City and County of San Francisco

Office of the Controller – City Services Auditor

DEPARTMENT OF PUBLIC HEALTH:

Monitoring of A-133 Single Audit Reports for Agencies Awarded Federal Funds by DPH in Fiscal Year 2006-07

September 18, 2008

CONTROLLER'S OFFICE
CITY SERVICES AUDITOR

The City Services Auditor was created within the Controller's Office through an amendment to the City Charter that was approved by voters in November 2003. Under Appendix F to the City Charter, the City Services Auditor has broad authority for:

- Reporting on the level and effectiveness of San Francisco's public services and benchmarking the city to other public agencies and jurisdictions.
- Conducting financial and performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of processes and services.
- Operating a whistleblower hotline and website and investigating reports of waste, fraud, and abuse of city resources.
- Ensuring the financial integrity and improving the overall performance and efficiency of city government.

The audits unit conducts financial audits, attestation engagements, and performance audits. Financial audits address the financial integrity of both city departments and contractors and provide reasonable assurance about whether financial statements are presented fairly in all material aspects in conformity with generally accepted accounting principles. Attestation engagements examine, review, or perform procedures on a broad range of subjects such as internal controls; compliance with requirements of specified laws, regulations, rules, contracts, or grants; and the reliability of performance measures. Performance audits focus primarily on assessment of city services and processes, providing recommendations to improve department operations.

We conduct our audits in accordance with the Government Auditing Standards published by the U.S. Government Accountability Office (GAO). These standards require:

- Independence of audit staff and the audit organization.
- Objectivity of the auditors performing the work.
- Competent staff, including continuing professional education.
- Quality control procedures to provide reasonable assurance of compliance with the auditing standards.

Audit Team: Elisa Sullivan, Audit Manager
Edwin De Jesus, Associate Auditor

CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

September 18, 2008

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

Dear Dr. Katz:

The Office of the Controller (Controller) presents its report regarding the monitoring of nonprofit organizations that received federal funding through the Department of Public Health (DPH). DPH, as the primary recipient of federal grants, is required to monitor those organizations, or sub-recipients, to which it passes through federal funds. Also, DPH must consider whether sub-recipient audits with questioned costs necessitate adjustment of the City's own records as required by OMB Circular A-133. The Controller's City Services Auditor agreed to assume DPH's monitoring requirement for federal grant sub-recipients and to follow-up on any findings and questioned costs that resulted from sub-recipient single audits conducted in accordance with OMB Circular A-133.

Of the 51 sub-recipients that received federal funding through DPH, 12 had single audit findings and 25 had management letter comments. Only eight of these organizations had both single audit findings and management letter comments. Two had questioned costs. Most of these organizations had appropriate and timely corrective action plans for their single audit findings and management letter comments. However, two organizations only provided us with their single audit reports, but not their management letters; four organizations did not provide us with their responses to the management letter comments.

A response from DPH is attached to this report. The Controller's City Services Auditor will work closely with management of DPH to follow up on the status of our recommendations and on the recommendations in the sub-recipient single audit reports and management letters during the next year-end monitoring process.

Respectfully submitted,

Ben Rosenfield
Controller

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

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TABLE OF CONTENTS

Organization (continued)

INTRODUCTION

Background

Under the requirements of the Single Audit Act and OMB Circular A-133, a primary recipient of federal awards must monitor its sub-recipients to determine whether the sub-recipients have expended the awards in accordance with applicable laws and regulations. Sub-recipients receiving federal awards of $500,000 or more must issue single audit reports performed in accordance with OMB Circular A-133. As the primary recipient, the Department of Public Health (DPH) is required to ensure that these audits are performed, and must follow-up on the resolution of all reported findings and questioned costs. DPH must consider also whether sub-recipient audits necessitate adjustment of the City's own records as required by OMB Circular A-133. If questioned costs at the sub-recipient level are found to be unallowable, the City may need to adjust its financial records and its federal expenditure reports.

At the request of DPH, the Office of the Controller's City Services Auditor (Controller) assumed the monitoring and follow-up function for federal funds expended by the DPH in fiscal year 2006-07. This report summarizes the results of the Controller's monitoring of those sub-recipients who were required to obtain single audit reports.

Scope and Methodology

DPH provided us with spreadsheets of all nonprofit organizations to which DPH had passed through federal funds in fiscal year 2006-07. We obtained and reviewed single audit reports for those nonprofit organizations which received over $500,000 in federal funds and are thus required to file single audit reports with the federal government. For those single audit reports that contained findings, we ensured that the nonprofit organization had an appropriate and timely corrective action, or response, to the findings. In addition, where applicable, we also reported management letter comments, recommendations, and the current status of the management letter comments.

While DPH also has certain responsibilities pertaining to the monitoring of sub-recipients receiving less than $500,000, the scope of this report was limited to our follow-up of sub-recipients with single audit requirements (i.e., those receiving $500,000 or more in federal funding). For the most part, our review covered single audits that were performed for the fiscal year ended June 30, 2006; however, we also reviewed single audits from organizations using a calendar year end or other fiscal year end.

Monitoring Results

We reviewed single audit reports from a total of 51 nonprofit organizations, and found that 12 single audit reports contained findings and recommendations. All recommendations either have been or are currently being addressed by the organizations. Of the 51 nonprofit organizations, 25 of them had management letter comments. Only eight of the organizations had both single audit findings and management letter comments, as noted in the summary table on page three. Two organizations, Catholic Charities and County of San Mateo, had questioned costs; however, the questioned costs were either very minor or unrelated to the program funded.

Both Continuum HIV Day Services and Tides Center only provided us with their single audit reports, but not their management letters; Haight Ashbury Free Clinics, Maitri, the San Francisco Particular Council of the Society of St. Vincent de Paul, and Tenderloin AIDS Resource Center did not provide us with their responses to the management letter comments. We will follow up with all nonprofit organizations with single audit reports and management letters during the next monitoring review.

Recommendations

The Department of Public Health should take the following actions to ensure that it properly monitors the use of federal funds it awards each year to organizations:

1. Follow up with the organizations identified as having single audit or management letter findings and ensure that the organizations have taken appropriate and timely corrective action to implement the recommendations made by their independent auditors.

2. Follow up with Continuum HIV Day Services, Tides Center, Haight Ashbury Free Clinics, Maitri, the San Francisco Particular Council of the Society of St. Vincent de Paul, and Tenderloin AIDS Resource Center to obtain the management letters, and/or responses to the management letters not yet submitted.

3. Include this report on the hearing agenda of the Public Health Commission.

SUMMARY OF NONPROFIT ORGANIZATIONS REVIEWED

Organization	Total City Funds Expended	Federal Funds Expended *via* DPH	Single Audit Findings		Management Letter Comments	
			Yes	No	Yes	No
AIDS Emergency Fund	$ 921,640	$ 848,482		x	x	
Ark of Refuge, Inc.	1,005,835	413,153		x		x
Asian & Pacific Islander Wellness Center: Community HIV/AIDS Services, Inc.	754,939	50,561		x		x
Asian American Recovery Services, Inc.	8,329,110	1,774,262		x		x
Baker Places, Inc.	12,177,860	987,577		x		x
Bayview Hunters Point Foundation	5,772,841	1,022,911	x		x	
Black Coalition on AIDS, Inc.	983,623	612,534		x		x
California Family Health Council, Inc.	11,839	9,975	x			x
Catholic Charities CYO of the Archdiocese of San Francisco	5,722,216	958,205	x		x	
Center for Human Development	143,768	143,768		x	x	
Chinatown Community Development Center	5,387,935	29,040		x		x
Community Awareness and Treatment Services, Inc.	6,252,720	973,805		x	x	
Continuum HIV Day Services (now known as Tenderloin Health)	532,885	387,400		x	x	
County of Marin AIDS Office	1,045,948	982,406	x			x
County of San Mateo AIDS Program	2,260,933	2,253,143	x		x	
Dolores Street Community Services, Inc.	1,030,815	151,609		x	x	
Friendship House Association of American Indians, Inc. and Affiliate	520,999	40,000		x		x
Haight Ashbury Free Clinics, Inc.	8,827,191	2,164,398	x		x	
Horizons Unlimited of San Francisco, Inc.	1,649,571	824,000		x	x	
Instituto Familiar de la Raza, Inc.	3,796,158	422,939		x		x
Iris Center Women's Counseling and Recovery Services, Inc.	1,126,592	268,254		x		x
Japanese Community Youth Council	7,383,611	737,696		x		x
Larkin Street Youth Services	4,902,736	691,768		x		x
Latino Commission on Alcohol and Drug Abuse Services	1,491,933	202,181		x	x	
Lutheran Social Services of Northern California	1,152,419	585,818	x		x	
Maitri	1,162,829	1,086,276		x	x	
Mission Council on Alcohol Abuse for the Spanish Speaking	1,014,558	400,000		x	x	
Mission Neighborhood Health Center	2,690,393	1,002,643		x		x
Native American Health Center, Inc.	169,032	27,125		x		x
New Leaf: Services for Our Community	1,976,985	833,539		x		x
North East Medical Services	40,672	40,672		x	x	
PHFE Management Solutions	1,479,139	1,277,616		x		x

Organization	Total City Funds Expended	Federal Funds Expended *via* DPH	Single Audit Findings Yes	Single Audit Findings No	Management Letter Comments Yes	Management Letter Comments No
Positive Resource Center	1,213,906	202,356		x	x	
Project Open Hand	2,372,573	1,058,072		x	x	
Richmond Area Multi-Services, Inc.	5,961,813	11,076		x	x	
San Francisco AIDS Foundation	4,885,447	1,897,000	x			x
San Francisco Bar Association Volunteer Legal Services Program	717,435	62,458		x		x
San Francisco Food Bank	885,725	58,649		x	x	
San Francisco Particular Council of the Society of St. Vincent de Paul	1,907,280	542,438		x	x	
San Francisco Study Center	4,511,599	1,161,525		x		x
San Francisco Suicide Prevention, Inc.	564,767	73,349		x		x
Shanti	1,503,938	992,756	x			x
Swords to Plowshares: A Veterans' Rights Organization	899,918	101,197		x		x
Tenants and Owners Development Association	206,775	126,251		x	x	
Tenderloin AIDS Resource Center	3,760,630	1,418,903		x	x	
Tides Center	2,118,752	200,107	x		x	
University of California, San Francisco	7,018,729	1,807,270	x		x	
University of the Pacific – School of Dentistry	588,494	496,005	x		x	
Walden House, Inc.	9,428,284	1,444,432		x		x
Westside Community Services, Inc.	11,106,840	2,142,185		x		x
Young Men's Christian Association of San Francisco	5,546,860	304,510		x		x

AIDS EMERGENCY FUND

AIDS Emergency Fund (AIDS Fund) provides emergency financial assistance to persons with AIDS or disabling HIV or with breast cancer. Grants awarded to individuals are paid directly to providers for rent, utility and telephone bills, medical equipment and supplies for home care, funeral expenses, and travel expenses. AIDS Fund received approximately 36% of its revenues from the United States Department of Health and Human Services through the HIV Emergency Relief Formula/Supplemental Grant to serve clients in San Francisco.

Total Amount Received From the City in FY 2006-07: $921,640

Federal Funds Received From Public Health in FY 2006-07: $848,482

Single Audit Reviewed: Fiscal year ended February 28, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Client Grants

Condition: Payment of client grants did not indicate purposes for which the payment is to be used, and the preparation and the mailing of the check is done by the same person.

Recommendation: Clients' payments should be accompanied by a letter limiting the use of payments to allowable purposes, and grant checks should be mailed by someone other than the check preparer.

Current Status: The AIDS Fund took steps to address both concerns at the time they were pointed out, even prior to receiving the management letter. Payments to client money managers now list how the payment must be used. Also, since early 2006, checks have been mailed by someone other than the preparer.

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ARK OF REFUGE, INC.

The Ark of Refuge, Inc. (the Ark) is a nonprofit organization, which provides opportunities in areas of social and cultural needs; develops centers for the presentation of educational activities; provides community training to persons in subject areas; and to certify persons completing community training via these centers. In addition to its headquarters, the Ark operates four additional facilities in the San Francisco-Oakland Bay Area.

Total Amount Received From the City in FY 2006-07: $1,005,835

Federal Funds Received From Public Health in FY 2006-07: $413,153

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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ASIAN & PACIFIC ISLANDER WELLNESS CENTER: COMMUNITY HIV/AIDS SERVICES, INC.

The Asian and Pacific Islander Wellness Center: Community HIV/AIDS Services, Inc. (Wellness Center) is a community based organization dedicated to serving Asians and Pacific Islanders in San Francisco who are living with HIV or who are at risk for HIV infection. The Wellness Center receives most of its revenue from government grants and contracts in the current fiscal year. A significant reduction in the level of this revenue, if this were to occur, may have an effect on the Wellness Center programs and activities. The current programs at the Wellness Center are as follows: HIV Care Services, Health Education, Research and Technical Assistance, and Social Marketing.

Total Amount Received From the City in FY 2006-07: $754,939

Federal Funds Received From Public Health in FY 2006-07: $50,561

Single Audit Reviewed: Fiscal year ended March 31, 2006

Single Audit Findings: None

Management Letter Comments: None

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ASIAN AMERICAN RECOVERY SERVICES, INC.

The mission of Asian American Recovery Services, Inc. (AARS) is to decrease the incidence and impact of substance abuse in the Asian and Pacific Islander communities of San Francisco and other Bay Area counties. To accomplish this mission, AARS develops and provides innovative prevention, treatment and research services for individuals, families and communities. Because there are multiple causes and effects of substance abuse, AARS also engages in ancillary activities to meet its goal. AARS receives its funding primarily from governmental agencies.

Total Amount Received From the City in FY 2006-07: $8,329,110

Federal Funds Received From Public Health in FY 2006-07: $1,774,262

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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BAKER PLACES, INC.

Baker Places, Inc. (Baker Places) is a non-profit corporation providing an array of community-based services to the residents of San Francisco with mental health, substance abuse, and/or HIV/AIDS related issues. Baker Places is dedicated to assisting individuals in learning and regaining the skills to live their lives fully and productively in the community. This social rehabilitation approach guides and unifies all Baker Places' programs. Services are aimed at being accessible, flexible, consumer driven and culturally competent. Baker Places was founded in 1964, seeded with funds from Glide Memorial Methodist Church, with the goal of providing residential treatment services for adults recently released from Napa State Hospital. The first site was located at 730 Baker Street, and is the origin of its name. In 1969 Baker Places incorporated as a private, non-profit, tax exempt California Corporation and began expanding services through contracts with the San Francisco Department of Public Health. Baker Places is also the recipient of other major Federal grants. Growth in grant revenue is substantially dependent on government budgetary restraints.

Total Amount Received From the City in FY 2006-07: $12,177,860

Federal Funds Received From Public Health in FY 2006-07: $987,577

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Current Management Letter Comments: None

Prior Management Letter Comments:

> *Comment 1: Review of Bank Account Reconciliations*
>
> **Condition:** The bank reconciliations are reviewed by an appropriate person; however there is no consistent dating or initialing of the reconciliation to document the review process.
>
> **Recommendation:** The appropriate person should consistently document the review of bank reconciliations by initializing the reconciliations.
>
> **Current Status:** Implemented
>
> *Comment 2: Canceling of Paid Vendor Invoices*
>
> **Condition:** Vendor invoices are not cancelled when paid. A remittance stub is attached to the vendor invoice to indicate it was paid. However, a previously paid invoice could be resubmitted for payment and because it is already approved and coded the vendor invoice could be paid repeatedly.

Recommendation: Vendor invoices should be cancelled when paid.

Current Status: Implemented

BAYVIEW HUNTERS POINT FOUNDATION FOR COMMUNITY IMPROVEMENT

The Bayview Hunters Point Foundation for Community Improvement (the Foundation) is a nonprofit corporation founded in 1971 to help residents of the Bayview Hunters Point community in their fight against crime, alcohol and drug abuse, and mental disorders. The Foundation receives the majority of its revenue from the City and County of San Francisco (City). It employs approximately 87 people and administers numerous programs, which include substance abuse programs, mental health services, legal services/violence prevention, and youth services.

Total Amount Received From the City in FY 2006-07: $5,772,841

Federal Funds Received From Public Health in FY 2006-07: $1,022,911

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Finding:

Finding 06-1: Recordation of Financial Activity

Condition: The Foundation did not properly record financial activity. Numerous adjustments were required to properly record revenue, receivables, and expenses. Internal controls should be in place that provides reasonable assurance that financial activity is properly recorded.

Recommendation: Management should evaluate the current accounting staffing to ensure that sufficient personnel are assigned at the appropriate levels. Also, procedures for recordation of accounting activity should be developed and documented. All accounting department personnel should receive training and be thoroughly familiar with the relevant accounting policies and procedures. Management should also ensure that sufficient supervisory reviews and controls are in place to monitor the financial reporting process.

Current Status: Management has hired additional accounting personnel and will do the following:

- Develop written procedures for the recordation of financial activities.
- Monitor and review cost reports and journal entries on a monthly basis for accuracy and reasonableness.
- Explore hiring an outside consultant to review fiscal practices.

Management Letter Comments:

Comment 1: The Foundation Recorded Revenue Based on Budget

Condition: The Foundation evenly recorded revenue based on the budget throughout the 12-month contract period. Under its contract with the City, revenue is earned based on units of service provided, not to exceed the contractual limit. The Foundation billed the City based on actual units of service provided, which exceeded the contractual limit. However, the over- billing was not paid due to the limitation under the contract.

Recommendation: Management should review billings to ensure that amounts are billed in accordance with the contract provisions. The billed amounts should also be based on actual units of services and should not exceed units of service authorized under the contract.

Current Status: The Foundation has renegotiated an increase in the units of service for the program to be delivered to the City and will bill up to that amount when submitting billings to the City. The Foundation will continue efforts to ensure compliance in all accounting practices.

BLACK COALITION ON AIDS, INC.

Black Coalition on AIDS, Inc. is a nonprofit organization which provides information and education regarding the growth and prevention of the spread of AIDS among multicultural populations; operates housing facilities for homeless persons who are HIV positive; provides training to community workers who wish to specialize in AIDS prevention; and advocates for increase services and funding for AIDS related causes.

Total Amount Received From the City in FY 2006-07: $983,623

Federal Funds Received From Public Health in FY 2006-07: $612,534

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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CALIFORNIA FAMILY HEALTH COUNCIL, INC.

California Family Health Council, Inc. (CFHC) was established in July 1997 as the result of the business combination of the Los Angeles Regional Family Planning Council (LARFPC) and the California Family Planning Council (CFPC). As a single, statewide organization, CFHC administers funding for healthcare providers and is dedicated to expanding and strengthening alliances. CFHC's mission is to assure access to comprehensive voluntary healthcare services, including family planning, to all California residents, and, among other things, to act as a fiscal intermediary between providers and funding sources, ensuring appropriate distribution of funds. CFHC receives federal family planning funds, which it allocates to numerous delegate agencies that provide direct services to primarily low-income clients.

Total Amount Received From the City in FY 2006-07: $11,839

Federal Funds Received From Public Health in FY 2006-07: $9,975

Single Audit Reviewed: Fiscal year ended December 31, 2006

Current Single Audit Finding:

Finding 06-1: Reporting

Condition: Accrued costs of $50,000 as of December 31, 2006 were not documented, but were based on estimates, and therefore misstate the costs reported in CFHC's Financial Status Report.

Recommendation: CFHC should ensure that costs charged to programs and reported to the granting agency represent actual and not estimated costs. It should make the necessary corrections to the amount reported.

Current Status: Management will make the necessary corrections to the amount reported upon submission of the final contract cost reconciliation based on audited figures. Management has reviewed the procedures for federal cost allowances to ensure that all expenditures are documented appropriately according to OMB Circular A-122 requirements.

Prior Single Audit Findings:

Finding 05-1: Sub-Recipient Monitoring

Condition: During the test of CFHC's compliance with the federal requirements on sub-recipient monitoring, four out of six agencies tested whose federal expenditures exceeded $500,000 did not provide CFHC with their single audit reports for the fiscal year ended June 30, 2005.

Recommendation: CFHC should ensure that sub-recipients expending $500,000 or more in federal awards comply with the single audit requirements. CFHC should also ensure that appropriate actions are taken by the sub-recipient's management to address audit findings, if any.

Current Status: CFHC currently maintains a Desk Review Control Summary worksheet to facilitate monitoring of delegate agencies that are subject to single audit and to ensure that copies of single audit reports are obtained as soon as they become available.

Finding 05-2: Delegate Agency Files

Condition: During the review of selected delegate agency files, the auditors noted that there is no evidence that CFHC communicated the Catalog of Federal Domestic Assistance (CFDA) number of the grant to its delegate agency.

Recommendation: CFHC should develop and implement a process that will facilitate proper identification of all federal information, including the CFDA number to its sub-recipients at the time of the award. CFHC may consider including the federal award information in the delegate agency contracts.

Current Status: CFHC's grant contracts with delegate agencies now include the federal award information.

