: Attendance hours should be reconciled with the hours recorded in the billing system to ensure accurate reporting.

Finding 3: Sunshine Ordinance Requirement Not Met

Notifications did not include information as required by Administrative Code Section 12L.4(d) for the public meetings held during the year. To ensure compliance with this particular requirement, each notice should have the date, time and location of the designated public meeting. The City's Sunshine Ordinance requires that notices must be provided 30 days before the date of a board meeting and notices should be sent to both the Clerk of the Board of Supervisors and to the San Francisco Public Library.

Recommendation: Hold at least two public Board of Director meetings with proper notification each year to remain compliant with city requirements.

Staff: Cynthia Fong, Audit Manager
Kathy Buckley
Lily Chau
Vivian Chu
Nneka Gallaread

cc: Mayor
Board of Supervisors
Civil Grand Jury
Public Library
Budget Analyst