

**Audited Consolidated Financial Statements and  
Other Financial Information of  
El Proyecto del Barrio, Inc.  
*Years ended September 30, 2012 and 2011  
with Report of Independent Auditors***

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<b>REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>	13

## Report of Independent Auditors

### Board of Directors

### El Proyecto del Barrio, Inc.

We have audited the accompanying consolidated statements of financial position of El Proyecto del Barrio, Inc. (a nonprofit organization) as of September 30, 2012 and 2011, and the related consolidated statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of El Proyecto del Barrio, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of El Proyecto del Barrio, Inc. as of September 30, 2012 and 2011, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2013 on our consideration of El Proyecto del Barrio, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of functional expenses are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Los Angeles, California  
January 16, 2013

**El Proyecto del Barrio, Inc.**  
**Consolidated Statements of Financial Position**

	September 30,	
	2012	2011
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 4,065,882	\$ 1,617,485
Restricted cash	479,845	477,000
Contracts receivable	1,554,258	1,737,562
Accounts receivable, net of allowance for doubtful accounts of \$1,976,000 in 2012 (\$1,860,000 in 2011)	1,996,917	1,693,203
Other receivable	20,380	-
Prepaid expenses and other assets	85,659	85,659
<b>Total current assets</b>	<b>8,202,941</b>	<b>5,610,909</b>
<b>Noncurrent assets</b>		
Property and equipment - net	8,641,936	8,502,581
Assets limited as to use	173,239	173,351
<b>Total noncurrent assets</b>	<b>8,815,175</b>	<b>8,675,932</b>
<b>Total assets</b>	<b>\$ 17,018,116</b>	<b>\$ 14,286,841</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 573,127	\$ 404,508
Accrued payroll and related liabilities	1,127,054	1,342,158
Other accrued liabilities	491,765	349,754
Current portion of loans payable	234,521	357,156
<b>Total current liabilities</b>	<b>2,426,467</b>	<b>2,453,576</b>
<b>Noncurrent liabilities</b>		
Loans payable, net of current portion	5,492,397	5,871,517
<b>Total noncurrent liabilities</b>	<b>5,492,397</b>	<b>5,871,517</b>
<b>Total liabilities</b>	<b>7,918,864</b>	<b>8,325,093</b>
<b>Net assets</b>		
Unrestricted	8,619,406	5,484,748
Temporarily restricted	479,846	477,000
<b>Total net assets</b>	<b>9,099,252</b>	<b>5,961,748</b>
<b>Total liabilities and net assets</b>	<b>\$ 17,018,116</b>	<b>\$ 14,286,841</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**El Proyecto del Barrio, Inc.**  
**Consolidated Statements of Activities and Changes in Net Assets**

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	<b>Years ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Changes in unrestricted net assets:</b>		
<b>Revenues</b>		
Government grants and contracts	\$ 8,349,769	\$ 10,172,807
Patient fees	14,126,813	10,946,729
Managed care contracts	4,619,890	3,051,948
Donations	823	38,340
Other	332,964	61,664
<b>Total unrestricted revenues</b>	<b>27,430,259</b>	<b>24,271,488</b>
<b>Expenses</b>		
Program expenses		
Medical services	15,238,011	11,218,087
Drug abuse program	614,948	629,269
Job training program	1,509,166	1,567,463
Youth services	2,552,192	3,406,636
HIV/AIDS programs	929,375	797,847
Child care services	836,614	772,666
General administration	2,615,295	2,376,419
<b>Total expenses</b>	<b>24,295,601</b>	<b>20,768,387</b>
<b>Change in unrestricted net assets</b>	<b>3,134,658</b>	<b>3,503,101</b>
<b>Unrestricted net assets - beginning of year</b>	<b>5,484,748</b>	<b>1,981,647</b>
<b>Unrestricted net assets - end of year</b>	<b>8,619,406</b>	<b>5,484,748</b>
<b>Temporarily restricted net assets</b>		
Change in restricted net assets	2,846	2,000
<b>Temporarily restricted net assets - beginning of year</b>	<b>477,000</b>	<b>475,000</b>
<b>Temporarily restricted net assets - end of year</b>	<b>479,846</b>	<b>477,000</b>
<b>Total net assets</b>	<b>\$ 9,099,252</b>	<b>\$ 5,961,748</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**El Proyecto del Barrio, Inc.**  
**Consolidated Statements of Cash Flows**