Management Letter Comments: None

CATHOLIC CHARITIES CYO OF THE ARCHDIOCESE OF SAN FRANCISCO

Catholic Charities CYO of the Archdiocese of San Francisco (Catholic Charities) is a nonprofit human services and community development organization. Catholic Charities is dedicated to the growth and development of children and families in a safe environment. Its mission is to alleviate human suffering by providing direct services for the poor and disenfranchised; to address the root causes of poverty and injustice by assisting people to mobilize their own resources and become self-sufficient, to enhance society's awareness of suffering through advocacy for changing unjust social conditions. Guided by core values of charity, social justice and respect for human dignity, Catholic Charities reaches out to children, families, and individuals in San Francisco, San Mateo, and Marin counties, and offers over 40 programs located throughout the Archdiocese. An important dimension of the programs is concerted outreach to "at risk" youth, families and communities. Catholic Charities views their employees and those they serve as strategic partners in these efforts.

Total Amount Received From the City in FY 2006-07: $5,722,216

Federal Funds Received From Public Health in FY 2006-07: $958,205

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Finding:

Finding 06-1: Lack of Documented Support for Staff Entertainment and Gift Certificates

Condition: Catholic Charities charged expenses totaling $468 for a dinner meeting held at a restaurant to the Housing Opportunities for Persons with AIDS grant and $887 relating to gift certificates that were provided to participants of the program to the HIV Emergency Relief Projects Grants. Catholic Charities had insufficient documentation to support the purpose of these expenses and that these expenses were necessary for the performance of the award. **Total questioned costs: $1,355**.

Recommendation: Documentation should be maintained to support the purpose of staff entertainment costs and gift certificates, and to support that these expenses are necessary for the performance of the award. Catholic Charities should also keep a log of the certificates that have been distributed to provide evidence that these are given to eligible individuals.

Current Status: Catholic Charities did not provide a response, but finding was implemented before subsequent audit of June 30, 2007.

Management Letter Comments:

Comment 1: Timeliness of & Review of Account Reconciliations

Condition: All key account reconciliations process were not always being reviewed and completed timely, thus presenting a risk that any errors might not be discovered promptly.

Recommendation: Management should establish deadlines for the completion and review of reconciliations to ensure that these controls are being performed timely.

Current Status: Management agrees with the recommendation.

Comment 2: Segregation of Duties Over Payroll

Condition: There was insufficient segregation of duties as certain individuals had the authority to change pay rates as well as process payroll payments. Through discussions with management, the auditors noted that there are compensating controls in place as management performs a detailed review of payroll expenses on a monthly basis and significant changes would be identified through this review; however, there remains potential for fraud in this area.

Recommendation: In the future, appropriate personnel should approve and document pay rate changes.

Current Status: Management agrees with the recommendation.

Comment 3: Valuation of In-Kind Contributions

Condition: Management does not record in-kind contributions in the financial statements and it does not have a formal process to assess the value of in-kind contributions. There is a risk that such contributions may not be correctly recorded.

Recommendation: Management should establish a policy for the valuation of in-kind contributions and record such contributions where appropriate.

Current Status: Management agrees with the recommendation.

Comment 4: Compliance with Restrictions on Non-Federal Grants

Condition: The auditors noted some instances where expenses charged against non-federal grants did not comply with the restrictions stipulated by donors. Inappropriate use of restricted funds could lead to a loss of donations for the organization.

Recommendation: Management should reinforce to program personnel the importance of complying with donor restrictions and the proper use of restricted funds. Approvers of invoices in the finance department should also ensure that only appropriate amounts are being charged against non-federal grants and contributions. The auditors further recommended that the importance of complying with the terms of federal grants is reinforced to program personnel as inappropriate charges in this area could result in a loss of federal funding and could also be detrimental to the reputation of the organization.

Current Status: Management agrees with the recommendation. In addition, the Audit Committee has recommended that another level of review be implemented in situations where it is not clear whether the expenses are allowable under the terms of the grant.

Comment 5: No Written Agreements Relating to St. Vincent's Land Expenses

Condition: In their test of charges related to the St. Vincent's land transaction, the auditors noted instances where the organization did not have any written agreement for "consulting" services rendered that would outline the fees and the work to be performed. Lack of a written agreement as to the task to be completed and the billing arrangements could lead to misunderstandings as to the organization's obligations to the individual or what the expected outcomes are.

Recommendation: Any consulting arrangement should be supported by some record of agreement as to the scope of work and the hourly or project rate. Further, if the consultant reports to one individual, a separate individual should be involved in approving the service.

Current Status: Management agrees with the recommendation. In addition, the Audit Committee has recommended that a budget be prepared for expenses relating to this project and that the budget be approved by the Executive Committee.

Comment 6: Approval of Journal Entries

Condition: Catholic Charities did not require approval of journal entries before they are recorded in the general ledger. While management review certain journal entries as part of the monthly account reconciliation process and that management performs a review of overall results on a monthly basis, the absence of journal entry review poses a risk that errors or fraud might occur which may not be detected on a timely basis.

Recommendation: Management should establish a process to ensure that all journal entries are reviewed before they are recorded in the general ledger, and that this review is documented.

Current Status: Management agrees with the recommendation.

Comment 7: Transferring CIP Additions to Fixed Assets

Condition: During their testing of fixed assets, the auditors proposed adjustments to transfer projects that were completed during the year from construction in progress (CIP) to fixed asset additions and record the corresponding depreciation expense. The auditors noted the lack of formal process in place to ensure this happens on a timely basis and without this, there is a risk that depreciation expense may not be properly stated.

Recommendation: Management should implement procedures to ensure that the accounting department receives timely notification of completion of projects so that they close out the CIP project, transfer the project to the appropriate fixed asset category and start depreciation.

Current Status: Management agrees with the recommendation.

Comment 8: Introduction of new Statement on Auditing Standards

Condition: The AICPA recently issued Statement on Auditing Standards No. 112, Communicating Internal Control Related Matters Identified in an Audit, which conforms the evaluation standards of control weaknesses of private companies and organizations with those of public companies subject to Sarbanes-Oxley and Public Company Accounting and Oversight Board (”PCAOB”) audit standards. As a result, the standard for determining when a control issue is either a significant deficiency or a material weakness has been tightened considerably. The required implementation date for SAS 112 is for years ending on or after December 15, 2006 and therefore would apply to Catholic Charities CYO for the year ended June 30, 2007.

Recommendation: Management should review the evaluation standards under SAS 112 and review known issues from the current and prior year audits to assess the potential impact to the organization.

Current Status: Management agrees with the recommendation.

CENTER FOR HUMAN DEVELOPMENT

Center for Human Development (CHD) is a California nonprofit corporation founded in 1972 dedicated to promoting the health and harmony in individuals, families and communities. CHD operates five facilities in the greater San Francisco Bay Area and is committed to substance abuse prevention, youth development, HIV education and prevention, conflict resolution and parent education. Center for Human Development trains both adults and youth to become better leaders, role models and positive decision-makers. A Board of Directors and its operating committees govern CHD. CHD provides the following programs:

- Parent Educator Program
- Friday Night Live and Club Live
- Youth Striving for Excellence
- NEAT Family
- Empowerment
- North Richmond Community Services
- Conflict Resolution Panels
- Training Center
- Bay Point Partnership

Total Amount Received From the City in FY 2006-07: $143,768

Federal Funds Received From Public Health in FY 2006-07: $143,768

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Unit of Service Contract

Condition: Many of the sign-in sheets for the Unit of Service contract in San Francisco were missing for the education and alternative programs.

Recommendation: The auditors recommended that every month management request the sign-in sheets for clients served and bill only for clients that are on the sign-in sheets.

Current Status: This has been implemented since it was not repeated in CHD's 6/30/07 management letter comments.

<u>Comment 2: Payroll</u>

Condition: CHD processes its payroll through its operating account.

Recommendation: CHD should set up a separate bank account as an imprest payroll account.

Current Status: This has been implemented since it was not repeated in CHD's 6/30/07 management letter comments.

<u>Comment 3: Audit Committee</u>

Condition: CHD does not have an audit committee. This was also a prior management letter comment.

Recommendation: The auditors recommended creating an audit committee.

Current Status: This has still not been implemented as it was repeated in CHD's audit of 6/30/07.

<u>Comment 4: Computer Systems</u>

Condition: CHD's server is not kept in a secured area, and computer users are not automatically timed out and logged off after a specified period of inactivity.

Recommendation: CHD should keep the server in a locked and secured room, and to install software that would automatically time out and log off users after a specified period of inactivity.

Current Status: This has been implemented since it was not repeated in CHD's 6/30/07 management letter comments.

CHINATOWN COMMUNITY DEVELOPMENT CENTER

Chinatown Community Development Center (CCDC) is a nonprofit public benefit organization incorporated in California in 1978. CCDC serves the Chinatown, North Beach, and Tenderloin areas of San Francisco, and its main purpose is to improve the quality of housing for the low-income, elderly, and family residents in San Francisco. CCDC receives a substantial amount of its support from government grants/loans and private foundations. A significant reduction in the level of this support, if this were to occur, will have an adverse effect on CCDC's programs and activities.

Note: Although the audit report cites an "unqualified" or clean opinion, the audit opinion is actually "qualified" due to a scope limitation. The scope limitation refers to the fact that the auditors were unable to audit two affiliated partnerships of CCDC.

Total Amount Received From the City in FY 2006-07: $5,387,935

Federal Funds Received From Public Health in FY 2006-07: $29,040

Single Audit Reviewed: Fiscal year ended December 31, 2006

Single Audit Findings: None

Management Letter Comments: None

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COMMUNITY AWARENESS AND TREATMENT SERVICES, INC.

Community Awareness and Treatment Services, Inc. (CATS) was incorporated in 1983 as a Nonprofit Public Benefit Corporation. CATS receives the majority of its funding through grants from the City and County of San Francisco. CATS provides the following prevention, education, treatment and rehabilitation programs for persons affected by alcohol and other substances:

- Mobile Assistance Patrol
- Drinking Driver Program
- A Woman's Place
- Golden Gate for Seniors
- Redwood Center
- McMillan Drop-in Center
- Eddy Street Project
- A Man's Place
- South Beach Center

Total Amount Received From the City in FY 2006-07: $6,252,720

Federal Funds Received From Public Health in FY 2006-07: $973,805

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Payroll

Condition: The auditors noted a significant difference between the payroll register and the general ledger balances for payroll expense. Consequently, the auditors as well as CATS staff had to spend a significant amount of time during the audit to test/reconcile the payroll register to the general ledger.

Recommendation: Payroll register should be reconciled to the general ledger as part of the monthly accounting close. Payroll tax returns should also be reconciled to the general ledger when filed.

Current Status: According to management, the significant difference between the payroll register and the general ledger is due to personnel changes in the accounting department during the last year. Going forward, the director of finance will review and ensure that the payroll register agrees to the general ledger on a monthly basis. He will also ensure that the payroll tax returns are reconciled to the general ledger on a quarterly basis.

Comment 2: Fixed Assets

Conditions: The auditors found that the fixed asset subsidiary ledger was not properly maintained during the year. The ledger included:

- Items below CATS's $1,000 capitalization policy.
- Incorrect calculation of depreciation in some cases
- Beginning accumulated depreciation balances that did not agree to the ending balance of the prior year schedule

Consequently, the auditors and CATS's staff spent a significant amount of time during the audit to test and reconcile the subsidiary ledger. Further, CATS's capitalization policy was reduced from $5,000 to $1,000 during the current fiscal year. However, although properly approved, CATS's did not document the policy. This was also a prior management letter comment.

Recommendation: CATS should update the fixed asset subsidiary ledger and reconcile to the general ledger as part of the monthly accounting close. CATS should also document any new capitalization policy, such as in the Board of Director's or Finance Committee meeting minutes.

Current Status: Management stated that the fixed assets subsidiary ledger problems were due to personnel changes in the accounting department during the last year. Going forward, the Director of Finance will update and reconcile the fixed assets subsidiary ledger to the general ledger monthly. Also, documentation for the new capitalization policy is currently under review.

Comment 3: Old Outstanding Checks

Condition: CATS has made a significant improvement in reconciling and resolving old outstanding checks during the current year. However, the auditors still noted thirteen outstanding checks totaling $10,144 that were more than a year old. This was also a prior management letter comment.

Recommendation: CATS should research whether to reissue or write off these checks.

Current Status: Management said that CATS staff will review and resolve any old outstanding checks at the end of each fiscal year.

Comment 4: Operating and Replacement Reserve Accounts

Condition: The loan agreements for the Eddy and Howard Street Projects with the City and County of San Francisco (CCS) require CATS to make periodic deposits into the operating and replacement reserve accounts. It is required to deposit 3 percent of each project's income into the respective operating reserve accounts. CATS is also required to deposit 2 percent (for Eddy) and 2.5 percent (for Howard) of the project's income into the respective replacement reserve accounts. The auditors found that no operating or replacement reserve deposits were made during the fiscal year 2005. However, CATS has obtained a one-year waiver from CCSF for the Eddy Street Project and has submitted a plan to resume funding the reserves for both buildings. This was also a prior management letter finding.

Recommendation: CATS should make the required deposits as noted in the plan submitted to CCSF.

Current Status: CATS will review the funding requirements and take appropriate actions to fund the Eddy and Howard Street programs reserve accounts.

Comment 5: Held Checks

Condition: During the test of cash, the auditors noted that CATS did not mail thirty checks totaling $69,708 at year end. This amount has been properly re-classed to accounts payable in the audit report. Held checks are susceptible misappropriation and expose CATS to loss.

Recommendation: CATS should issue checks only when sufficient funds are available and the checks can be mailed.

Current Status: According to management, the Director of Finance has already initiated a policy of not to cut and hold checks as of July 1, 2006. CATS currently cuts and immediately mails checks to vendors.

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CONTINUUM HIV DAY SERVICES (now known as TENDERLOIN HEALTH)

For many years Continuum HIV Day Services (Continuum) has been helping those most devastated by the AIDS epidemic, through programs which provide mobile health care services, food and nutrition, home care, case management, and transitional services for people whose lives are extremely chaotic, frequently suffering from mental illness and substance abuse problems, homelessness or the challenge of being released from jail or prison, all in the Tenderloin neighborhood of San Francisco. Continuum's mission is to empower and dignify the lives of under-served people with HIV/AIDS by providing innovative health and human services that prevent institutionalization, minimize harm, establish relationships, improve health and facilitate community. Continuum's services read a high-risk and vulnerable population that is unable to participate in institutionally based traditional care. Programs include:

- Tenderloin Care Program (now CCHAMP)
- Nurse Case Management Program
- Forensic Services
- Tenderloin Neighborhood Testing
- Learning Institute

Total Amount Received From the City in FY 2006-07: $532,885

Federal Funds Received From Public Health in FY 2006-07: $387,400

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Current Management Letter Comments: Continuum did not submit a management letter in response to our requests.

Prior Year Management Letter Comments:

Comment 1: Invoicing

Condition: Continuum invoiced the City's Department of Public Health AIDS Office (department) for units of service in excess of contractual limits on a contract during April 2005. In addition, Continuum invoiced the department under the same contract during May and June 2005 when the maximum units of service were invoiced during April 2005. Also, Continuum did not meet the invoice filing deadline of the 15th of each month. This was a prior audit finding. Finally, there were several instances where the Units of Service (UOS) detail rollup schedules were not included in the contract files. There were also discrepancies between the various documents used to track units of service.

Recommendation: All invoices should be reviewed by someone other than the preparer. Continuum should implement procedures in order to meet the filing deadline on a monthly basis. Finance should perform and document periodic internal control inspections to test that information in client files properly flows to the summary schedules and invoices.

Current Status: Status unknown.

Comment 2: Payroll

Condition: One employee timesheet did not have a supervisor signature. Employee files do not always have personnel action forms indicating merit increases and changes to/ from full time to less than full-time status. Finally, some employees had taken vacation, but did not have an approval form signed by a supervisor in advance.

Recommendation: All timesheets should have a supervisory signature. A history of salary and approvals of increase, merit and cost of living should be in each employee file. Any changes in the employee's full-time/part-time status should be documented in the employee files. Also, Continuum should follow their stated vacation policies or have the employee manual updated to reflect actual policies.

Current Status: Status unknown.

Comment 3: Special Events

Condition: Continuum has provided the same value for benefits received at their special events over the past few years.

Recommendation: Continuum should review this value for reasonableness for each special event to ensure that the proper IRS deduction information is provided to donors attending their special events.

Current Status: Status unknown.

Comment 4: Whistle-Blower and Document Destruction Policies

Condition: Continuum currently has no whistle-blower or document destruction policy in place. It is noted that Continuum does have a case file destruction policy in place.

Recommendation: Whistle-blower and document destruction (including e-mails) policies should be adopted and reviewed by legal counsel.

Current Status: Status unknown.

Comment 5: Fixed Asset Inventory

Condition: Continuum has not performed an inventory of its fixed assets in several years.

Recommendation: Continuum should perform an inventory of its fixed assets to determine that all assets are adequately captured on its fixed asset schedule and also ensure that it is not accounting for assets that no longer exist.

Current Status: Status unknown.

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COUNTY OF MARIN AIDS OFFICE

The HIV/AIDS Services program performs a comprehensive array of public health activities related to HIV and hepatitis C disease in Marin County. These activities include prevention efforts, testing, providing necessary drugs, provision of medical, social and mental health services, and documenting the number of Marin residents diagnosed with AIDS. The Specialty clinic offers primary medical care and associated services to HIV positive individuals, consultative medical services for individuals with hepatitis C, and the opportunity to participate in clinical drug trials. The HIV/AIDS program also oversees the delivery of HIV and hepatitis C-related services provided by other agencies in the community. The following single audit findings reflect findings for the County of Marin as a whole.

Total Amount Received From the City in FY 2006-07: $1,045,948

Federal Funds Received From Public Health in FY 2006-07: $982,406

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings:

Finding 06-1: Eligibility/Special Tests Documentation (TANF)

Condition: Of the 24 Temporary Assistance for Needy Families (TANF) case files tested, the auditors noted that 3 case files did not have current Income Eligibility and Verification System (IEVS) documents. Social Security Act Sec. 1137 requires income and benefit information from the IEVS database must be requested and used when making eligibility determinations. The County of Marin (County) must review and compare the information from the IEVS against the information in the case record to determine whether it affects the individuals eligibility or level of assistance, benefits or services. According to the auditors, It appears that the County has neglected this compliance requirement in about 12.5% of its cases. This non-use of IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.

Recommendation: The County should review this omission to request, review, and compare the IEVS to information in the case record. It should also attempt to determine why the current system of controls failed to prevent these exceptions and that the County attempt to determine why the current system of controls failed to prevent these exceptions and that the County establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.

Current Status: Management will initiate the following corrective action plan:

- Reissue instructions to staff about the requirements regarding IEVS request.
- Ensure that IEVS request are being made by the file clearance unit when "pending" applications.
- Verify that IEVS printouts are in the case record before passing a case to the "continuing" worker.
- Institute a process at re-determination to ensure that IEVS requests are made in ISAWS as part of the re-determination procedure.
- Establish documentation protocols for case records to indicate that IEVS documents were requested and received.

Finding 06-2: Eligibility/Special Tests Documentation (Medical Assistance Program)

Condition: Of the 24 Medical case files tested, the auditors noted 8 files did not have current Income Eligibility and Verification System (IEVS) documents, and 1 was not signed by an eligibility worker. Social Security Act Sec. 1137 requires income and benefit information from the IEVS database must be requested and used when making eligibility determinations. The County must review and compare the information from the IEVS against the information in the case record to determine whether it affects the individuals eligibility or level of assistance, benefits or services. According to the auditors, It appears that the County has neglected this compliance requirement in about 37.5% of its cases. This non-use of IEVS in eligibility determination can result in individuals receiving benefits to which they are not entitled.

Recommendation: The County should review this omission to request, review, and compare the IEVS to information in the case record. It should also attempt to determine why the current system of controls failed to prevent these exceptions and that the County attempt to determine why the current system of controls failed to prevent these exceptions and that the County establish and communicate a policy designed to ensure that IEVS information is requested, received, and reviewed and that this review is documented in each case.

Current Status: Management will initiate the following corrective action plan:

- Reissue instructions to staff about the requirements regarding IEVS request.
- Ensure that IEVS request are being made by the file clearance unit when "pending" applications.
- Verify that IEVS printouts are in the case record before passing a case to the "continuing" worker.
- Institute a process at re-determination to ensure that IEVS requests are made in ISAWS as part of the re-determination procedure.
- Establish documentation protocols for case records to indicate that IEVS documents were requested and received.

Management Letter Comments: None

COUNTY OF SAN MATEO AIDS PROGRAM

The County of San Mateo's (San Mateo) AIDS Program (Program), founded in 1985, works to prevent HIV infection and cares for individuals and families affected by HIV/AIDS in San Mateo County. The Program provides comprehensive community-based prevention and testing services, HIV related health care, social services, advocacy and referrals to community agencies providing drug treatment, housing, in-home care, food, dental care and other services. The following single audit findings and management letter items reflect findings for the County of San Mateo as a whole.

Total Amount Received From the City in FY 2006-07: $2,260,933

Federal Funds Received From Public Health in FY 2006-07: $2,253,143

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Single Audit Findings:

Finding 06-A: Internal Control Weaknesses Related to Cash Receipts Process

Condition: The auditors noted several internal control deficiencies related to:

- *Pharmacy Receipts:*
  - The cash drawer is not locked and easily accessible to anyone inside the pharmacy.
  - Key to the locked box where cash is kept at night is hanging on the wall in plain sight.
  - The locked bag of cash awaiting deposit is kept inside an unlocked drawer together with the key to the locked bag.
  - Daily Cash balancing/reconciliation is not adequately controlled.
    - Balancing not performed daily, but on the day following collection.
    - Shortages are covered by subsequent receipts
    - Balancing is performed by a single employee with no oversight.
    - In the 9/20/06 cash count observed by the auditors, the drawer was short by $290.
- *Patient Service Collections:*
  - Remittance advices from the Health Plan of San Mateo are not included in the cash reconciliation due to a system limitation in the patient accounting system.
  - Cash receipts processes at the Burlingame site is outdated and prone to errors. They currently use a manual log to record receipts and there seems to be confusion regarding who "owns" the process.

Recommendation: Management should perform a more extensive internal review and assessment of the Medical Center's cash receipts process. The review should include any major offsite collection points (e.g. Burlingame and other clinic sites). Additionally, procedures at the Cashier's Office should be evaluated and documented. All identified control deficiencies should be documented along with method of remedy or disposition. Results of the review and assessment should be reported to the Board of Directors.

Current Status: Management concurs and has begun an extensive internal review in order to resolve the issues and recognizes that certain observations are a result of insufficient staffing in the pharmacy coupled with heavy patient volume.

Certain issues have been resolved. Management has met with pharmacy management and is taking steps to resolve the remaining issues. In regards to the Patient Services Collections reconciliation, management recognizes the issue as being a probable result of systems reporting from a contracted vendor. Management has been addressing this issue through meetings which began earlier in FY 2006-07. Management expects all conditions related to this observation to be corrected by the middle of 2007.

Finding 06-01: Procurement and Suspension and Debarment

Condition: During the review of internal control over procurement with the suspension and debarment requirement, the auditors noted that the Northern California HIDTA (NC HIDTA) Office and the Sheriff's Office did not retain contract histories such as contractor selection, as required by the OMB Circular A-133. Although San Mateo's contract staff indicated that they checked potential contractors against the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA) to verify that the contractors were not suspended or debarred or otherwise excluded when a procurement contract was made, the County did not maintain documentation to support such verification. **Questioned costs: $232,699**

Recommendation: The NC HDTA Office and the Purchasing Division should formalize and document procurement policies and procedures for federally funded contracts. Once documented, the policies and procedures should then be approved. During the course of the audit, the auditors noted a number of specific areas that should be addressed by the policies, including: (1) documentation of procurement history, including award rationale; (2) documentation of the suspension and debarment verification before contracts are awarded; and (3) requirements for record retention. NC HDTA office should also implement policies and procedures to keep track of the expenditures incurred related to each existing contract in order to evaluate whether an amendment will be required.

Current Status: Management concurs with the recommendation. HIDTA contract expenditures are presently available on a report that can be generated through the

IFAS Financial System, as for any other County Agreement, but management will establish a separate Accounts Payable for HIDTA Agreements. Additionally, the HIDTA Fiscal Officer continues to maintain updated Excel spreadsheets showing what was paid to each contractor. Just recently, the officer has created contract requests in IFAS for all HIDTA independent contractors. Currently, all funds paid to independent contractors are paid through purchase orders.

Beginning with FY 2006-07, the NC HIDTA standard legal “boilerplate” language for HIDTA contracts, now already includes the federally approved suspension and disbarment language. The Sheriff’s Office administration also confirmed that County Purchasing has previously been provided with a copy of the suspension and disbarment procedures for Homeland Security grants, but this advisement was by personal notification to specific buyers, and was not formally documented in writing. Management will formalize the procedures a retain filed copies. Also, HIDTA Financial records fall within the Sheriff’s Office Records Retention Plan, recently adopted by the Board of Supervisors, and are retained for five years, or until date of audit.

Finding 06-02: Financial Status Reports Not Based on Acceptable Accounting Basis

Condition: The auditors noted that program management’s quarterly Financial Status Reports (FSR) related to the HIDTA program were not prepared on the cash or the accrual basis. Instead, expenditures were reported in the quarter in which reimbursement was requested in order to match the expenditure amounts in the FSRs and the Payment Management System (PMS). Program management requested clarification from the federal grantor agency on which basis program expenditures should be reported. Program management has stated that they are presently following reporting guidelines established by the National HIDTA Assistance Center (NHAC) located in Miami, Florida. As a result, the federal expenditures reported in the FSRs are not stated in an acceptable accounting basis as prescribed in the report instructions, requiring the reporting of gross program outlays on either a cash or an accrual basis.

Recommendation: Management should review the instructions provided for the FSRs and obtain clarification from the federal grantor agency on which reporting method is acceptable, and assistance in resolving this apparent conflict in reporting regulations and guidelines. Management should also discuss any necessary corrective action for the FSRs that had been submitted for the current fiscal year.

Current Status: Management concurs with the recommendation. Management has documented existing attempts to seek clarification on the reporting format issue from the NHAC with the assistance from the HIDTA Director. Management will seek clear guidance in writing from the Office of National Drug Control Policy and/or the NHAC regarding reporting procedures, and attempt to resolve conflicting directions on whether to report as-spent, or as-claimed expenditures, and will document the process.

Finding 06-03: Timeliness and Accuracy of Human Services Agency Reporting

Condition: The Human Services Agency (HSA) implemented the CalWorks Welfare Information System (CalWin) during October 2005, which significantly increased the workload of department staff, including the time needed for report preparation and additional responsibilities to resolve technical system conversion issue. The auditors tested 7 reports and found that 3 reports were submitted 44 days to 164 days after the due date. In addition, the auditors noted that information on two different items reported was mistakenly transposed, and for 1 of the 3 monthly reports tested, the total value of federal benefit issuances was overstated by $540. Without submitting accurate and timely reports, the County runs the risk of non-compliance with the Federal and State requirements.

Recommendation: HSA should evaluate controls over reporting to ensure timely submissions of required reports, and should include mechanisms to identify and track report due dates ensuring that required information is readily available. Also, procedures should be implemented to obtain approved deadline extensions for instances when reports are expected to be submitted late, and document such approvals for auditor review.

Current Status: Management concurs with the recommendation.

Finding 06-04: Timely Submission of Certified Payroll

Condition: San Mateo is required to have weekly, a certified payroll from its contractors and subcontractors engaged in federally funded projects within 7 days after the regular payment date of payroll period. 72 of the 169 certified payrolls that the auditors tested were not received within the deadline. In addition, 20 items did not have documentation of a “received date”, that the auditors could not verify if they have been submitted timely.

Recommendation: San Mateo should establish procedures to monitor the submission of subcontractors certified payroll statements within the required timeframe. If subcontractors are not compliant with the due dates, San Mateo should withhold the payments until the certified payroll statements are submitted.

Current Status: Implemented.

Finding 06-05: Eligibility Documentations

Condition: San Mateo is required to follow program documentation requirements, such as eligibility determinations. During their test of 40 participant files for compliance with such requirements, the auditors found:

- 3 Participants files’ Statement of Facts for Cash Aid, Food Stamps, and Medi-Cal/State-run County Medical Services Program (SAWS-2) Form were not signed by the eligibility worker to define whether the participant was eligible.

- 1 participant file did not have a complete Quarterly Eligibility Status Report (QR7) form on file. The participant's QR-7 for the month of July 2005 was signed but it was not filled out.
- 3 participants' Eligibility Verification Systems (IEVS) Form on file were not signed, indicating that the eligibility worker reviewed the form and made the appropriate income assessment. Although the required signature was missing from the IEVS Form, the auditors were able to verify compliance with income eligibility for the 3 participant files noted. Total questioned costs: $13,620.

Recommendation: With the implementation of CalWin on October 1, 2005, the State no longer requires San Mateo's HSA to sign IEVS Form or complete the SAW-2 Form because they are captured electronically. With these changes, HSA should continue to evaluate and design effective controls procedures over the eligibility determination and re-determination process to ensure that eligibility is adequately documented and maintained to support each determination.

Current Status: Management concurs with the recommendation and will continue to evaluate and design effective controls procedures as recommended.

Finding 06-06: Late Reporting

Condition: All the 3 tested monthly CA 800 reports for each of the two programs [Temporary Assistance Needy Families (TANF) and Forster Care Title IV-E Program, a total of six monthly reports] were submitted to the State after the due date. Late submissions ranged from 55 to 126 days late.

Recommendation: HSA should evaluate existing procedures over reporting in light of current conditions to ensure timely submission of required reports. Adequate controls should include mechanisms to identify and track report due dates ensuring that required information is readily available to allow sufficient time for report preparation. Also, procedures should be implemented to obtain and document approved deadline extensions for expected late submission of the reports, for auditor review.

Current Status: Management will evaluate controls over data reporting to ensure the timely submissions of required reports, but could not concur with documenting approved deadline extensions as the California Department of Social Services (CDSS) does not formally approve deadline extensions for particular reports. However, management will continue to inform CDSS when reports are expected to be late due to system problems or staffing constraints.

Finding 06-07: Special Tests & Provisions - TANF

Condition: During the audit of the TANF program, the auditors requested CalWIN reports for individuals sanctioned under each of the special provisions during the current fiscal year from which they selected for testing, 120 cases for the three special provisions and determined San Mateo's compliance with the applicable compliance requirements. However, the auditors noted 18 cases in which the individual did not receive benefits during the month that the case was marked as sanction in the system, as follows:

- 12 cases for the Child Support Non-Cooperation requirement.
- 2 cases for the Refusal to Work requirement
- 4 cases for the Child under Six requirement

This CalWIN data quality issue may affect management's ability to properly monitor caseload information.

Recommendation: HSA should continue review existing information in the system to ensure that the information is accurate.

Current Status: Management concurs with the recommendation.

Prior Single Audit Findings:

Finding 05-1: Special Tests and Provisions - TANF

Condition: In some of the files selected for testing, the eligibility status of individuals could not be readily verified due to inadequate documentation and record keeping. The questioned costs were $398.

Recommendation: Management should emphasize to all eligibility workers the importance of completing all required forms for eligibility determination. Also, supervisors reviewing the eligibility determinations should ensure all documents are complete and address any issues with the appropriate eligibility worker immediately.

Current Status: Corrected.

Finding 05-2: Allowable Costs/Cost Principles – Ancillary and Childcare Programs

Condition: During the testing of internal control and compliance requirements for ancillary and childcare expenditures for the TANF program the auditors noted some incomplete documentation. They also noted that changes to the childcare plans were done manually, leaving the risk that the custodial parents had not been informed about those changes.

In addition, the auditors noted that the County's current policy that governs ancillary payments does not specify that eligibility workers are to obtain written approval prior to authorization of payments.

Recommendation: Management should review control procedures with case

workers and supervisors to ensure that forms are completed and properly filed. In addition, management should evaluate the risk of executing childcare plans using multiple documents and consider requiring custodial parents to sign original documents at County offices to ensure that the custodial parent agrees to information and necessary manual changes to documents.
The auditors also recommend that the County clarify its current guidelines on the approval of ancillary payments, to ensure that eligibility workers obtain written approval from program supervisors and/or managers for expenditures exceeding the specified thresholds.

Current Status: Corrected.

Finding 05-3: Cash Management - HOME

Condition: During their audit of HOME program reimbursement drawdowns, the auditors found the County had been reimbursed twice (in September and again in November) for expenditures it had incurred in July 2004. This resulted in an overpayment of $43,499 to the County.

Recommendation: Management should review and revise its draw down procedures to ensure that reimbursement requests are adequately reviewed prior to drawing down funds.

Current Status: Corrected.

Finding 05-4: Special Tests & Provisions – Housing Quality Standards

Condition: During their testing of compliance with Housing Quality Standards, the auditors found that five of the six projects that were selected for testing did not have timely housing quality inspections performed. Also, one project did not have documentation of its previous inspection records.

Recommendation: To assist program specialists in scheduling inspections within the required timeframe, the Department of Housing should develop a method and timeline of identifying units required on-site inspections.

Current Status: Corrected.

Finding 05-5: Reporting - U.S. Office of National Drug Control Policy

Condition: Testing of internal controls and compliance with reporting requirements for the High Intensity Drug Trafficking Area (HIDTA) program revealed that the quarterly Financial Status Reports were not prepared on the cash or the accrual basis. Instead, expenditures were reported in the quarter in which reimbursement was requested from the federal grantor agency.

Recommendation: Management should carefully review the instructions provided for the financial status reports to ensure that the reports are prepared on an acceptable accounting basis. In addition, management should contact the federal grantor agency directly to discuss the necessary corrective action for the financial Status Reports that had been submitted for the current fiscal year.

Current Status: Not corrected. See Current year Finding 06-02

Finding 05-6: Earmarking – Overtime Limit (U.S. Office of National Drug Control Policy)

Condition: The auditors noted that the Northern California HIDTA (NC HIDTA) office diverts the responsibility for keeping track of individual employee overtime payments to the initiative commanders. Although the NC HIDTA Director reviews and approves the overtime reimbursements to the initiatives, and the financial officer compares the amount of payments to the initiatives' approved budget, there may be a risk that cumulative overtime payments made to an individual exceeds the overtime cap during the fiscal year.

Recommendation: The NC HIDTA office should develop and implement policies and procedures to track and monitor overtime payment to initiative officers. Although the overtime limit pertains to all grant awards from the Office of National Drug Control Policy (ONDCP), NC HIDTA should, as a preventive measure, keep track of the overtime payments made to the officers with HIDTA funds. Furthermore NC HIDTA may request written certification from the initiatives or enter into formal written agreements with them to ensure that the initiative leaders fully understand their responsibilities to comply with the overtime limit requirement, especially if they receive funding from other ONDCP programs.

Current Status: Corrected.

Finding 05-7: Procurement and Suspension and Debarment

Condition: During a review of internal control over procurement with the suspension and debarment requirement, the auditors found that the NC HIDTA office and the Sheriff's Office do not have any policies and procedures to verify that the contractors or non-federal entities are not suspended or debarred or otherwise excluded when a procurement contract is made.

Recommendation: The NC HIDTA office and the Sheriff's Office should implement policies and procedures that will enable them to verify that potential contractors are not suspended or debarred before the procurement contracts are made. The verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the General Services Administration (GSA), collecting a certification from the contractor, or adding a clause or condition to the covered transaction with the contractor. Management should retain proper documentation of the verification in the procurement file for each respective contractor.

Current Status: Not corrected. See current year Finding 06-01

Finding 05-8: Davis Bacon Act

Condition: San Mateo's policies require all contractors and subcontractors participating in federally funded projects to submit certified payroll documentation weekly on the Friday following the end of a work week. Ten of the 40 certified payrolls that the auditors selected for testing were not received within the required timeframe of one week after the end of the pay period. In addition, six items did not have documentation of a "received date", therefore the auditors could not verify if those items had been received within the required time.

Recommendation: San Mateo's Capital Projects Division should establish controls to ensure that all certified payroll required for submission are received in a timely manner and are reviewed before disbursing payments to contractors/subcontractors. In cases where certified payrolls are not received timely (or not at all) the Capital Projects Division should document why and indicate the corrective measures taken.

Current Status: Not corrected. See current year Finding 2006-04

Finding 05-9: Procurement and Suspension and Debarment

Condition: During a review of San Mateo's compliance with suspension and debarment requirements, the auditors found that the County's Capital Projects Division (CPD) does not have any policies and procedures to verify that the contractors or non-federal entities are not suspended or debarred or otherwise excluded when a procurement contract is made. As such, the CPD did not obtain required certification from its construction management firm on the Youth Services Center project or review the Excluded Parties List system (EPLS) issued by General Services Administration (GSA).

Recommendation: The CPD should develop and implement policies and procedures that will enable them to verify that potential contractors are not suspended or debarred before the procurement contracts are made. The verification may be accomplished by checking the Excluded Parties List System (EPLS) maintained by the GSA, collecting a certification from the contractor, or adding a clause or condition to the covered transaction with the contractor. Management should retain proper documentation of the verification in the procurement file for each respective contractor.

Current Status: Corrected.

Finding 05-10: Violent Offender Incarceration and Truth Sentencing Incentive Grants

Condition: San Mateo did not capture $8 million in federal expenditures under the Violent Offender Incarceration and Truth in Sentencing Incentive Grant on the draft schedule of expenditures of federal awards. This program is considered a high risk Type A program and was required to be tested as a major program as part of the fiscal year 2005 Single Audit. The auditors did audit this program as part of the Single Audit, but San Mateo's delay in capturing the information caused it to have to file a second extension past their Single Audit reporting deadline of March 31, 2006.

In addition, the auditors noted that San Mateo identified two grants with expenditures for the current year and prior years that were captured in the SEFA schedules:

- 10.561 California Nutrition Network - $441,958 ($321,299 relates to previous years' expenditures)
- 93.778 Medical Assistance Program, Childhood Lead Poisoning Prevention - $344,498 ($277,670 related to previous years expenditures)

These expenditures were also included in their SEFA after Single Audit March 31, 2006, thus were almost excluded from the SEFA.

Recommendation: To improve oversight of grants management and improve the capture of information for year-end reporting requirements, San Mateo should establish a "Grants Manual" for all departments to provide guidance to staff when assessing requirements related to proper grant management. The manual should include guidance on identification of funding source (federal, state, and other), guidance on identification of reporting requirements and timing, guidance on when to record revenues and expenditures in the general ledger system, and a year-end reconciliation requirement to ensure that revenues and receivables are properly captured. In addition, San Mateo should consider designating a County-wide grants manager to assist departments in properly identifying funding sources and other program requirements to ensure that San Mateo is complying with all requirements.

Current Status: Corrected.

Finding 05-A: San Mateo Medical Center-No Secondary Level Review

Condition: The core of the Medical Center's GAAP financial reporting process is an internally developed Excel spreadsheet. The Medical Center's accounting manager is responsible for compiling information provided by San Mateo's IFAS system and the patient billing system, into this spreadsheet. Additionally, numerous off-book entries are tracked using this spreadsheet. Once completed, the spreadsheet serves as the "auditable trial balance". However, the spreadsheet is cumbersome to use, heavily reliant on formulas and submitted to audit without being subject to a secondary level of review. As a result, the spreadsheet requires numerous adjustments, revisions and corrections by both auditors and staff. In fact, the Medical Center averages more than 20 audit adjustments each year and has restated financial results in two of the last three years to correct errors.

Recommendation: The Chief Financial Officer or a qualified designee (e.g., a Controller) should play an active role in monitoring and reviewing the financial reporting process. This monitoring and review process should be performed prior to audit fieldwork. A typical review should include: checking for spreadsheet formula errors, ensuring proper consolidation, transfer, mapping and rollup of account balances, reconciling related party (County) transaction to records at the Controller's Office, and verifying proper posting of eliminations and "off-book entries". Management should place continued emphasis on auditor's recommendations noted in prior years to (1) complete the policies and procedures manual for the audit process, (2) make training a priority for accounting staff, and (3) improve communication and coordination with the Controller's Office in preparing for audit.

Current Status: Corrected.

Current Management Letter Comments:

Comment 1: Internal Control Weaknesses Related to Cash Receipts Process

Condition: Same as in Finding 2006-A.

Recommendation: Same as in Finding 2006-A.

Current Status: Same as in Finding 2006-A.

Comment 2: Evaluation of Potential Component Units

Condition: The auditors noted that San Mateo did not have formal policies and procedures in place to identify and monitor potential component units for financial reporting as required by the Governmental Accounting Standards Board (GASB). While the Controller's Office and the County Manager's Office created a master list of organizations that may qualify for inclusion in the County's financial statements as component units, and the Controller's Office periodically reviews the Board of Supervisor's agenda to detect any new developments that may affect the County's financial statements, the master list of organizations is not updated regularly to monitor and evaluate the activities of the organizations for potentially material impact to San Mateo's financial statements.

Recommendation: San Mateo should revisit the current process and establish formal policies and procedures to periodically identify, monitor, and re-evaluate potential component units.

Current Status: San Mateo's Controller's Office has implemented formal procedures within the Controller's Office to periodically identify, monitor, and re-evaluate potential component units.

Comment 3: Adequate Staffing for Financial Reporting and Accounting System Functions

Condition: Since San Mateo's Controller's Office has reduced staff positions over the past 7 years, net appropriations for all County funds processed by the accounting system has grown by 66%. Additionally, many of the governmental accounting issues have become increasingly complex and require extensive expertise and knowledge of the accounting system to ensure that the accounting and reporting are accurate and in accordance with applicable standards. As a result, San Mateo may not have adequate and competent staffing to effectively perform the functions of its accounting system.

Recommendation: San Mateo should evaluate appropriate staffing for critical functions of the Controller's Office and consider adding positions for those functions to reduce the risk of financial error, ensure their continuity and to add capacity to evaluate key business processes for countywide efficiencies and effectiveness in daily operations.

Current Status: The Controller's Office agrees with the auditors and has initiated a staff workload study by San Mateo's Human Resources Department, which came out with a recommendation to add 4 positions. The Controller's Office has requested and will continue to request the positions recommended and budgetary resources from the County Manager's Office and the Board of Supervisors as part of its normal budget process.

Prior Management Letter Comments:

PY Comment: San Mateo Medical Center – No Secondary Level Review

Condition: The core of the Medical Center's GAAP financial reporting process is an internally developed Excel spreadsheet. The Medical Center's accounting manager is responsible for compiling information provided by the San Mateo's IFAS system and the patient billing system, into this spreadsheet. However, the spreadsheet is cumbersome to use, heavily reliant on formulas and submitted for audit without being subject to a secondary level of review. As a result the spreadsheet requires numerous adjustments, revisions, and corrections.

Recommendation: The chief financial officer or a qualified designee (a Controller) should play an active role in monitoring and reviewing the financial reporting process. This monitoring and review process should be performed prior to audit fieldwork. Additionally, management should place continued emphasis on the recommendations noted in prior years to complete the policies and procedures manual for the audit process, make training a priority for accounting staff, and improve communication and coordination with the Controller's Office in preparing for audit.

Current Status: Implemented.

PY Comment: Grants Management

Condition: San Mateo did not capture $8 million in federal expenditures under the Violent Offender Incarceration and Truth in Sentencing Incentive Grant on the draft schedule of expenditures of federal awards (SEFA). In addition, San Mateo identified expenditures related to two other federal grants that were not captured in the draft SEFA prior to the single audit deadline of March 31, 2006, and were almost excluded from the SEFA. Also, since 2003, San Mateo has received five deficiency letters from the California Office of Criminal Justice Planning and the Office of Emergency Services related to 10 different state funded grants that were not properly included in the single audit report during the fiscal years 1999 through 2002.

Recommendation: San Mateo should establish a grants manual for all departments to provide guidance to staff when assessing requirements related to proper grant management. San Mateo should also consider designating a County-wide grants manager to assist departments in properly identifying funding sources and other program requirements to ensure that San Mateo is complying with all requirements.

Current Status: To be reported in a separate management letter for single audits.

PY Comment: Bank Reconciliation Procedures

Condition: At June 30, 2005, the auditors noted a net unreconciled difference between the general ledger and the bank statement balance of $79,454. This unreconciled difference resulted from the accountant using the unadjusted Treasurer's daily cash balance, which does not properly reflect San Mateo's carrying balance of cash and investments on a particular date, to reconcile to the general ledger.

Recommendation: San Mateo should use the adjusted Treasurer's daily cash balance to prepare the year end reconciliation to the general ledger and resolve unreconciled differences noted. This will ensure that the material reconciling differences are captured and properly recorded. The cash and investments reconciliation procedures should be documented for both processes identified, including reports necessary to complete the process, procedures to resolve unreconciled differences, and individuals responsible for reviews and approvals.

Current Status: The recommendations are in process. The internal Audit Division is examining the bank reconciliation process to develop and document proper procedures and related internal controls for the process.

PY Comment: Mortgages Receivable – Loan Loss Reserve

Condition: San Mateo's Housing Department had not developed an adequate methodology for establishing an accurate loan loss reserve balance.

Recommendation: San Mateo should revisit its current policies for establishing the loans receivable reserve balance and consider revising them for amortized and deferred loans to develop an adequate methodology in accordance with U.S. generally accepted accounting principles.

Current Status: The recommendations are in process. The Department of Housing is in the process of evaluating the loan portfolio and developing a methodology to analyze the collectability of loans.

DOLORES STREET COMMUNITY SERVICES, INC.

The Dolores Street Community Services, Inc. (Dolores Street) is a not-for-profit public benefit corporation established in 1982 to provide neighborhood-based housing, advocacy, and support for people seeking dignity, health, and hope in San Francisco. Dolores Street derives approximately 80 percent of its revenue from the City and County of San Francisco, with certain portions originating from federal agencies. Dolores Street's programs include:

- Dolores Housing – A 120-bed emergency housing and support service program for homeless men.
- Richard M. Cohen Residence – A ten-bed, 24-hour care assisted living residence for homeless men and women with disabling HIV or AIDS.

Total Amount Received From the City in FY 2006-07: $1,030,815

Federal Funds Received From Public Health in FY 2006-07: $151,609

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Single Audit Finding: None

Prior Single Audit Finding:

Finding 05-1: Cost Reports

Condition: While actual total costs exceed amounts reimbursed, individual line items in some cost reports were based on available budget rather than on actual corresponding costs.

Recommendation: Dolores Street should ensure that all employees are adequately trained in their duties. A person with appropriate knowledge and background skills should review output for accuracy and compliance before it is submitted for reimbursement.

Current Status: Dolores Street has instituted a program of training and supervision to prevent recurrence. For the year ended June 30, 2006, actual costs were claimed for reimbursement.

Management Letter Comments:

Comment 1: Segregation of Duties

Condition: There is no plan of organization that provides appropriate segregation of functional responsibilities. No single person should control all phases of a transaction without the intervention of some other persons who afford a cross check. Employees responsible for handling cash receipts and disbursements should have no access to the accounting records and vice versa. Whenever practical, this principle of segregating duties should be followed.

Recommendation: Signed checks should be given to someone other than the preparer for mailing. This was also a prior year recommendation. Check requests should be approved by someone other than the person making the request and this should be documented on the face of the request. Payroll reports should be delivered directly to a person other than the preparer for review; this was also a prior year recommendation. When possible, two persons should open the mail, restrictively endorse checks received, and make a list of receipts to be given directly to the person reviewing the bank statement.

Current Status: The accounting assistant now has responsibility for mailing the signed checks prepared by the bookkeeper. The executive director now reviews pay checks upon their arrival and initials the envelope to indicate his approval. Two signatures are now required (requestor and supervisor) for every check request, no matter the size. The bookkeeper and case manager open all mail together now, deposit-stamp the revenue checks, and enter/initial the information into a log book.

Comment 2: Credit Card Purchases

Condition: Personal expenses have been charged to Dolores Street's credit card. Even when reimbursed, personal purchases on company credit cards constitute loans to employees with no controls or prior authorization.

Recommendation: Dolores Street should institute policies and controls to prevent this process.

Current Status: The policy forbidding personal purchases with company credit cards has been reviewed with all staff and personal purchases are no longer made.

Comment 3: Cash at Events

Condition: There is a risk of defalcation at cash during Dolores Street's fund raising events.

Recommendation: Dolores Street should assess the risk and institute appropriate preventive procedures.

Current Status: A new policy of double custody of cash has been implemented for all major fundraising events. Either two staff members or a staff and volunteer will each count the money raised after an event and initial the amount of cash received on a note to accompany the cash back to the office.

Comment 4: Bank Accounts and Credit Lines

Condition: The auditor was unable to obtain information regarding one credit line because it is currently accessible by a former employee.

Recommendation: Dolores Street should avoid having accounts in its name that can only be accessed by a single person and that prompt action be taken to ensure that authorized signatories are kept current.

Current Status: Access to the line of credit has been changed to include only current staff and board members.

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FRIENDSHIP HOUSE ASSOCIATION OF AMERICAN INDIANS, INC. AND AFFILIATE

Friendship House Association of American Indians, Inc. and Affiliate (Friendship House) is a nonprofit organization incorporated in California in 1971. Its mission is to bring healing and wellness to the American Indian community by providing a continuum of substance abuse prevention, treatment, and recovery services that integrate the traditional American Indian healing practices and state-of-the-art substance abuse treatment methodologies. Friendship House is state licensed, certified, and nationally accredited by the Commission on Accreditation of Rehabilitation Facilities (CARF).

Total Amount Received From the City in FY 2006-07: $520,999

Federal Funds Received From Public Health in FY 2006-07: $40,000

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Single Audit Findings: None

Prior Single Audit Findings:

Finding 05-1: Other Program Income

Condition: Friendship House's reporting tracks each grant/contract with its own grant code. However, the client fees received are recorded in a general fund not with the grant. Since the general fund is used for many different things (program and non-program), it is difficult to track whether the client fees were spent for program services.

Recommendation: Friendship House should start reporting client fees with the grant and keeping track of how they are spent.

Current Status: The auditors determined that because of the funding arrangement with the clients (a client can have multiple funding sources), it is very difficult to track program income by client and by funding source; therefore, client fees will not be kept by program but are accounted for in a separate fund to be spent on program activities.

Finding 05-2: Reporting Program Income on the SF 1034 and SF 1035

Condition: Friendship House files forms SF 1034 and SF 1035 monthly; however, the program income has not been reported in those filings.

Recommendation: Friendship House should start including all program income in the monthly reports as required.

Current Status: Per discussion with the Program Manager at Indian Health Services, the grant agreement is using standard languages, which is not Friendship House specific, and Indian Health Services does not require Friendship House to report the program income.

Finding 05-3: Client Residency

Condition: The Urban Indian Health Services program is restricted to eligible American Indian populations residing in five Bay Area Counties, County of Santa Clara, other California urban areas and within the State of California. Of the 15 clients reviewed, four clients did not have complete residence documentation.

Recommendation: Friendship House should consult with Indian Health Services to clarify the definition of residence.

Current Status: Friendship House has instructed the intake staff to provide clearer instructions to the applicant and to collect California residence address information.

Finding 05-4: 93.959 Block Grants for Prevention and Treatment of Substance Abuse Client Residency

Condition: This program is restricted to residents of the City and County of San Francisco. Of the five clients reviewed, four of them did not have complete residence documentation.

Recommendation: Friendship House should consult with the Community Indian Health Service to clarify the definition of residence.

Current Status: Friendship House has confirmed with the City and County of San Francisco Department of Human Services (DHS), Community Mental Health Services, that if a client has no identification and declares an intention to be a San Francisco resident, than a person would have acquired San Francisco residency. In addition, Friendship House follows the Memorandum of Understanding between the City and County of San Francisco, DHS defines residency as being fifteen continuous days for GA and SSIP or 30 days for PAES, prior to the time of application. However, treatment facility residents who are in San Francisco only for the specified purpose of obtaining medical or rehabilitative treatment do not meet the City's County Adult Assistance Program (CAAP) Residency Requirements. In any case, the client must declare their intention to be a San Francisco resident and not use other addresses for residency purposes. Friendship House has also instructed the intake staff to provide for clearer instructions to the client/applicant and to collect correct residence information.

Management Letter Comments: None

HAIGHT ASHBURY FREE CLINICS, INC.

As the first free clinic of its kind in the United States, Haight Ashbury Free Clinics, Inc. (HAFCI) was created to meet the critical health care needs of the thousands of youth who flocked to San Francisco's Haight Ashbury district during the "Summer of Love" in 1967. Since then, changing community needs and the demand for comprehensive services has led to HAFCI's growth into one of San Francisco's largest multi-service agencies. The medical clinic is now one of five health programs of HAFCI, providing medical health, mental health, and substance abuse treatment services. HAFCI has five health programs: Substance Abuse Treatment Services; Jail Psychiatric Services; Free Medical Clinic; Rock Medicine; and Research, Education and Treatment.

Total Amount Received From the City in FY 2006-07: $8,827,191

Federal Funds Received From Public Health in FY 2006-07: $2,164,398

Single Audit Reviewed: Fiscal year ended December 31, 2006

Current Year Single Audit Findings:

Finding 06-1: General Ledger Account Reconciliation

Condition: Certain balance sheet accounts were not reconciled on a consistent, periodic basis during the fiscal year. The auditors noted that HAFCI did not complete timely reconciliations for the following general ledger categories:

- Cash and investments
- Prepaid Expenses
- Fixed Assets
- Contributions
- In-Kind Contributions

These accounts were ultimately reconciled, but several months after the fiscal year-end. The general ledger must be reconciled consistently and timely for accurate financial reporting that is useful to management. Management said that the staff assigned was not able to perform the reconciliation. As a result, management did not have a true representation of its financial position for several months after the end of the year, to which management based certain decisions.

Recommendation: To ensure accurate periodic financial reporting, HAFCI should require timely periodic account reconciliation to determine that the account balances are accurate and properly stated, and should include timely supervisory reviews of the reconciliations.

Current Status: Management agrees that not all balance sheet accounts were reconciled on a consistent, periodic basis. Management has hired additional staff and required that balance sheet account be reconciled on a monthly basis in 2007.

Finding 06-2: Accrual of Period Expenses and Transactions

Condition: HAFCI frequently records its liabilities as of the related invoice date and not as of the date the liability for products or services was incurred, which will frequently be the date received. It failed to review, capture and record all accrued liabilities as of the end of its fiscal year, including various accrued liabilities and its leasehold improvement assets and obligations. Generally accepted accounting principles require that all transactions incurred in a period be properly accrued to enable management to have timely and accurate financial information. This occurred because HAFCI staff did not properly identify liabilities as of the date they were incurred versus the related invoice dates. As a result, various liabilities and related expenses or assets were not recorded as of HAFCI's fiscal year-end.

Recommendation: HAFCI should ensure all liabilities for products or services are properly accrued as of its fiscal year-end, if not on a periodic basis throughout the year. Proper accrual of expenses on a periodic basis will improve financial information being used by management to make operating decisions.

Current Status: Management agrees that all liabilities should be recorded when incurred. Management hired additional staff in 2007, and such staff will be focused on ensuring all liabilities and related expenses or assets are properly recorded as of the end of fiscal 2007.

Prior Year Single Audit Findings:

Finding 05-1: Grant Administration

Condition: From January to June 2005, the administration and contract department did not provide program directors with timely, accurate detailed expense reports that captured all expenditures reconciled to the general ledger; in addition actual-to-budget expenditure reports were not provided to program directors during this period as well. Reports were provided over the last six months of the year, but should have been provided over the entire year. This was also a prior year finding.

Recommendation: HAFCI should create and maintain grant administration procedures that provide accurate, timely information on costs incurred, cost allocations, and budget-to-actual comparisons to program directors as well as ensure that procedures are within grant compliance requirements.

Current Status: Procedures have been put in place to address this finding; as such, finding is no longer applicable.

Finding 05-2: General Ledger Account Reconciliations

Condition: Certain balance sheet accounts were not reconciled during the fiscal year and prior to the beginning of the audit fieldwork. Prior to completion of the audit fieldwork, these accounts were ultimately reconciled. However, this was completed several months after the fiscal year-end. This was also a prior year finding.

Recommendation: In order to make the financial reports generated by the accounting system as meaningful as possible, HAFCI should reconcile significant general ledger accounts (i.e., cash, accounts receivable, and accrued expenses) to supporting documentation on a monthly basis. A benefit of monthly reconciliations is to discover errors as well as to check that the recording of transactions is accurate and proper. A further benefit of monthly reconciliations is that errors do not accumulate but can be identified and attributed to a particular period.

Current Status: See current finding 06-1.

Current Year Management Letter Comments:

Comment 1: HCH Intake Forms

Condition: Auditors noted two samples where HCH intake forms were not properly completed (i.e., intake form requires if the patient was homeless within the past nine months and the living situation status is not checked by the patient.)

Recommendation: HAFCI should provide additional instruction to those preparing intake forms to ensure all required information is completed. Should the patient neglect to complete certain information, HAFCI should note on the form why the information is not provided.

Current Status: HAFC did not provide us with a response.

Comment 2: Patient Files

Condition: Auditors noted one sample where the required HIPPA information was not in the patient file.

Recommendation: While this is not a finding under A-133 audit procedures, for liability coverage purposes, HAFCI should ensure that all intake documentation is properly completed.

Current Status: HAFCI did not provide us with a response.

Comment 3: Mileage Rate

Condition: HAFCI reimbursed mileage for the December 31, 2006 year end at the rate of $0.405 per mile, which is the Federal reimbursement rate for 2005.

Recommendation: HAFCI should access the Internal Revenue Service website annually for the current Federal mileage reimbursement rate and reimburse employees at the most current rate.

Current Status: HAFCI did not provide us with a response.

HORIZONS UNLIMITED OF SAN FRANCISCO, INC.

Horizons Unlimited of San Francisco, Inc. (Horizons) is a nonprofit public benefit corporation organized under the Nonprofit Public Benefit Corporation law for charitable and educational purposes. The specific purpose of this corporation is to provide services to youths between the ages of twelve and twenty-six years. The services provided by Horizons are: substance abuse prevention, substance abuse treatment, and employment and support services. Horizons receives grants primarily from the City and County of San Francisco, Department of Health through the Department of Community Behavioral Health Services.

Total Amount Received From the City in FY 2006-07: $1,649,571

Federal Funds Received From Public Health in FY 2006-07: $824,000

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comment:

Comment 1: Account Reconciliation

Condition: Horizons did not timely reconcile various general ledger accounts.

Recommendation: Reconciliation of accounts should be performed systematically and timely as a means of keeping good accounting records. Additionally, financial decisions will be benefited with accurate general ledger account balances.

Current Status: Not indicated, but implemented before subsequent audit of June 30, 2007.

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INSTITUTO FAMILIAR DE LA RAZA, INC.

Instituto Familiar De La Raza, Inc. (La Raza) is a multi-service community health and social service agency with emphasis in serving the Chicano/Latino community in San Francisco with a special focus on the diverse needs of the Mission District. Services include a wide range of mental health, HIV related services, and social services including health promotion, education, prevention, early intervention, case management, and clinical and artistic mentoring services, psychological and psychiatric interventions as well as cultural/social and spiritual re-enforcement. La Raza serves children, youth, adults, and families; it has a rich history of working collaboratively with other organizations to meet the needs of the diverse Chicano/Latino communities, and other cultural/racial communities in San Francisco. Established in 1978, La Raza is an exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Total Amount Received From the City in FY 2006-07: $3,796,158

Federal Funds Received From Public Health in FY 2006-07: $422,939

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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IRIS CENTER WOMEN'S COUNSELING AND RECOVERY SERVICES, INC.

Founded in 1977, the Iris Center Women's Counseling and Recovery Services, Inc. (IRIS Center) is a 501(c)(3) nonprofit corporation organized in the state of California. The IRIS Center provides mental health services, outpatient substance abuse treatment, HIV prevention and education, therapeutic child development and child and family therapy to underserved and low income adults and young women. The mission of the IRIS Center is to provide high quality education along with prevention and intervention services to uninsured/underinsured women and their families. IRIS Center's vision embraces "women helping women" to build strong families, while improving life for all women and children through promoting self-awareness, self empowerment and healing.

Total Amount Received From the City in FY 2006-07: $1,126,592

Federal Funds Received From Public Health in FY 2006-07: $268,254

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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JAPANESE COMMUNITY YOUTH COUNCIL

Japanese Community Youth Council (JCYC) is a not-for-profit public benefit corporation established in 1970 to support the needs of the diverse, multi-cultural population of children, youth and families throughout San Francisco by: providing a comprehensive continuum of care; empowering young people to realize their full potential as self-sufficient, responsible members of the community; providing leadership in collaborative efforts to foster better relationships and communication among different communities; and supporting the cultural, educational, recreational, and vocational needs of children and youth. JCYC operations include several programs for daycare, recreation, tutorial and job placement, as well as substance abuse prevention programs. JCYC receives approximately 85 percent of its annual budget from governmental sources.

Total Amount Received From the City in FY 2006-07: $7,383,611

Federal Funds Received From Public Health in FY 2006-07: $737,696

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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LARKIN STREET YOUTH SERVICES

Larkin Street Youth Services (Larkin Street), incorporated in the state of California, is a community-based nonprofit organization founded in 1984 as a neighborhood effort to help homeless and runaway youth move beyond street life. Over the past twenty years, Larkin Street has grown into an agency nationally recognized for its innovative housing, psychosocial support, and medical programs, which serve more than 2,000 young people each year. The agency's continuum of services is designed to respond to youths' immediate emergency needs, while encouraging them to participate in programs that help them make a successful transition to independent, productive adulthood. Larkin Street's primary source of revenues is from government contracts, grants and contributions from the general public.

Total Amount Received From the City in FY 2006-07: $4,902,736

Federal Funds Received From Public Health in FY 2006-07: $691,768

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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LATINO COMMISSION ON ALCOHOL AND DRUG ABUSE SERVICES

The Latino Commission on Alcohol and Drug Abuse Services (Latino Commission) is a tax-exempt corporation, organized under Section 501(c)(3) of the Internal Revenue Code. It is organized under the laws of the State of California for the purpose of providing shelter, counseling and support for issues related to substance abuse. Latino Commission was incorporated on April 14, 1992. On October 1, 1992 the Latino Commission assumed responsibility for the Recovery Housing operation, which was established in 1991 by the California Hispanic Commission on Alcohol and Drug Abuse, Inc. of Sacramento, California. The Transitional Housing Program began in April 1993.

Total Amount Received From the City in FY 2006-07: $1,491,933

Federal Funds Received From Public Health in FY 2006-07: $202,181

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Payroll Advancements

Condition: The auditors found several instances where Latino Commission made payroll advances without the employee filling out a payroll advancement requisition form.

Recommendation: All payroll advances should be supported by a payroll advancement requisition form which is approved by the appropriate personnel.

Current Status: Management concurs with the recommendation.

Comment 2: Board Minutes

Condition: Latino Commission's Board Secretary did not sign nor date the minutes of the Board of Directors' meeting.

Recommendation: All Board minutes should be signed and dated by the Board Secretary, and that extra copies saved for future references.

Current Status: Management concurs with the recommendation.

<u>Comment 3: Personnel Manual</u>

Condition: The auditors found instances where employees had not signed a certification that they had read and agreed to following Latino Commission's policies as outlined in the personnel manual.

Recommendation: Latino Commission should require all employees to sign a certification to follow its policies as outlined in the personnel manual.

Current Status: Management concurs with the recommendation.

<u>Comment 4: Credit Cards</u>

Condition: Latino Commission's policies do not prohibit the drawing of cash and personal charges to the organization's credit card, although the auditors noted that there were no instances when this occurred.

Recommendation: Latino Commission should revise its policies to include a prohibition of cash drawn or personal charges made against its credit card.

Current Status: Management concurs with the recommendation.

<u>Comment 5: Allocation of Expenses</u>

Condition: In their review of the operating expenses, the auditor found one instance where the staff could not explain how an expense was allocated to the various residential homes.

Recommendation: Latino Commission should allocate all joint costs based on a predetermined allocation plan.

Current Status: Management concurs with the recommendation.

<u>Comment 6: Workmen's Compensation Insurance</u>

Condition: Latino Commission is without Workmen's Compensation insurance for a period of four months due to non payment of premium.

Recommendation: Latino Commission should ensure adequate cash flow to provide for timely payments of all its insurance.

Current Status: Management is currently working on reducing expenses to improve monthly cash flow.

Comment 7: Retirement Plan

Condition: During the review of Latino Commission's tax returns, the auditors noted that a tax return for the Commission's retirement plan has not been filed. The Commission also could not determine when it filed its last tax return.

Recommendation: Latino Commission should determine whether a tax return for its retirement plan is required to be filed.

Current Status: Management is currently working on determining whether it needs to file a tax return for its retirement plan.

Comment 8: Fixed Assets

Condition: Latino Commission has not performed a physical inventory of fixed assets. Also, the agency did not have a current listing of assets.

Recommendation: Latino Commission should perform a physical inventory of fixed assets on a regular basis. The physical count should be reconciled to amounts recorded in the general ledger. Any difference should be investigated.

Current Status: Latino Commission will perform a physical inventory of fixed assets during its 2007 fiscal year.

Comment 9: Board of Director's Oversight

Condition: Latino Commission's management staff may be too small to be very effective.

Recommendation: Latino Commission's Board of Directors should remain involved in all the affairs of the organization to provide for checks and balances, oversight and independent review.

Current Status: Management concurs with the recommendation.

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LUTHERAN SOCIAL SERVICES OF NORTHERN CALIFORNIA

Lutheran Social Services of Northern California (LSS) is a nonprofit organization headquartered in Oakland, California. LSS serves as a social service agency to all of Northern California by providing professional counseling and promotion of welfare work to all persons within society. LSS's principal sources of funding are contract service fees from governmental agencies and contributions.

Total Amount Received From the City in FY 2006-07: $1,152,419

Federal Funds Received From Public Health in FY 2006-07: $585,818

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Finding:

Finding 06-1: Financial Reporting Function

Condition: During the year, LSS experienced turnover in the accounting department, many of the duties and responsibilities of that position now reside with the CFAO. During fieldwork, the auditors noted that several journal entries were necessary to properly reflect the financial results of LSS. Additionally, the auditors noted the following:

- Journal entries do not contain documentation of review in all instances and some entries are missing sufficient supporting documentations.
- Bank reconciliations and account analysis were not prepared on a timely basis.
- Checks were improperly voided.
- Certain invoices did not indicate appropriate approvals and were not cancelled upon payment.

Recommendation: LSS should consider the following:

a) Develop a clear-cut plan for the accounting department that provides the following:
   i) Assessment of the operations of the department to determine that it is appropriately staffed for the amount of work that it is expected to perform and that personnel are properly supervised and trained.
   ii) Definite placement of responsibility and for lines of authority within the department.
   iii) A division of duties, wherever practicable, between the authorization and record keeping so that the activities of one employee act as a check on those of another.

   iv) Forms, documents, and procedures that provide for controls and proper approvals.
   v) Monitoring for compliance with policies, procedures, and budgets.
   vi) Periodic review of the internal control system.

b) Assess the implementation of the new accounting software to determine that it is being utilized to its full potential.
c) Develop an accounting manual which should include copies of forms and formats used, documentation of the accounting software, as well as a monthly checklist that details all recurring journal entries, account reconciliations, and standard reports. The documentation should include how transactions, such as contributions, are communicated to the accounting department. The manual should also include how various department are to communicate information to the accounting department. In addition, a monthly closing checklist should be developed which includes a checklist of standard journal entries, account reconciliations, standard reports, and external reporting requirements and deadlines. This checklist should be completed on a monthly basis by the director of finance and provided to Executive Director and Treasurer along with the monthly financial statements and budget to actual variance analysis.
d) Review the vendor master file for completeness, confirm the existence of vendors, purge the file of vendors without recent activity, and verify new vendors.
e) Arrange for bank reconciliations to be prepared by someone other than the person who posts cash activity within three business days of receipt of bank statements. The reconciliations and statements should be reviewed and approved by the CEO or CFAO.

All invoices should be properly approved by the appropriate LSS personnel and cancelled upon payment.

Current Status: Management is implementing appropriate processes to address the issues above.

Management Letter Comments:

Note: Although LSS is appropriately addressing the issues raised in its fiscal year 2005-2006 management letter, management has specifically requested that the contents of its management letter not be included in this report.

MAITRI

Maitri was founded in 1987 as a residential hospice for people with AIDS. A state licensed 15-bed residence for low-income people with AIDS, Maitri provides a high level of medical supervision and support for people who are seriously ill/disabled. In collaboration with home health agencies and hospice organizations, Maitri provides skilled nursing and end-of-life care. Exempt from income taxes by IRS Code Section 501(c)(3), Maitri is governed by a 10-member Board of Directors. Maitri receives the majority of its funding from the federal government. Revenue is also received through foundation and corporate grants, donations from the general public, program service fees, and special events. In addition, Maitri receives rent from leasing a portion of its building to another nonprofit organization operating a thrift store.

Total Amount Received From the City in FY 2006-07: $1,162,829

Federal Funds Received From Public Health in FY 2006-07: $1,086,276

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Single Audit Finding: None

Prior Year Single Audit Finding:

Finding 05-1: Operating & Replacement Reserve Withdrawals

Condition: Withdrawals of funds were made from reserve accounts without written approval. HUD loan provisions require that written approval be obtained for all withdrawals from reserve accounts.

Recommendation: Written approval should be obtained prior to withdrawing reserve account funds in the future.

Current Status: In 2005-06, management implemented a policy to obtain prior written approval before withdrawing reserve account funds. No similar findings were noted in the 2005-06 audit.

Current Management Letter Comments:

Comment 1: Cash Cut-off Issues

Condition: Maitri issued a number of checks subsequent to fiscal-year-end but were dated June 30, 2006.

Recommendation: Maitri should, without exception, date checks the day they are written. If expenses pertain to a prior period, they should be recorded as accounts payable.

Current Status: Not indicated.

Comment 2: Documentation of Executive Director's Salary

Condition: Maitri documented the Executive Director's salary by way of e-mail from the Board president, without complying with SB 1262 which requires the governing board or authorized board committee to review and approve the compensation of the Chief Executive Officer to ensure that the amount is "just and reasonable."

Recommendation: Maitri should implement a more formal process, with a memo to the Executive Director's file written and signed by a board officer.

Current Status: Not indicated.

Comment 3: Employee Bonuses

Condition: Maitri awarded after-the-fact bonuses during the year based on its finances rather than performance criteria, which is permissible as long as they have been set and documented in advance.

Recommendation: Maitri should re-evaluate its bonus policy.

Current Status: Not indicated.

Comment 4: Fixed Asset Accounting

Condition: Maitri did not consistently observe its fixed asset capitalization threshold of $1,000, as the auditors noted items below this amount capitalized, and items above the amount that were not capitalized.

Recommendation: Maitri should consistently record its purchases in accordance with its capitalization policy.

Current Status: Not indicated.

Prior Years Management Letter Comments:

PY Comment 1: Cash Disbursements Procedures

Condition: Checks exceeding $10,000 only require a verbal approval from the Board Treasurer. Further, paid invoices are not properly cancelled.

Recommendation: Maitri needs to improve accountability for its receipts. The board should consider a dual signature requirement for disbursements over $10,000. Paid invoices should be stamped PAID to prevent inadvertent duplicate payment.

Current Status: Not yet implemented during audit.

PY Comment 2: In-Kind Donations

Condition: There are no policies and procedures in place to assure that in-kind donations of goods and services are properly recorded. Services were recorded as income even though they do not meet the GAAP criteria, while others that should have been recorded were not. In addition, small amounts of cash donations were recorded as in-kind.

Recommendations: Management should become familiar with the criteria for recording in-kind revenue and establish procedures to assure that it is properly recorded.

Current Status: Not yet implemented during audit.

PY Comment 3: Special Events

Condition: Event revenue per the financial statements is not reconciled to attendance statistics.

Recommendation: Event revenue should be reconciled to event statistics to ensure that revenue is properly recorded and that all revenue was indeed deposited.

Current Status: Not yet implemented during audit.

PY Comment 4: Reconciliation of Donor Database

Condition: Donations per the donor database did not reconcile to those per the general ledger. As the general ledger does not include detail by donor, it is important that the donor database detail corroborate what is recorded in the general ledger.

Recommendation: The general ledger and donor database should be reconciled on a regular basis.

Current Status: Not yet implemented during audit.

PY 2004 Comment 1: Documentation of Accounting Procedures & Internal Controls

Condition: Maitri does not have an Accounting Policies & Procedures Manual. In the corporate world, there has been much recent emphasis on management's responsibility for fraud prevention and detection. A key element of this is to have a well thought out system of internal control as well as documented procedures.

Recommendation: Maitri should prepare an Accounting Policies & Procedures Manual. Management should consider the issues addressed in the sample document provided to Maitri and review and document internal controls and accounting procedures.

Current Status: Not yet implemented during audit.

PY 2004 Comment 2: Cash Receipts Procedures

Condition: Incoming checks are routed to the Director of Development who enters them to the donor database and forwards the checks to the Bookkeeper for deposit.

Recommendation: To improve internal control over cash receipts, the following is recommended.

1. The checks should be endorsed with a bank stamp by whoever opens the mail (this should not be the director of development); two Xerox copies of the checks being deposited should be made, with one dated and kept in the receiving employee's files, and the other copy being routed to the director of development.
2. The checks should then be forwarded to the bookkeeper for deposit.
3. A third party should periodically check the deposit per the books to the Xeroxes maintained by the person who opens the mail. Any discrepancies should be promptly investigated and brought to the attention of the executive director.

Current Status: Pending implementation.

MISSION COUNCIL ON ALCOHOL ABUSE FOR THE SPANISH SPEAKING

The Mission Council on Alcohol Abuse for the Spanish Speaking (Mission Council) is a tax-exempt Corporation organized under the laws of the State of California for the purpose of providing education, counseling and support for issues related to substance abuse and family violence.

Total Amount Received From the City in FY 2006-07: $1,014,558

Federal Funds Received From Public Health in FY 2006-07: $400,000

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Account Reconciliation

Condition: The subsidiary cash balance in the general ledger was not reconciled with the bank as of June 30, 2006, for a few cash accounts. The main checking account was reflecting as cash received after June 30, 2006, thus giving the impression that the entity's cash position was higher than the actual cash balance. The cash received should have been reflected as accounts receivable instead.

Recommendation: Mission Council should reconcile cash accounts with the bank statements on a monthly basis.

Current Status: According to management, this has been implemented.

Comment 2: Indirect Cost Allocation

Condition: The indirect cost allocation is not prepared correctly. The total programs have allocated expenses of $153,832 and the administration has a charge of $213,220, thus resulting in an over-allocation to administration of $59,388.

Recommendation: The allocation made from the administration expenses to the programs should be the same amount. Any difference should be researched prior to posting the allocation amounts.

Current Status: According to management, this has been implemented.

Comment 3: Subsidiary Support for Accounts

Condition: Accounts payable and accrued expenses indicate balances without proper subsidiary support.

Recommendation: Funds claimed from grantors should be spent timely. All funds claimed from grantors should be paid or encumbered as soon as practicable.

Current Status: According to management, this has been implemented.

MISSION NEIGHBORHOOD HEALTH CENTER

Mission Area Health Associates, Inc. (MAHA) is a California nonprofit corporation, doing business as Mission Neighborhood Health Center (Health Center). Its primary objective is to provide primary care and support services for medically underserved residents of the Mission District and surrounding neighborhoods. In October 1987, MAHA became a direct grantee of the Department of Health and Human Services. MAHA is also a recipient of various program grants from the Sate of California and the City and County of San Francisco, and it generates revenue from patients and third-party payers (Medi-Cal, Medicare, private insurance companies, Family pact, Healthy Family, etc).

Total Amount Received From the City in FY 2006-07: $2,690,393

Federal Funds Received From Public Health in FY 2006-07: $1,002,643

Single Audit Reviewed: Fiscal year ended December 31, 2006

Single Audit Findings: None

Management Letter Comments: None

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NATIVE AMERICAN HEALTH CENTER, INC.

Native American Health Center, Inc. (NAHC) operates medical and dental clinics in Oakland, San Francisco and Sacramento. NAHC provides medical care, dental treatment, mental health, counseling and social services and youth services. Revenues are generated primarily from government grants, contracts and third party medical insurance.

Total Amount Received From the City in FY 2006-07: $169,032

Federal Funds Received From Public Health in FY 2006-07: $27,125

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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NEW LEAF: SERVICES FOR OUR COMMUNITY

New Leaf: Services For Our Community (New Leaf) is a private nonprofit corporation incorporated in California on October 15, 1995. New Leaf is a result of a merger between 18th Street Services and Operation Concern. Both organizations have existed for over 25 years. It is a multi-service outpatient treatment center serving members of the lesbian, gay, bisexual, and transgender communities of San Francisco. New Leaf provides services to over 1,500 persons per year in the areas of mental health, substance abuse, HIV/AIDS, and senior social services. Services include individual, couples, group, and family therapies; psychiatric medication monitoring; and social, recreational, and case management services to seniors. New Leaf has the following treatment and information programs: Substance Abuse Services; Mental Health Services; HIV/AIDS Services; and, New Leaf Outreach to Elders.

Total Amount Received From the City in FY 2006-07: $1,976,985

Federal Funds Received From Public Health in FY 2006-07: $833,539

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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NORTH EAST MEDICAL SERVICES

North East Medical Services (NEMS) was incorporated on August 6, 1968 in California as a not-for-profit corporation. NEMS is a family-oriented, comprehensive health center situated in the City and County of San Francisco, California, which has areas designated by the Federal government as medically underserved, ranking low in the necessary number of appropriate health care providers and high in major health problems. NEMS is the largest community health center in the nation serving a predominantly Asian American population.

NEMS offers a wide range of health services, such as primary and specialty medical care, dental and optometric care, as well as supplemental services including nursing, nutrition, social services, pharmacy, radiology, and laboratory with special considerations for cultural traditions. Also, NEMS integrates preventive care into is program. NEMS MSO provides skill, supervision and personnel in the operation and administration of California Pacific Medical Center's and NEMS managed care business. NEMS recognizes it is part of a network of community health care providers and agencies. NEMS has established links with other health and social agencies and the state and local health departments in an effort to provide the best care possible.

Total Amount Received From the City in FY 2006-07: $40,672

Federal Funds Received From Public Health in FY 2006-07: $40,672

Single Audit Reviewed: Fiscal year ended December 31, 2006

Single Audit Findings: None

Prior Year Single Audit Finding:

Finding 05-1: Community Health Center (93.224)

Condition: The Financial Status Report SF-269 was not submitted timely

Recommendation: NEMS should submit the Financial Status Report SF-269 timely.

Current Status: Implemented

Current Management Letter Comments:

Comment 1: Cash Receipts

Condition: During the test of cash receipts of twenty-five samples selected, the auditors were not provided with supporting documents for four samples. They were informed that since the work was performed by temporary staff, it was difficult to locate the supporting documents.

Recommendation: The filing of documents should be such that the documents can be easily retrieved by the staff and can be easily refilled.

Current Status: During the later part of 2006, NEMS was short-staffed and hired temporary staff as well as new staff. Unfortunately, some of the files were not filed correctly. Thereafter, with the assistance of consulting staff, a more organized, permanent filing system was established and documented through formal policies and procedures.

Comment 2: Accounts Receivable

Condition: Various accounts are maintained for receivables. For each payor type, a separate A/R adjustment account is maintained. The amount in the general ledger matches with the subsidiary ledger in totality but it's difficult to correlate the general ledger and the report from the billing system.

Recommendation: All unnecessary accounts in the general ledger should be closed and the A/R report from the billing system should match with the general ledger.

Current Status: NEMS is working with outside finance consultants to review its chart of accounts and method of recording patient service revenue and accounts receivable. NEMS will establish an account structure that allows for clear reconciliation to the aging report from the billing system. All unnecessary accounts in the general ledger will be closed.

Comment 3: MSO

Condition: The auditors eliminated the payments made to NEMS by MSO from the expenses and income at the time of consolidation, but it's not possible to identify the amounts received from MSO in NEMS' books because all receipts are accounted for in one account without adequate analysis.

Recommendation: Transactions between NEMS and MSO should be accounted separately in the general ledger so that it is possible to identify the inter program transactions for eliminations for the consolidated audit report. The transactions posted in the system from which the two trial balances are extracted from should be structured in such a manner that makes the audit trail for elimination of transactions easy.

Current Status: NEMS will ensure that transactions related to MSO operations are segregated effectively under its revised methodology for recording patient services revenue and receivables.

Comment 4: Other

Condition: Accountants' duties include creating original source documents (purchase orders, checks, etc.), generating checks, recording the entries into the general ledger, and making adjustments to the general ledger. However, during the audit, the auditors noted that there is no review of accountants' work. There were several errors made without immediate correction.

Recommendation: A CFO should be retained to authorize accounting transactions, supervise accountants' work, and review statements for accuracy. The addition of a CFO would increase the controls over the organization's accounting functions and would also be an additional resource for management by providing them with budgets, analyses, and other reports that could be useful in making decisions.

Current Status: NEMS has recruited the CFO position as of the second quarter of 2007. In addition, since September 2006, NEMS has contracted with finance consultants to assist in performance improvement efforts with respect to its financial operations. In particular, these activities have started to, and will continue to, emphasize establishing clear roles and responsibilities within the finance department, documenting and reviewing policies and procedures and ensuring internal controls and peer review of accounting entries and reports.

Comment 5: Grant Income

Condition: Grant income and full charge amount for homeless patients have been charged to the same account. The adjustment against the full charge has been charged to write off account. As a result, it is not possible to identify the grant amount for the homeless grant.

Recommendation: Grant income should be accounted separately.

Current Status: The chart of accounts will be modified to create separate accounts for grant income and receivables and gross patient services revenue (full charge) and discounts.

Comment 6: Accounting Policies and Procedures and Training

Condition: For the size of the organization, there was not enough training and accounting policies and procedures were not understood clearly by the accounting staff.

Recommendation: Adequate training should be provided to staff regarding accounting policies and procedures and in this way as the company grows, employees can maintain a clear understanding of how duties should be performed.

Current Status: NEMS has recruited the CFO position as of the second quarter of 2007. In addition, since September 2006, NEMS has contracted with finance consultants to assist in performance improvement efforts with respect to its financial operations. In particular, these activities have started to, and will continue to, emphasize establishing clear roles and responsibilities within the finance department, documenting and reviewing policies and procedures and ensuring internal controls and peer review of accounting entries and reports.

PHFE MANAGEMENT SOLUTIONS

Public Health Foundation Enterprises, Inc., doing business as PHFE Management Solutions, (PHFE) is a California nonprofit corporation established on August 6, 1968. PHFE's purposes are: through research and demonstration to add to public health knowledge about the cause, prevention, cure of diseases, condition or states detrimental to the health of the public including, but not limited to, basic environmental, epidemiological, clinical, and administrative study, demonstration and research and its practical application thereto, to receive and administer funds for public health study, demonstration and research, all for the public welfare. Substantially all of PHFE's revenue is received from annually renewable governmental service contracts and private grantors and foundations located in California.

Total Amount Received From the City in FY 2006-07: $1,479,139

Federal Funds Received From Public Health in FY 2006-07: $1,277,616

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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POSITIVE RESOURCE CENTER

The mission of Positive Resource Center (Positive Resource) is to assist people affected by or at risk for HIV/AIDS through culturally appropriate counseling, education, and advocacy in making informed choices which maximize available benefits and employment benefits. Positive Resource receives approximately 25 percent of its funding through grants originating with Federal agencies. Positive Resource operates the following programs:

- Benefits Counseling: Social security and employee benefits counseling services to people living with AIDS/HIV and/or mental health conditions
- Employment Services: Employment referral and support services for people living with AIDS/HIV.

Total Amount Received From the City in FY 2006-07: $1,213,906

Federal Funds Received From Public Health in FY 2006-07: $202,356

Single Audit Reviewed: Fiscal year ended December 31, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Salary Allocations

Condition: The Center may not be in compliance with Circular A-122 regarding compliance with regulations regarding salaries charged to Federal Programs. This was also a prior year management letter comment.

Recommendation: Positive Resource should review applicable provisions of Circular A-122 to ensure compliance with regulations regarding salaries charged to Federal Programs.

Current Status: Positive Resource has followed the recommendation and has reviewed OMB Circular A-122. It is their general perception that they are in compliance with the cost principles. Staff is studying ways to refine their system.

Comment 2: Computer Equipment

Condition: The general ledger is not updated to reflect computer equipment disposals. This was also a prior year management letter comment.

Recommendation: Positive Resource should update its general ledger to reflect computer equipment disposals.

Current Status: Positive Resource has updated its general ledger and instituted changes in its accounting system so that future computer equipment disposals will be reflected on the balance sheet.

Comment 3: Account Coding

Condition: Positive Resource does not have an account for accumulation of its non-allowable costs.

Recommendation: Positive Resource should add an account to its chart of accounts to accumulate non-allowable costs.

Current Status: Positive Resource has added the non-allowable account code.

Comment 4: Contracts

Condition: Positive Resource does not have written contracts to support consulting and other outside services.

Recommendation: Positive Resource should ensure that all consulting and other outside services are supported by written contracts.

Current Status: At the time of the audit, only one of the five contractors working with Positive Resource was without a contract. Positive Resource has initiated discussions with its attorney to draw up this contract and will have one in place by the end of 2007.

PROJECT OPEN HAND

Project Open Hand (POH) was established in October 1985 and incorporated November 1986 as a nonprofit public benefit corporation. POH provides home-delivered meals, groceries and nutrition counseling to people living with HIV/AIDS; congregate lunches and nutrition education to seniors; meal service for homebound and critically ill people under the age of 60. POH's services are conducted in San Francisco and Alameda counties and receive partial support from federal Ryan White CARE Act funds through the San Francisco and Alameda county public health departments. The senior lunch program is funded through San Francisco's Office on the Aging, the USDA, and senior contributions. POH is also funded through grants and donations from individuals, foundations and corporations.

Total Amount Received From the City in FY 2006-07: $2,372,573

Federal Funds Received From Public Health in FY 2006-07: $1,058,072

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Reconciliations

Condition: The review done on the cash and investment reconciliations by POH's CFO is not indicated in writing.

Recommendation: The person responsible for review and approval of account reconciliations should indicate so by initialing the reconciliation.

Current Status: All reconciliations are reviewed and approved by the CFO. Reconciliations that are reviewed and approved by the CFO are initialized and dated the day the review was made. Auditors did not write any observation of comments about this condition when issuing a management letter for the fiscal year ended June 30, 2007.

Comment 2: Vendor Master File

Condition: During the examination of purchases and cash disbursements, the auditors noted that POH did not have formal review procedures in place to verify that new vendors are valid and that the vendor master file is reviewed on a regular basis.

Recommendation: POH should consider the following regarding its vendor files:

- Review the file for completeness of information regarding each vendor and follow up on incomplete records. Information should include the complete name, employer identification number, type of entity, street address, phone and fax numbers, contact and/or officer names and phone numbers.
- Confirm the existence of vendors via phone calls and public records searches.
- Periodically purging vendors from the master file if a vendor has not been used for a specified period of time.
- New vendors should only be added by the CFO or accounting manager, not the person responsible for processing accounts payable.
- Accounts payable procedures should include procedures to verify the existence of new vendors to whom payment in excess of a specified dollar threshold are planned or requested.

Additionally, the accounts payable procedures should include procedures to verify the existence of new vendors to whom payment of a specified dollar threshold are planned or requested.

Current Status: POH has formal review procedures in place to verify that new vendors are valid and that the vendor master file is reviewed on a regular basis. These procedures were included in the Finance Policy and Procedures Manual. New vendors are asked to send a completed W-9 form, and vendors are purged every year after two years of inactivity. Auditors did not write any observation of comments about this condition when issuing a management letter for the fiscal year ended June 30, 2007.

RICHMOND AREA MULTI-SERVICES, INC.

Richmond Area Multi-Services, Inc. (RAMS) is a nonprofit organization incorporated in California. RAMS' mission is to provide community-based, culturally competent, and consumer-guided services that meet the mental health, social, and educational needs of the San Francisco community. RAMS' programs include: Adult Outpatient, Pre-vocational, Children and Youth Services; Broderick Street Residential Care; Bridge to Wellness; Vocational Training, Community Services; Senior Refugee Services; Asian Family Institute Fee for Services; Community Planning; and, Vocational Contracts and Café.

Total Amount Received From the City in FY 2006-07: $5,961,813

Federal Funds Received From Public Health in FY 2006-07: $11,076

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Current Management Letter Comments:

Comment 1: DOR Vocational Program Eligibility

Condition: The vocational program requires the client be at least Axis I diagnosed, have a San Francisco residence and be 18 years or older. RAMS standard procedures require documenting Form I-9 (for work status) requirement. The I-9 documentation at times would also provide support for residence and age information. Of the 20 files examined, the auditors found that one client did not have supporting document for San Francisco residence and one client did not have supporting documents for both San Francisco residence and age. However, DOR authorized these clients.

Recommendation: RAMS should have additional training for the staff to make sure that they are aware of the documentation requirements. New admission policies and procedures have since been implemented that would require proper documentation of client eligibility.

Current Status: All staff members working on the DOR contracted program(s) have been notified about this matter and adherence to the program's admission policies & procedures have been clearly identified and reinforced, including meeting separately with those two staff members who did not have the required supporting documentation. A new checklist has also been created to insure that staff obtain all required documentation from the client upon admission to the vocational program. It should be noted that no services and billing can ever be officially provided by the program without the separate prior authorization from Department of Rehabilitation and all the clients enrolled in the DOR contracted vocational program have consistently had their current DOR authorization maintained in their files.

Comment 2: Account Reconciliation

Condition: The auditors found the year-end receivable balance for the production and catering differs from the record kept by the administrative assistance at the Vocational program by $4,300 and ($6,600), respectively. The likely cause is the posting into the general ledger which was not accurate.

Recommendation: RAMS should periodically reconcile the general ledger balance against the subsidiary ledger.

Current Status: The accounting assistant responsible for posting accounts receivable and payments from Production and catering will be working closely with the Hire-Ability administrative Coordinator to assure that these miss-postings do not happen. A monthly reconciliation of the production and catering accounts will be performed so that the year-end receivable balances will match between the general ledger and subsidiary ledger.

Comment 3: Discrepancy of the CBHS Receivable and Receipts

Condition: The accounts receivable at year-end is less than the subsequent receipts by $9,200.

Recommendation: RAMS should account for the difference between the receivable and the subsequent receipt.

Current Status: This overpayment by CBHS will be resolved at the final cost settlement process in May or June 2007. During the final cost settlement process, DPH cost report unit will review all payments made against our deliverables and costs. This appeared to be an overpayment; as such, they will ask RAMS to issue them a refund.

Prior Year Management Letter Comments:

PY Comment 1: Accrued Vacation and Workers Compensation

Condition: The Fiscal Department has been keeping track of the accrued vacation using a spreadsheet. This process is time-consuming and error prone. Because of the staff turnover during the year, the new staff handling this spreadsheet was not familiar with the setup and made numerous mistakes that necessitated tedious correction by the Senior Accountant. Fiscal Department also uses a spreadsheet to allocate workers compensation monthly. This is quite time-consuming.

Recommendation: RAMS should ask the payroll service company and assess the feasibility of adding the vacation tracking and workers compensation allocation to the existing service package.

Current Status: Management has inquired with the payroll service company and found that the cost for having this done by the payroll service company is too expensive. On the other hand, RAMS may explore taking the payroll in-house with the MIP software upgrade.

PY Comment 2: New Timesheet

Condition: RAMS implemented a new time sheet in August 2005, but it does not show the percentage allocation of time to programs.

Recommendation: To provide better support for charging the time to programs, RAMS should add to the timesheet the percentage (%) of allocation of the pay period and a statement to the effect that the employee is certifying the accuracy of the allocation onto the timesheet.

Current Status: Staff have been instructed to note on their timesheet if and when their time differs from the Personnel Action Form. Management has sampled the timesheets of other non-profit organizations and RAMS has concluded at this time that there is no need to revise the RAMS' timesheet form. However, they will continue to explore different ideas to revise RAMS' timesheet form to make it more user-friendly and to clearly and accurately measure staff's time and the cost allocation of their time.

PY Comment 3: Café Phoenix Credit Card Sales

Condition: Credit sales are tracked on a daily basis by the administrative assistants at Café Phoenix; however, there is no reconciliation to the deposit on the bank statement.

Recommendation: RAMS should perform a timely reconciliation between the charges and the bank deposit to ensure that there are no lost sales.

Current Status: The administrative assistant now reconciles the credit card charges to bank receipts.

PY Comment 4: Executive Compensation

Condition: The Nonprofit Integrity Act of 2004 requires the governing board or authorized board committee to review and approve the compensation of both the CEO and CFO to ensure that the payment is "just and reasonable". RAMS' board approved the CEO's salary but not the CFO's salary last year.

Recommendation: The board should document the data that it used, and the decision process that lead to the executive's salary as a precautionary measure.

Current Status: The Board has established formal procedures to address this issue.

PY Comment 5: Asian Family Institute (AFI) Cash Receipts

Condition: The AFI receptionist is in charge of cash receipts and works alone in the reception area. Patients pay directly to the receptionist after their appointment. The current procedures require a pre-numbered receipt be issued for all cash receipts and that cash and checks be deposited into a lock box that requires two keys to open. The receptionist also accounts for use of the pre-numbered cash receipts. While these procedures provide tight control over the “back end” of the cash receipts transaction flow, they would not detect if, rather than issuing a receipt, the receptionist pocketed the cash from the patient.

Recommendation: RAMS should have some procedures in place that would enable reconciliation between appointments and cash receipts. For example, a daily appointment schedule with the clinician’s sign-off can be kept securely away from the receptionist and could be used as the basis to verify the amount of receipts.

Current Status: Procedures have been put in place that matches the appointments with the cash receipts. Management has attended to this matter and the internal control in this area has been improved.

PY Comment 6: MIP Accounting System

Condition: In the past, because of the software program’s system requirements, the fiscal department was not able to install the software updates. Because of the lengthy delay in updating the system, by the time the fiscal department upgraded its computer hardware, it had difficulties in updating the MIP accounting system. The fiscal department has not yet tested the database to ensure the transferring of the database to the new computer is successful. Fiscal is only using a single-user general ledger module of the MIP system.

Recommendation: When funding permits, RAMS should network the MIP system and also add the import/export and accounts payable modules.

Current Status: Management plans to have the software upgrade completed by December 2006.

PY Comment 7: Fiscal Department

Condition: RAMS’ fiscal department is heavily reliant on one person – the Senior Accountant. RAMS does not cross-train its staff in the fiscal department.

Recommendation: Now that the fiscal condition of RAMS has been normalized and an accounts payable clerk has been added to the department, the department should maintain its effort in cross training staff in the department. Also, there should be more than one person able to run the general ledger system and to handle financial reporting.

Current Status: Management anticipates the cross training with the Senior Accountant to be completed by December 2006.

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SAN FRANCISCO AIDS FOUNDATION

The San Francisco AIDS Foundation (AIDS Foundation) was incorporated in California on March 15, 1984, as a nonprofit entity. The purpose of the AIDS Foundation is to end the pandemic and human suffering caused by HIV. The AIDS Foundation pursues its mission through the following programs: Client Advocacy and Treatment Education; Housing Services; Public Policy; Prevention and Community Level Interventions; and, Global Treatment Access.

Total Amount Received From the City in FY 2006-07: $4,885,447

Federal Funds Received From Public Health in FY 2006-07: $1,897,000

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Single Audit Findings:

Finding 06-1: Prepaid Assets

Condition: The AIDS Foundation restated its fiscal 2005 financial statements to reflect the proper accounting for special event expenses. Historically, the AIDS Foundation expensed these costs and recognized related revenues in the period the events occurred. Accounting principles generally accepted in the US require special event expenses that are considered fundraising costs be expensed as incurred.

Recommendation: AIDS Foundation should expense these special event fundraising costs as incurred.

Current Status: Management concurs with the finding and recommendation, and has corrected the issue in the audited year and will continue to record these fundraising expenses in the period incurred in future periods.

Management Letter Comments: None

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SAN FRANCISCO BAR ASSOCIATION VOLUNTEER LEGAL SERVICES PROGRAM

Established in 1978, the San Francisco Bar Association Volunteer Legal Services Program (VLSP) was incorporated in 1984 as a California nonprofit public benefit corporation. Its purpose is to provide free legal and social services to low-income individuals and families in the San Francisco Bay Area. VLSP and the Bar Association of San Francisco (Bar) are affiliated corporations. The president of the Bar's Board appoints the Board of Directors of VLSP and the officers of the Bar also serve as officers of VLSP. VLSP has been granted tax-exempt status by the Internal Revenue Service and the California Franchise Tax Board under Sections 501(c)(3) and 23701(d), respectively, therefore, no provision for income taxes has been provided in these financial statements. There are no activities unrelated to its tax exempt purpose.

Total Amount Received From the City in FY 2006-07: $717,435

Federal Funds Received From Public Health in FY 2006-07: $62,458

Single Audit Reviewed: Fiscal year ended December 31, 2006

Current Single Audit Findings: None

Prior Year Single Audit Findings:

Finding 05-1: Improve Controls to Ensure the Completeness and Accuracy of Grants and Contributions Recorded

Condition: As a result of the audit of the 2004 financial statements, the prior auditors recommended that management improve controls over the recognition of grants and contributions and that a reconciliation be performed between contributions recognized by the development department and those recorded by the accounting department. This reconciliation is a fundamental control to ensuring the accuracy and completeness of recorded contribution revenue. Maintaining effective controls, performed by employees who are adequately trained and understand the nature of these transactions, is particularly important in this area due to the complexities involved in the accounting, for these revenue transactions and the history of errors which led to restatement of prior years' financial statements. During 2005, VLSP continued to experience turnover in the key positions in the finance department and as a result of this, controls to monitor the completeness and accuracy over the recording of grants and contributions, including the reconciliation noted above, were not performed on a timely basis. The prior auditors did note that a reconciliation was performed in 2006 in response to their 2005 audit and that adjustments were made by management as a result of this reconciliation. This finding had no impact on compliance with federal awards.

Recommendation: The prior auditors recommended that management continue to focus on ensuring that there are adequate resources in the accounting function, trained to understand the accounting for these transactions and to execute controls such as this reconciliation on a timely basis so that errors can be detected in a timely manner.

Current Status: VLSP concurred with the recommendation. It should be noted, however, that the audit of the 2004 financial statements, including the recommendation referenced above, was not completed and delivered until early 2006, leaving no opportunity to respond to the recommendation during 2005. The reconciliation process between the development department and the accounting department which was recommended at that time and reiterated above was implemented during 2006. Staff resources have been added to the accounting function, and regular financial reporting and reconciliation are now occurring. During 2006, a reconciliation process occurred on a regular basis. Financial statements presented by management for audit required no further adjustment with respect to revenue recognition.

Management Letter Comments: None

SAN FRANCISCO FOOD BANK

The San Francisco Food Bank (Food Bank) is the largest distributor of food to low-income families and individuals in San Francisco, California providing non-perishable groceries, fresh produce, bread and meat to more than 400 nonprofit agencies, from senior centers and after-school programs to soup kitchens and food pantries. The Food Bank solicits donations from a nationwide network of sources, including large manufacturers, supermarket chains, wholesalers, restaurant suppliers, the United States Department of Agriculture, growers, and food drives. Then it distributes these food commodities to qualifying public service agencies and neighborhood pantries.

Total Amount Received From the City in FY 2006-07: $885,725

Federal Funds Received From Public Health in FY 2006-07: $58,649

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Single Audit Finding: None

Prior Year Single Audit Findings:

Finding 05-1: Emergency Food Assistance Program

Condition: The Food Bank did not conduct a site visit to an agency within the two-year period.

Recommendation: Monitoring of sub-recipients through site visits should be conducted within a two-year period as required by the State of California Department of Social Services.

Current Status: The Food Bank adopted the recommendation in August 2005. The auditors did not have any similar findings in their 2006 audit.

Finding 05-2: Emergency Food Assistance Program

Condition: Submitted Household Participation ("HHP") Reports do not reflect the unduplicated number of households and persons participating in the program, instead they reported the aggregate number of households and persons served.

Recommendation: Control procedures should be put into place to ensure reported figures reflect unduplicated households and persons served.

Current Status: The Food Bank adopted the recommendation in August 2005. The auditors did not have any similar findings in their 2006 audit.

Finding 05-3: Emergency Food Assistance Program

Condition: Four exceptions out of the sixty samples of recipient agencies by the Food Bank had no signature on the receipt of food commodities.

Recommendation: The inventory manager should review the invoices or shipping documents for signature of sub-recipients as evidence of receipt for food commodities delivered.

Current Status: The Food Bank adopted the recommendation in August 2005. The auditors did not have any similar findings in their 2006 audit.

Management Letter Comments:

Comment 1: Eligibility Reporting-Supporting Documentation

Condition: During the Emergency Food Assistance Program (EPAP) compliance testing, the auditors selected five agencies from the list of EPAP distribution agencies and randomly selected five distribution dates for each agency tested. Of the twenty five Form EFA-7s, EFAP Certification of Eligibility and Receipt for USDA Commodities tested, the auditors noted six EFA-7 forms were missing, and learned that the Food Bank does not always receive Form EFA-7 on time from certain agencies due to lack of staff. In these cases, the Food Bank used the prior week's numbers to estimate the number of people served. As a result, the Food Bank's quarterly Household Participation (HHP) reports did not agree to the total number of households served and total number of people served as reported by the agencies on their Form EFA-7s. The auditors also found that the California Department of Social Services is aware that the Food Bank uses estimates if they do not receive the agency reports on time.

Recommendation: The Food Bank should require food recipient agencies to submit their Form EFA-7s timely, and to follow up with the late agencies to obtain the reports, and to inform the agencies that submitting the reports is a requirement for participating in the program.

Current Status: Prior to submitting the quarterly HHP reports, a Program staff member will follow up with the non-submitting agencies and remind them of the deadline and the importance of completing the paperwork, and that the agencies may be suspended for non-submission of their paperwork.

Comment 2: Sarbanes-Oxley Required Policies

Condition: Food Bank did not have a Whistle-Blower protection policy, one of only two requirements that the Sarbanes-Oxley Act requires of all corporations, whether for profit or nonprofit.

Recommendation: The Food Bank should develop, adopt, and disclose a formal process to deal with complaints and prevent retaliation.

Current Status: The Food Bank will develop and adopt a whistle-blower protection policy that will be included in the upcoming revision of the employee handbook which all Food Bank employees will receive.

Comment 3: Other "Best Practices Policies"

Condition: The Food Bank has a conflict of interest policy for its board members, which did not include its staff members and volunteers, that would prevent their personal interest from interfering with the performance of their duties to Food Bank or result in personal financial, professional, or political gain on their part at the expense of Food Bank, its members, supporters and stakeholders.

Recommendation: The Food Bank should develop, adopt, and disclose a formal conflict of interest policy to include not only the board members, but also the staff members and volunteers.

Current Status: Management will develop and adopt a conflict of interest policy as recommended that will be included in the upcoming revision of the employee handbook which all Food Bank employees will receive.

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SAN FRANCISCO PARTICULAR COUNCIL OF THE SOCIETY OF ST. VINCENT DE PAUL

The San Francisco Particular Council of the Society of St. Vincent de Paul (Society) provides services to the poor and homeless, regardless of race, color, or creed through a complex of Special Programs and Person-to-Person services supplied by parish units, called Conferences. The Society currently provides a continuum of alcoholism and substance abuse services, a safe home for women victims of domestic violence and their children, a multi-service center for more than 300 homeless men and women, sober residence facilities for more than 150 people, and a direct social services desk that furnishes emergency food clothing and shelter to some 400 clients weekly The Society's principal sources of funding are contract service fees from governmental agencies and contributions.

Total Amount Received From the City in FY 2006-07: $1,907,280

Federal Funds Received From Public Health in FY 2006-07: $542,438

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Financial Reporting Function

Condition: The auditors noted several journal entries were necessary to properly reflect the financial results of the Society, no credit card usage policy currently exists, and journal entries do not contain documentation of review in all instances.

Recommendation: Under the direction of the Director of Operations, the auditors recommend that the Society continue consideration of the following:

a) Develop a clear-cut plan for the accounting department that provides the following:
   i) Assessment of the operations of the department to determine that it is appropriately staffed for the amount of work that it is expected to perform and that personnel are properly supervised and trained.
   ii) Definite placement of responsibility and for lines of authority within the department.
   iii) A division of duties, wherever practicable, between the authorization and record keeping so that the activities of one employee act as a check on those of another.
   iv) Forms, documents, and procedures that provide for controls and proper approvals.

v) Monitoring for compliance with policies, procedures, and budgets.
vi) Periodic review of the internal control system.

b) Assess the current accounting software to determine that it is being utilized to its full potential and sufficient to provide for the needs of the Society.
c) Develop an accounting manual which should include copies of forms and formats used, documentation of the accounting software, as well as a monthly checklist that details all recurring journal entries, account reconciliations, and standard reports. The documentation should include how transactions, such as contributions, are communicated to the accounting department. The manual should also include how various departments are to communicate information to the accounting department. In addition, a monthly closing checklist should be developed which includes a checklist of standard journal entries, account reconciliations, standard reports, and external reporting requirements and deadlines. This checklist should be completed on a monthly basis by the director of finance and provided to Executive Director and Treasurer along with the monthly financial statements and budget to actual variance analysis.
d) That the vendor master file be reviewed for completeness, the existence of vendors be confirmed, the file be purged of vendors without recent activity and that new vendors be verified.
e) Segregate the financial reporting for the Arlington Hotel from the Society's operations for internal financial reporting purposes. Consideration should be given to establishing separate payroll account for Arlington.
f) The Society should develop guidelines for what constitutes proper credit card usage (type and dollar limit on expenses). The guidelines should also include policies such as prohibited usage of credit card for any personal expenses and timely submission of supporting documentation, which includes the business purpose of the expense. Program directors should also be requested to closely review all expense reports for proper documentation before approval and the Accounting Department should reject reports not meeting the policy and not appropriately approved. The Executive Director's expense reports should be reviewed by the Treasurer on a quarterly basis.

Current Status: Not indicated.

Comment 2: Credit Cards and Employee Reimbursements

Condition: The Society did not have a formal credit card usage policy, and a review of credit card statements and employee reimbursements showed instances where charges were paid without sufficient approvals by an appropriate level of management. This was also a prior year management letter comment.

Recommendation: The Society should develop a formal credit card usage policy and that all credit card statements and reimbursements by approved by a department head prior to payment.

Current Status: Not indicated.

Comment 3: Investments

Condition: The Society did not have a formal policy for management of their investment funds.

Recommendation: The Society should develop cash forecasts and a cash management policy to assist in managing both its cash and investments. The forecasts will allow the Society to provide for more accurate determinations of operating cash requirements, assist in anticipating when investments may need to be liquidated in order to provide cash for operations, and for the prudent investment of excess cash. The management policy should consider the cash flow of the Society throughout the year and provide guidance as to how cash in excess of current needs is invested on both and a short term and long term basis. The policy should specifically address how receipts from bequests and other significant unrestricted contributions will be managed giving consideration to the future needs of the Society.

Current Status: Not indicated

Comment 4: Password Rotation

Condition: The Society never rotates password on its network, and employees learn each other's password overtime. Using someone else's password, a disgruntled employee could delete, alter or damage critical data, or could send e-mails that are damaging to individuals and/or the organization. A good password rotation policy is designed to reduce the risk that one employee could log into the system as another. This was also a prior management letter comment.

Recommendation: The Society should ask their network vendor to configure automated password rotation services on their network, which is a feature of their system.

Current Status: Not indicated

Comment 5: Payroll Reconciliation

Condition: The Society's payroll is not reconciled on a regular basis to the 941 tax returns. This was also a prior management letter comment.

Recommendation: The Society should review and reconcile to the 941 tax system their payroll expense account quarterly, and should also do an annual reconciliation in a timely manner with detailed explanations of all significant variances.

Current Status: Not indicated.

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SAN FRANCISCO STUDY CENTER

San Francisco Study Center (Study Center) is a nonprofit organization dedicated to educational and technical assistance to community groups. The Study Center services other nonprofit groups with complete editorial and graphic arts programs, marketing and public relations plans. The Study Center also provides fiscal management or acts as fiscal sponsor for various charitable programs by providing capacity building, accounting, and administrative supervision.

Total Amount Received From the City in FY 2006-07: $4,511,599

Federal Funds Received From Public Health in FY 2006-07: $1,161,525

Single Audit Reviewed: Fiscal year ended December 31, 2006

Single Audit Findings: None

Management Letter Comments: None

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SAN FRANCISCO SUICIDE PREVENTION, INC.

San Francisco Suicide Prevention, Inc. (SFSP) was established in 1962. SFSP provides to the people of San Francisco 24-hour telephone crisis intervention, non-crisis telephone counseling, information and referral services, as well as special outreach programs for minorities, and the hearing impaired. SFSP's mission statement reads: "The mission of San Francisco Suicide Prevention is to provide emotional support, assistance and intervention as necessary to persons in crisis and those impacted by them, without regard to race, age, religion, gender or sexual orientation".

Total Amount Received From the City in FY 2006-07: $564,767

Federal Funds Received From Public Health in FY 2006-07: $73,349

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Finding: None

Management Letter Comments: None

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SHANTI

Shanti's programs specialize in providing services to low-income men and women in San Francisco who are medically underserved, lack proper insurance or housing, and have mental illness or chemical dependencies. Founded in 1974, Shanti is dedicated to closing the gap between those who receive comprehensive health care, and those who do not. Shanti fulfills its mission to provide services to approximately 3,700 individuals with HIV/AIDS and breast cancer by facilitating access to primary care-medical services, encouraging participation in treatment regimens, assisting with treatment adherence, and enhancing quality of life by providing individuals with the knowledge, tools, and resources they need to live longer, healthier, and happier lives. Shanti advances its vision of health enhancement by providing counseling, referrals, training, education, volunteers, practical assistance, and emotional support. Shanti also provides services and training to a diverse group of individuals and organizations though its five divisions: HIV/AIDS Services, Lifelines, The L.I.F.E. Program, Shanti National Training Institute, and Support to the HIV Planning Council/Community Service.

Total Amount Received From the City in FY 2006-07: $1,503,938

Federal Funds Received From Public Health in FY 2006-07: $992,756

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Year Single Audit Finding:

Finding 06-1: Executive Director's Salary

Condition: A portion of the Executive Director's salary was incorrectly billed to another position. This may require a budget revision as there would be an increase or decrease to the maximum contract amount.

Recommendation: A budget revision should be submitted for an approval when there is a change to the budget amount.

Current Status: Management will perform year-end reconciliations to ensure each line item is billed correctly under the contract. A budget revision will be submitted for changes.

Prior Year Single Audit Findings:

Finding 05-1: HIV Emergency Relief Project Grants

Condition: Staff time reports do not accurately reflect hours worked by program.

Recommendation: Employees should allocate the program hours actually spend on timesheets.

Current Status: Time reports, reflecting hours spent by program are now being prepared.

Finding 05-2: HHS/HRSA-CPEP

Condition: Staff time reports do not accurately reflect hours worked by program.

Recommendation: Employees should allocate the program hours actually spent on timesheets.

Current Status: Time reports, reflecting hours spent by program are now being prepared.

Management Letter Comments: None

SWORDS TO PLOWSHARES: A VETERANS' RIGHTS ORGANIZATION

Swords to Plowshares: A Veterans' Rights Organization (Swords) was incorporated on December 23, 1974 under the nonprofit corporation law of the State of California. Swords was founded to assist veterans, particularly Vietnam-era veterans, in their continuing transition to civilian roles: to develop and implement procedures including outreach for assisting veterans to take full advantage of existing and future opportunities to advance their educational backgrounds, job skill, employment opportunities; to obtain medical benefits; to provide a clearinghouse and referral service through which veterans may be informed of resources available to them from government, social service and veteran assistance agencies, and halfway houses.

Total Amount Received From the City in FY 2006-07: $899,918

Federal Funds Received From Public Health in FY 2006-07: $101,197

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Prior Year Single Audit Finding:

Finding 2005-1: All Major Programs

Condition: Employee timesheets do not contain a detail of time worked which allocates time between the government contracts and other funding sources. Only the employee's total time was recorded on the timesheets.

Recommendation: Employee timesheets need to be completed in such a manner that will allow Swords to allocate each employee's time to the contracts under which each employee has worked during the pay period.

Current Status: New software was implemented in May 2006 which resolves the problem.

Management Letter Comments: None

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TENANTS AND OWNERS DEVELOPMENT CORPORATION

Tenants and Owners Development Corporation (TODCO) was incorporated in November 1971 in the State of California. The main objective of TODCO is to protect and improve the housing environment in the Yerba Buena Redevelopment Area. TODCO currently owns the following low-income housing projects for the elderly and handicapped persons: Woolf House Phases I & II, and Woolf House Phase III. TODCO currently administers the following programs: Resident Services Program, Neighborhood Development Program, 6th Street Photography Workshop Program, Bindlestiff Studio, Mission Agenda, Senior Power, and Coleman House.

Total Amount Received From the City in FY 2006-07: $206,775

Federal Funds Received From Public Health in FY 2006-07: $126,251

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments:

Comment 1: Budget Data

Condition: TODCO has budgets for administrative and resident services program, and the budgets are flexible and revised constantly. In the prior year, the auditors recommended that the budget format be prepared in a similar format as the internally generated financial statements with fiscal year end, and the budget amounts be entered into the general ledger for comparison purposes. The auditors noted during the current fiscal year that the accounting department has included the administrative budget in its MIP general ledger accounting software effective July 1, 2005. However the resident services budget data has not been entered into the general ledger for the current fiscal year, and the administrative budget data was not updated with subsequent changes.

Recommendation: Both the administrative and resident service budgets should be entered into the MIP general ledger program and revised with subsequent changes, if any. They should be regularly compared with actual amounts for management decision purposes.

Current Status: The budget amounts have been entered into the MIP general ledger for comparison purposes. However, the budget amounts in the MIP general ledger are not reconciled with the budget presented to the board because they are still in different formats.

Comment 2: Commercial Asset Management Agreement with TODCO/YBC 3

Condition: TODCO has a written commercial asset management agreement with TODCO/YBC 3 for five years, commencing July 1, 2000 through June 20, 2005. TODCO continued to receive the $10,000 commercial asset management fee from the Woolf House master lease during the current fiscal year ended June 30, 2006.

Recommendation: Since the agreement has expired, management should have a new written agreement to document the payments between the two corporations.

Current Status: Implemented, as this comment was not repeated in the 2007 audit.

Comment 3: New Auditing Standards – SAS No. 112

Condition: The American Institute of Certified Public Accountants (AICPA) has issued Statement of Auditing Standards (SAS) No. 112 Communicating Internal Control Related Matters Identified in an Audit, which is effective for next audit. Auditors are now required to have written communication to management of identified control deficiencies that are significant deficiencies or material weaknesses in internal control. The appendix to this standard lists examples of communication that may be control deficiencies, significant deficiencies, or material weaknesses. The two inherent weaknesses in small organizations are lack of segregation of duties and the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity's financial transactions or preparing its financial statements.

Recommendation: Management should review its system of internal control over segregation of duties and its financial reporting, which could prevent or detect material misstatements, from the recording of a transaction through the preparation of the notes to the financial statements. After identifying areas of weaknesses, management should make a decision on how best to respond to those risks, considering their costs and benefits.

Current Status: Implemented, as this comment was not repeated in the 2007 audit.

TENDERLOIN AIDS RESOURCE CENTER

Tenderloin Aids Resource Center (TARC) is a non-profit social service and referral agency organized to meet the needs of the diverse and often ignored residents of San Francisco's Tenderloin neighborhood. The mission of TARC is to lessen the incidence of HIV infection, disease progression and homelessness through education, prevention, care, advocacy and referral. Following are programs and services provided by TARC: HIV Care Programs, HIV Prevention and Harm Reduction and Testing.

Total Amount Received From the City in FY 2006-07: $3,760,630

Federal Funds Received From Public Health in FY 2006-07: $1,418,903

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Current Management Letter Comments:

Comment 1: Tenant Documentation

Condition: During the auditors' review of 20 sample HOPWA tenant files, they noted:

- 14 out of 20 files lacked supporting documentation on tenant eligibility (e.g. proof of income certification and verification).
- 5 out of 20 files could not be located.

Due to lack of available documentation, the auditors were not able to conclude whether TARC had complied with the tenant selection criteria prescribed by the program agreement.

Recommendation: TARC should ensure that documents supporting tenant eligibility are kept in the tenant's file. This ensures that evidence supporting TARC's compliance with the program agreements are available for any regulatory audit.

Current Status: Not indicated.

Comment 2: Tenant Rent Calculation

Condition: During the auditors' review of sample HOPWA tenant files, they noted:

- 14 out of 15 available files lacked supporting calculation as a basis for tenant's portion of rent.

- 4 out of 15 files have variances when tenant payments were compared to the auditor's rent payment recalculation based on the initial intake income noted from the tenant files.

Recommendation: TARC should ensure that supporting rent calculations are kept in the tenant file.

Current Status: Not indicated.

Prior Management Letter Comments:

Comment 1: Monitoring of Grants and Temporarily Restricted Net Assets

Condition: A few cases were noted where restricted contributions were incorrectly recorded as unrestricted contributions. Further, restricted contributions were used to fund administrative salaries instead of program expenses related to medical and health related services.

Recommendation: The finance director should review all invoices for appropriate allocation to fund codes in accordance with their purpose and priority. Fund trial balances and temporarily restricted net assets should be reviewed on a monthly basis to ensure that any inconsistencies are identified and restricted immediately.

Current Status: Auditors noted that this recommendation has been implemented.

Comment 2: Monitoring of Funds Restricted for Specific Purpose

Condition: Funds received from donors restricted for specific purpose are commingled with operating cash and are not monitored to ensure that these are only being used for their specific purpose.

Recommendation: TARC should monitor funds restricted for specific purpose by maintaining a separate account where all such funds can be deposited. Transfers to the operating account should be made only when costs are incurred to satisfy the purpose for each specific fund.

Current Status: Management had noted that it is not practical for TARC to adopt this recommendation due to lack of manpower. Thus, the auditors dropped this recommendation.

TIDES CENTER

The Tides Center (Tides) is a California Non-Profit Public Benefit Corporation, established in 1996, organized and operated to support emerging charitable and educational activities. Tides provides fiscal sponsorship and essential organizational, financial and personnel services to projects promoting shared principles of social justice and a sustainable, healthy society. Tides Center (PA), a supporting organization, was formed to advance the charitable purposes of The Tides Center. The organization is a Tides Center regional office and provides services to projects in the surrounding area. Tides Center (PA) has been consolidated into these financial statements. Tides was previously a part of the Tides Foundation. Tides continues to maintain a relationship with the Tides Foundation, both receiving support and providing certain grants. Prior to 2006, the President of Tides was also the President of the Foundation.

Tides Inc., a related organization, was formed in late 2002 and provides administrative services to Tides and Tides Foundation. In 2006, Tides Network, a separate 501(c) (3) organization was created. It became the parent organization to Tides Foundation, Tides, and Tides, Inc. which are affiliated organizations. Tides amended its Articles of Incorporation to provide for one member, that member being Tides Network. Tides Network appoints the Board member for the Foundation, Tides, and Tides Inc., although each is an independent entity pursuing strategies in support of positive social change. Tides Network sets the general direction and policy orientation for all of the Tides organizations. The Tides Network board appoints the CEO for Tides Network, who also serves as the CEO for all the related organizations.

Total Amount Received From the City in FY 2006-07: $2,118,752

Federal Funds Received From Public Health in FY 2006-07: $200,107

Single Audit Reviewed: Fiscal year ended December 31, 2006

Single Audit Findings:

> *Finding 06-01: Adequacy of Supervision and Review as the Result of Staffing Shortages*
>
> **Condition:** Tides has continued to experience turnover of staff in the controller position. In addition, the CFO position has been filled with a shared Tides organization employee. This shortage of staff at Tides has left a void in the accounting department. As a result, the auditors noted several issues during the audit in revenue recognition, account reconciliation and analysis, and cash cut-off which indicate a lack of supervision and review, knowledge of accounting issues, and the need for training.

Recommendation: Although Tides is looking for a controller, Tides should also evaluate the overall accounting structure of the organization, the issues in the past which have led to turnover and fill the position as soon as possible. While there are also procedure and training issues involved in the above issues, these will not be solved without adequate staff.

Current Status: Not indicated.

Finding 06-02: Revenue Procedures and Training

Condition: As noted above, the auditors encountered issues with revenue recognition. Currently, with the exception of government grants, the project teams are the ones to determine the accounting treatment. There is not a review process by the accounting department.

Recommendation: The staff dealing with revenue recognition (pledges, grants, contributions and exchange revenue) should be trained to understand the accounting concepts based on the generally accepted accounting principles. This training should cover identifying the type of revenue (exchange or non-exchange transactions), and proper revenue recognition (conditional versus unconditional promises to give.) Also, related to contribution revenue, the staff should be able to identify restricted and unrestricted revenue. In addition, procedures should be established which ensure there is the proper review of the accounting treatment by the controller or Director of Finance.

Current Status: Not indicated.

Finding 06-03: Temporarily Restricted Net Assets

Condition: Tides does not report its internal financial statements on the basis of unrestricted, temporarily restricted and permanently restricted net assets (per Financial Accounting Standards Board Statement No. 117 - FAS 117). The only time this analysis is prepared is for the audited financial statements. There is not an established procedure for preparation and review of this information. In addition, there does not appear to be a clear, consistent definition of what constitutes restricted revenue for a Tides project and how to use the cost centers.

Recommendation: Tides should develop procedures to report its financial statements in accordance with FAS 117. The auditors also recommend that Tides should develop GAAP basis financial statements (reporting its changes in net assets by unrestricted, temporarily unrestricted and permanently restricted net assets) at least every six months. These procedures should include a definition of restricted revenue for projects and how to utilize the cost centers.

Current Status: Not indicated.

<u>Finding 06-04: Conditional Grants</u>

Condition: Currently, Tides does not have a methodology for tracking conditional contribution revenue. While project directors and project teams may have this knowledge regarding individual projects, the information is not available for the total organization. This information is required to be reported per FAS 116.

Recommendation: Tides should develop procedures in order to track this information. This would also provide management with information about future funding of projects.

Current Status: Not indicated.

Management Letter Comments: Tides did not submit their management letter in response to our requests.

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UNIVERSITY OF CALIFORNIA, SAN FRANCISCO

The City and County of San Francisco's Department of Public Health provides pass through federal funding to a number of University of California, San Francisco (UCSF) programs and clinics, such as the AIDS Health Project, CAPS, Chronic Care HIV/AIDS Multi-Disciplinary Program, Pediatric AIDS Program, Women's Center of Excellence, Positive Health Practice, Women's Specialty Clinic, and Women's Specialty Program. The following single audit findings reflect findings for the University of California (University) as a whole.

Total Amount Received From the City in FY 2006-07: $7,018,729

Federal Funds Received From Public Health in FY 2006-07: $1,807,270

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Year Single Audit Findings:

Finding 06-01: Cash Management-Delays in Returning Federal Funds

Condition: During the review of the refund initiation dates of a sample of returns of Federal Family and Education Loan (FFEL) funds to the Federal Government at one campus, the auditors noted two instances in which FFEL Funds were not returned to the Federal Government within the necessary timeframe of 13 days from receipt of the funding as required by federal guidelines. The required funds were returned up to 3 days late.

Recommendation: The University should implement more stringent monitoring and review procedures to ensure that all required funds are returned within the required time period to comply with federal regulations.

Current Status: Corrective action was taken. The campus has implemented new monitoring and review procedures to ensure that all required funds are returned within the required time period to comply with federal regulations. Monitoring procedures have been enhanced and a back-up person has been assigned to assist during those times when the person who normally performs the process is out of the office.

Finding 06-02: Inaccurate FISAP Data

Condition: In connection with the Fiscal Operations Report and Application to Participate (FISAP) testing, the auditors tested the underlying data per the Income Grid to ensure students are being accurately reported. For one campus location where 60 students were tested, the auditors noted that the income reported on the FISAP was inconsistent with the amounts reported by the students. The auditors found that this was caused by a computer system reporting error.

Recommendation: Although management rectified the system problem, it should continue to check the output data to ensure their problem does not recur and go undetected.

Current Status: Corrective action was taken and operating procedures have been updated to check the output data to ensure that the problem does not recur and go undetected. The updated procedures include:

a) Use of an expanded sample population to verify the accuracy of this report.
b) Review and approval of the FISAP analysis/preparation process by the Assistant Director of Fiscal. The work will be performed by a designated fund manager prior to review by the Assistant Director.
c) Review by the FAO Management Group prior to submitting the FISAP annually.

Finding 06-03: Untimely Cost Transfers

Condition: For two of the four different campuses tested where a total of 40 cost transfers were selected for testing, the auditors noted 18 instances in which the transfers were completed more than 120 days after the original date of the transaction. The auditors could not determine the date of discovery of the error.

Recommendation: Although they could not determine if any of the transfers were untimely as defined by the grant, the auditors recommended that the University enhance its focus on achieving timely cost transfers to ensure compliance with the agency guidelines.

Current Status: It is the policy and practice of the University to process transfer of costs on a timely basis. It is also the policy of the University to minimize the need for transfers, and to adequately document the reason for all transfers. The University continues in its effort to ensure compliance with these policies.

Finding 06-04: Time and Effort Reporting

Condition: The auditors tested Personnel Activity Reports (PARs) at four different campuses. During the review of personnel expenditures to confirm level of effort, the auditors requested PARs of all the employees. The University was unable to provide PARs for 13 of the 20 personnel tested for one of the four campuses. The auditors determined that PAR forms were not used by the campus during part of the reporting period.

Recommendation: Time and effort reporting needs to be done in a timely manner to support all effort charged to grants.

Current Status: Management took corrective action. The campus effort reporting system has been upgraded to enhance its compliance with the effort reporting requirements of OMB Circular A-21.

Finding 06-05: Account Reconciliations

Condition: The University uses a third party billing agency for collecting outstanding student loan balances, and receives via CD, the transaction history details of all students' loans, such as the outstanding loan balances and interest. On a monthly basis, the individual campuses perform a reconciliation between the amounts disbursed to the students per Integrated Student Information System to the amount disbursed as recorded by ACS (the University's outside Perkins loan servicer). For one campus, the auditors noted there were no reconciliations between the ACS monthly reports and the general ledger for all loans outstanding at the end of the fiscal year. This could result in the loan receivable balances per the general ledger for Federal loans analyzed by students as unascertainable, and the balance per the ACS ledger may not be fairly and properly stated.

Recommendation: The University should implement procedures to ensure that reconciliations are being regularly performed. The ACS monthly reports should be reconciled to the general ledger to ensure that it is fairly stated and outstanding receivable balances are followed up and collected. In addition, long standing unreconciled differences should be reviewed and investigated.

Current Status: Corrective action was taken. Procedures have been implemented to ensure reconciliations are performed regularly. The reported condition was due to an extended vacancy of a key position with responsibility for this task. Corrective action has been taken to update all monthly reconciliations that were not completed due to the vacancy. Procedures have also been implemented to ensure that reconciliations are performed regularly and that all previously unidentified reconciling items are investigated and resolved.

Prior Year Single Audit Findings:

Finding 05-1: Untimely Cost Transfers

Condition: At one campus, in six instances of ten transfers sampled, transfers were completed more than 120 days after the original date of the transaction. The auditors could not determine the date of discovery of the error. Five of the six transfers were credit entries to the affected awards. At one campus, in one instance of six transfers sampled, the transfer was completed more than 120 days after the original date of the transaction. The auditors could not determine the date of discovery of the error.

Recommendation: While the auditors could not determine if any of the transfers were untimely as defined by the NIH and NSF, the University should enhance its focus on achieving timely cost transfers to ensure compliance with the agency guidelines.

Current Status: Similar instances of noncompliance were noted in 2006. See Finding 06-05.

Finding 05-2: Incomplete Physical Inventory

Condition: At one campus, the auditors noted that while the physical inventory was underway, a full inventory of equipment had not been completed in accordance with the compliance requirements of OMB Circular A-110.

Recommendation: The University should ensure that the current physical inventory is completed as soon as possible.

Current Status: Corrective action was taken. No instances of noncompliance noted in the current year.

Finding 05-3: Lack of Subrecipient Monitoring

Condition: At one campus, campus management initiated discussions with the auditors and it was agreed that adequate procedures were not in place to ensure that subrecipients have met their audit requirements.

Recommendation: The campus should review the federal requirements and established University policy to ensure the federal requirements are met and adhered to.

Current Status: Corrective action was taken. No instances of noncompliance noted in the current year.

Current Management Letter Comments:

University-Wide:

Comment 1: Changes to Communication of Internal Control Related Matters

Condition: Because of Statement of Auditing Standards (SAS) No. 112 issued on May 2006 regarding Communicating Internal Control Related Matters identified in the audit, there were changes in the process for evaluating deficiencies that come to the auditors' attention and bring the thresholds for reporting control deficiencies in line with the thresholds required for public companies. This effectively lowered the bar for reporting significant deficiencies that could include items not previously identified as control deficiencies to become material weakness brought about, not by deterioration in the University's internal control, but by the new definition under SAS 112. Common areas of potential weakness include, among others, controls in place over the financial statement closing process, and information technology.

For the University, any identified significant deficiencies and material weaknesses in internal controls would be specified in the Report of Independent Auditors on Internal Controls over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government

Auditing Standards, which is part of the A-133 report.

Recommendation: Management should assess the University's potential exposure to the new requirements of SAS 112 by considering previous audit adjustments and known control weaknesses, identified by management or other sources, then consider what, if any, control improvements will be made.

Current Status: Financial management staff from UCOP and all campuses, medical centers, campus foundation, LBNL, LLNL, and the retirement system met with the auditors and initiated specific actions that include:

1. Meeting with local auditors to debrief on key controls identified and relied upon during the audit process, including consideration of key spreadsheets which have direct linkages to the financial reporting process.
2. Defining key objectives based upon the meeting with local auditors and establishing implementation deadlines at each location.
3. Strengthening key detective controls such as management performance of analytical reviews at a lower threshold level to minimize the likelihood of material misstatements.
4. Focusing on the consistent implementation of key controls such as the performance and reviews of reconciliations to minimize the likelihood of material misstatements.

The specific actions outlined above will commence in 2006. Management will prioritize the implementation of corrective actions based on balancing the severity and urgency of the deficiency with the time and resources needed to implement the strengthened controls.

Medical Centers:

Comment 2: Enhance Procedures for Recording the Revenue Accrual

Condition: Due to the time needed to properly capture charges for patient services revenue, it is typical in the healthcare industry that there will be a time lag of several days between the provision of the service and the related billing. While the medical centers have established internal policies for timely recording of patient charges, the auditors noted during their audits of the medical centers that some departments did not comply with those policies. Unrecorded patient charges create the risk that revenue will be understated. During the year end audit, the auditors noted that processes to estimate the unrecorded revenue were sufficient to materially record revenues; however, three medical centers recorded adjustments as a result of audit procedures to increase their revenue accrual.

Recommendation: Management should focus on timely recording of patient charges and enhance its processes for estimating the revenue accrual to ensure all unrecorded patient charges are evaluated in the process.

Current Status: Management concurs and will periodically evaluate the reasonableness of this accrual and the processes established in the departments.

Comment 3: Differences: UCLA General Ledger and the Campus General Ledger

Condition: The auditors noted differences between the general ledgers separately maintained by the UCLA Medical Center and the Campus. The differences between these two general ledgers have not been routinely investigated or reconciled to determine the proper balance, an indication of an internal control weakness.

Recommendation: The Medical Center and the Campus should meet at least quarterly to review the reconciliation and investigate differences between the general ledgers. As part of the control process, both parties should formally sign a document indicating they agree to and accept the reconciliation.

Current Status: Management concurs. The medical center and campus will establish regular meetings to reconcile differences between the two ledgers. As an interim step to improving the control process, both parties agree to sign a document indicating they agree to and accept the reconciliation. Management believes that a long-term strategy should be to eliminate as many differences as possible between the two ledgers. To this end, management will explore opportunities to mapping and posting detail transactions between the medical center and campus to ensure that there is an automated information flow between the two systems on a monthly basis.

Comment 4: UCSD General Ledger Accounts-Improve Reconciliation Process

Condition: The UCSD Medical Center maintains separate financial systems to support the unique accounting and financial reporting needs of that organization. On a monthly basis, that information is forwarded to the campus for recording in the campus general ledger, and for subsequent transmittal of UCSD consolidated financial information to the Office of the President. During the audit, the auditors noted that certain financial information had not been reconciled between the Medical Center's financial system and the Campus financial system. Three instances of account/fund combinations were apparently not reconciled due to miscommunication between Medical Center and Campus personnel in the respective finance and accounting offices. While the vast majority of the financial information for the Medical Center is reconciled completely on a monthly basis by the Controller of the Medical Center, all accounts that are applicable to the Medical Center should be included in that process to provide effective control.

Recommendation: There should be ongoing communication between the Campus and Medical Center to ensure that all accounts are properly assigned for reconciliation and that reconciling items are resolved in a timely manner.

Current Status: Management agrees and will implement a process to ensure that all medical center financial information is reconciled between the two financial systems.

Comment 5: Medical Center and Campus Accounts at UCD-Improve Reconciliation Process

Condition: Based on the unique requirements of the University, a common general ledger is shared by both the UCD Medical Center and the UCD campus. The Medical Center extracts information from the general ledger into an Excel spreadsheet in order to prepare its standalone financial statements. During the current year audit, the presentation of the information in the spreadsheet made it difficult to reconcile the extracted information into the general ledger.

Recommendation: At least annually, personnel from the Medical Center and Campus should meet to ensure that a clear trail is documented between the extracted information as compared to the shared general ledger.

Current Status: Management of both the Medical Center and the Campus concur with the recommendation and will work together to document procedures for developing Medical Center financial statements from the general ledger.

Campus:

Comment 6: Reconciliation of Foreign Bank Accounts at UCB

Condition: The Campus maintains foreign bank accounts for its research operations and maintains limited staff and students in the locales for such research operations. These staff & students withdraw funds from the foreign bank accounts that the Campus replenishes on an as-needed basis. The auditors noted that reconciliations are not being performed over these foreign bank accounts.

Recommendation: The administration should immediately put into place a formal policy outlining guidelines for the preparation and review of bank reconciliations for all foreign bank accounts. Additionally, a copy of all monthly bank statements should be obtained by the Campus accounting department for purposes of this reconciliation process.

Current Status: Management obtained from the responsible departmental staff the foreign account bank balances as of June 30, 2006, and determined that the differences between the bank balances and the amounts reflected in the campus general ledger were small. Management will ensure that the balances are reconciled by November 30, 2006, and that routine reconciliations are in place by January 31, 2006. Management will also issue a policy in FY 2006-2007 outlining guidelines for the preparation and review of bank reconciliation for all foreign cash accounts, including the receipt of bank statements and/or bank pass books.

Comment 7: Recording of Pledges Receivables at UCB

Condition: The auditors noted that the University recorded a contingent pledge of $10 million as a pledge receivable, without complying with University policies and applicable accounting principles. The accounting guidance of GASB 33 “Accounting and Financial Reporting for Nonexchange Transactions” states that the University should generally recognize revenues at the same time that they recognize receivables when all applicable eligibility requirements are met. In this instance, there was not sufficient evidence that the University met the eligibility requirements. This could result in the incorrect recognition of the pledges and affect the University’s financial reporting.

Recommendation: Pledges should be supported by adequate documentation from donors clearly indicating collectability and management should also ensure that eligibility requirements are met before pledges are recorded. Management should have a process for reviewing pledges recorded above an established threshold to ensure proper accounting.

Current Status: Management will ensure the Development Office reviews all pledge documentation and that it adequately identified the donor’s intent prior to the recording of a pledge. Additionally, Development Office management will conduct an annual review in June on a major pledges recorded to ensure proper accounting has been applied. As a final step, the Development Office and Extramural Funds Accounting will conduct a thorough review of pledges, reserves and their supporting documentation prior to completion and submission of the required year-end reporting to Office of the President.

Prior Year Management Letter Comments:

PY Comment: Programmer Access to Production (Medical Center)

Condition: At one medical center, the auditors noted during testing that one developer has update access to the production environment of a financial system. Developer access to the production environment increases the risk that unauthorized program changes may be implemented.

Recommendation: Management at this medical center should remove this access or implement a monitoring control to detect unauthorized activity. The monitoring control should be evidenced.

Current Status: According to management, implementation is in progress.

PY Comment: Improve Sub-recipient Monitoring (Campus)

Condition: During the subcertification procedures that support the management representations at one campus, it was noted that for fiscal year 2005, the campus did not have adequate procedures in place in order to ensure compliance with the federal requirements regarding sub-recipient monitoring. If federal funds are involved, the federal government requires the pass-through entity to take an active role in monitoring the sub-recipients of federal research. Our understanding is that this monitoring did not occur in fiscal year 2005 due to certain staff vacancies.

Recommendation: The campus should review the federal requirements and work to ensure the federal requirements are met and adhered to so as to not be in violation of federal compliance requirements.

Current Status: According to management, implementation is in progress.

PY Comment: Improve Controls Over Use of Spreadsheets (Campus)

This is a comment originating in FY 2004 where the status of implementation is still in progress.

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UNIVERSITY OF THE PACIFIC – SCHOOL OF DENTISTRY

The University of the Pacific, Arthur A. Dugoni School of Dentistry, (UOP) located in the Pacific Heights area of San Francisco, has served the Bay Area community for over 109 years. The school was founded in 1896 as the College of Physicians and Surgeons with programs in dentistry, medicine and pharmacy. In 1918, the college focused its education program solely on dentistry but retained its name as the College of Physicians and Surgeons until 1962 when the dental college was incorporated into the University of the Pacific. The School of Dentistry's distinct mission is to educate competent beginning dentists in a humanistic environment. The entire school community, from students to administrators, embraces the humanistic philosophy that respects the dignity of each individual and fosters limitless potential for growth.

Total Amount Received From the City in FY 2006-07: $588,494

Federal Funds Received From Public Health in FY 2006-07: $496,005

Single Audit Reviewed: Fiscal year ended June 30, 2006

Current Year Single Audit Findings:

Finding 06-1: Monthly Reporting of Student Status Change

Condition: Of the 22 student status changes reviewed, the auditors found six instances when the status changes for the students were not included on the most current roster file, and therefore were reported late, per Department of Education rules and regulations, which requires an institution to notify the National Student Loan Data System (NSLDS) within 30 days if it discovers that a student who received a loan either did not enroll or ceased to be enrolled on at least a half time basis. As a result, the NSLDS did not have accurate or current information.

Recommendation: UOP should develop and implement policies to ensure that when a student status change occurs, there is a process in place to ensure that all status changes are captured and reported to the NSLDS in a timely manner.

Current Status: Management has determined the causes of the six instances of late reporting of student status changes and has implemented and/or is reviewing additional procedures to simplify and streamline processes for the timely reporting of student status changes. Also, management will initiate staff training and is reviewing automated processes for accurate setup on the McGeorge campus and tested for implementation on the Stockton campus.

Finding 06-2: Title IV Funds: Calculation and Return to Department of Education

Condition: During the review of 8 returns of Title IV withdrawals to the Department of Education (Department), the auditors found one instance when the funds were not returned within 30 days of the date of the Institution's determination that the student withdrew in accordance regulations. The auditors also noted one instance where the return of Title IV calculation was not completed accurately for a student. As a result, Title IV funds were not returned within the time specified by the Department. The auditors also found that this was caused by lack of a standardized process and management oversight.

Recommendation: UOP should develop and implement policies to ensure that when a student withdraws, there is a process in place for the timely return of Title IV funds to the Department programs.

Current Status: In addition to the short term changes in process implemented based on the fiscal year 2005 audit findings, the institution continues to work toward implementation of the BANNER administrative software feature, which provides for automated procedures for recalculation and return of Title IV funds. Also, a proposal has been advanced and is under discussion that redesigns the withdrawal process and would move the withdrawal primary contact point to the Registrar's Office from the Office of Academic Support Services and the calculation of Title IV refund from the Bursar's Office to the Financial Aid Office.

Finding 06-3: Return of Some Title IV Funds

Condition: UOP has not considered any students who failed to earn a passing grade in at least one course offered during the semester for the return of Title IV funds calculation.

Recommendation: UOP should develop and implement a policy that unofficial withdrawals due to students failing to earn a passing grade are monitored and considered for return of Title IV funds calculations timely.

Current Status: In addition to the process fully implemented based on the initial fiscal year 2005 audit findings, UOP executed a full review of all students who failed to earn a passing grade in at least one course offered, and appropriate return of Title IV funds has occurred. Process implementation coupled with summer absences, made timeliness an issue. With process and procedures having been completed, all determinations are expected to be on time for fiscal year 2007.

Prior Year Single Audit Findings:

Finding 05-1: Monthly Bank Reconciliations

Condition: There was one bank account in a population of ten bank accounts where the bank reconciliation had not been reconciled adequately or effectively for several months.

Recommendation: Procedures should be implemented to ensure that all bank accounts are being reconciled monthly.

Current Status: UOP has implemented the corrective action plan.

Finding 05-2: Student Status Changes

Condition: There were eight instances in a sample of fifteen student status changes where the information reported to the NSLDS was either not reported timely or accurately.

Recommendation: UOP should develop and implement policies to ensure that when a student status change occurs there is a process in place to ensure that all status changes are captured and reported to the NSLDS in a timely manner.

Current Status: Issues regarding timeliness continue to be addressed and improvement based on revised processes has been noted. However, additional work continues on streamlining withdrawal processes and graduation certification processes. Some isolated issues remain relative to incorrect enrollment and graduation dates occurring in instances where students are in special accelerated programs where the graduation dates or enrollment dates differ slightly from those associated with the term codes. UOP continues to explore avenues that would facilitate the ability to change dates during or after the report extraction process.

Finding 05-3: Student Title IV Withdrawals

Condition: There were five instances in a selection of five returns of Title IV withdrawals, where the Title IV funds were returned to the Department of Education's programs 30 days after the date the UOP determined the student withdrew.

Recommendation: UOP should develop and implement policies to ensure that when a student withdraws, there is a process in place for the timely return of Title IV funds to the Department of Education programs.

Current Status: Short term changes in process were implemented based on the initial fiscal year 2005 audit findings, which included a daily e-mail response from the Office of Academic Support Services (where all student withdrawal processes begin) to the designated staff members in the Offices of Student Accounts, Financial Aid, and Registrar, indicating any student withdrawals that occurred on that day. In addition, a weekly summary process war forwarded to the same offices indicating all withdrawals for the week. These changes provided some improvement to the timing of the process, but did not eliminate all timing issues. UOP also continues to work toward implementation of the BANNER administration software feature, which provides for automated procedures for recalculation and return of Title IV funds. Testing is scheduled for October and November of 2006. In addition, a proposal has been advanced and is under discussion that redesigns the withdrawal process and would move the withdrawal primary contact point to the Registrar's Office from the Office of Academic Support Services and the calculation of Title IV refund from the Bursar's Office to the Financial Aid Office. Also, see Finding 06-2.

Finding 05-4: Return of Title IV Funds

Condition: UOP has not considered any students who failed to earn a passing grade in at least one course offered during the semester for the return of Title IV funds calculation.

Recommendation: UOP should develop and implement policies that unofficial withdrawals due to students failing to earn a passing grade are monitored and considered for return of Title IV funds calculations.

Current Status: UOP has implemented the corrective action plan. However, it should be noted that given the timing of the implementation, late returns of Title IV aid for unofficial withdrawals will have occurred in fiscal year 2006.

Management Letter Comments:

Note: Although management is adequately addressing the issues raised in its fiscal year 2006 management letter, UOP has specifically requested that the contents of its Management Letter not be included in this report.

WALDEN HOUSE, INC.

Walden House, Inc. is a tax-exempt corporation that provides psychological and sociological aid to the general public, primarily relating to drug and substance abuse rehabilitation and HIV prevention. With a network of treatment facilities, halfway homes and administrative offices, Walden House conducts its programs primarily in the San Francisco Bay Area and Los Angeles County. Walden House is funded from the public and private sectors, including grants and contributions from U.S. governmental organizations, corporations, foundations, and individuals. In 2006, approximately 95 percent of Walden House's support was provided by grants from U.S. governmental organizations. Walden House is engaged in numerous adult and adolescent program services.

Total Amount Received From the City in FY 2006-07: $9,428,284

Federal Funds Received From Public Health in FY 2006-07: $1,444,432

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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WESTSIDE COMMUNITY SERVICES, INC.

Westside Community Services, Inc. (Westside) is a private, nonprofit corporation formed in 1967. Westside's purpose is to foster, promote and provide mental health, drug abuse prevention and treatment, AIDS services and other social services for residents of San Francisco. Westside receives substantially all of its funding from the City and County of San Francisco with certain portions originating with the federal government.

Total Amount Received From the City in FY 2006-07: $11,106,840

Federal Funds Received From Public Health in FY 2006-07: $2,142,185

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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YOUNG MEN'S CHRISTIAN ASSOCIATION OF SAN FRANCISCO

Young Men's Christian Association (YMCA) of San Francisco is a not-for-profit organization founded in 1853, serving a diverse and socio-economically mixed population through its branches in San Francisco, Marin, San Mateo, and Solano counties. The YMCA's 15 branches reach people of all ages through programs and services, including youth counseling, child care, camping, health and fitness, family and senior activities, tutorial programs and community development. The YMCA builds strong kids, strong families, and strong communities.

Total Amount Received From the City in FY 2006-07: $5,546,860

Federal Funds Received From Public Health in FY 2006-07: $304,510

Single Audit Reviewed: Fiscal year ended June 30, 2006

Single Audit Findings: None

Management Letter Comments: None

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ATTACHMENT: DEPARTMENT RESPONSE

City and County of San Francisco

Department of Public Health

Gregg Sass
Chief Financial Officer

August 22, 2008

Robert Tarsia, Deputy Audit Director
Controller's Office
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Tarsia,

Attached is the response from the Department of Public Health on the draft report on *Monitoring of A-133 Single Audit Reports for Agencies Awarded Federal Funds by DPH in Fiscal Year 2006-07*. If you have any questions, please call Anne Okubo at 554-2857.

Sincerely,

Gregg Sass
Chief Financial Officer

Attachment

(415) 554-2610 **101 Grove Street, Room 308** **San Francisco, CA 94102**

Recommendation	Responsible Agency	Response
1. DPH should follow up with the organizations identified as having single audit or management letter findings and ensure that the organizations have taken corrective action to implement the recommendations made by their independent auditors.	Department of Public Health	Concur. We will follow up within the next 30 days with organizations that have single audit or management letter findings on corrective actions taken to implement recommendations.
2. DPH should follow up with Continuum HIV Day Services, Tides Center, Haight Ashbury Free Clinics, Maitri, the San Francisco Particular Council of the Society of St. Vincent de Paul, and Tenderloin AIDS Resource Center to obtain the management letters, and/or responses to the management letters.	Department of Public Health	Concur. We will follow up within the next 30 days with these organizations and request that they submit management letters and/or responses to the management letters to the Controller's Office for review. We will notify them that this report will be provided to the Health Commission.
3. DPH should include this report on the hearing agenda of the Public Health Commission.	Department of Public Health	Concur. The report will be placed on the hearing agenda of the Public Health Commission.