	<b>Years ended September 30,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 3,137,504	\$ 3,505,101
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities		
Depreciation and amortization	477,010	404,050
Bad debts expense	116,000	124,000
(Increase) decrease in assets:		
Contracts receivable	183,304	(630,861)
Accounts receivable	(419,714)	(339,561)
Other receivable	(20,380)	32,193
Prepaid expenses and other assets	-	(6,000)
Assets limited as to use	112	(68)
Increase (decrease) in liabilities:		
Accounts payable	168,619	(691,206)
Accrued payroll and related liabilities	(215,104)	496,935
Other accrued liabilities	142,011	37,498
<b>Net cash provided by operating activities</b>	<b>3,569,362</b>	<b>2,932,081</b>
<b>Cash flows from investing activities</b>		
Increase in restricted cash	(2,845)	(2,000)
Acquisition of property and equipment	(616,365)	(1,377,583)
<b>Net cash used in investing activities</b>	<b>(619,210)</b>	<b>(1,379,583)</b>
<b>Cash flows from financing activities</b>		
Repayments of loans payable	(501,755)	(833,022)
<b>Net cash used in financing activities</b>	<b>(501,755)</b>	<b>(833,022)</b>
<b>Net change in cash and cash equivalents</b>	<b>2,448,397</b>	<b>719,476</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>1,617,485</b>	<b>898,009</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 4,065,882</b>	<b>\$ 1,617,485</b>
<b>Supplemental disclosure of cashflow information</b>		
Interest paid during the year	<b>\$ 429,680</b>	<b>\$ 458,496</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**NOTE 1 ORGANIZATION PROFILE**

El Proyecto del Barrio, Inc., a California non-profit public benefit corporation was originally formed in 1971 to provide drug treatment and rehabilitation, and has since expanded to provide a variety of services, to the medically under-served Latino Communities. It has a Federal 330 Designation and a federally qualified health center status. El Proyecto del Barrio, Inc. provides clinic-based primary medical care, drug rehabilitation and prevention programs as well as job training and placement services to the under-served low income population of the San Fernando Valley. It currently serves persons of all economic levels, among which is a large group of Spanish speaking and indigent people who are not accustomed to accessing medical services.

El Proyecto del Barrio, Inc. currently operates and provides primary health care in the following facilities: three fully licensed clinics located in Arleta, Canoga Park and Asuza. In addition to primary health care, other services provided include the HIV outpatient medical services, HIV/AIDS outreach and prevention programs, perinatal services for substance abusing mothers in recovery and their children, drug rehabilitation and prevention services, employment training, job placement and two youth centers serving at risk youth ages 14-21, a single point of contact for accessing age-specific and development services.

El Proyecto del Barrio, Inc. also operates a child development program under contract with the Los Angeles Universal Preschool Program (LAUP).

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The accounts of El Proyecto del Barrio, Inc. and its wholly-owned subsidiaries are maintained on the accrual basis of accounting for financial reporting purposes.

**Principles of Consolidation**

The consolidated financial statements include the accounts of El Proyecto del Barrio, Inc. and its wholly-owned subsidiaries: Arleta Properties LLC, Winnetka-Sherman Way Properties LLC and El Proyecto Child Development Services LLC (collectively referred to herein as El Proyecto). All material intercompany transactions and balances have been eliminated.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimation include: valuation allowances on receivables, useful lives for property and equipment, estimates for claims incurred but not reported. Actual results could differ from those estimates.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, El Proyecto considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Unrestricted Net Assets**

Contributions and allocations, the uses of which are not restricted by donors or grantors, are recorded in unrestricted net assets.

**Property and Equipment**

Property and equipment are stated at cost or, if donated, at fair value at date of donation. Provision for depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Furniture and equipment	3 - 7 Years
Buildings and improvements	7 - 30 Years

Property acquired with federal funds is considered to be owned by El Proyecto while used in the program(s) for which it was purchased or in other future authorized programs. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations. As of September 30, 2012 and 2011, the property and equipment include reversionary assets with a net book value of approximately \$2,048 and \$7,045, respectively.

**Revenue Recognition**

Revenue from cost reimbursable grants and contracts is recorded to the extent of expenses incurred applicable to the grant or contract. Any difference between expenses incurred and the total funds received (not to exceed the grant or contract maximum) is recorded as a receivable or an advance whichever is applicable. Revenue from other grants is recognized on an accrual basis as earned according to the provisions of the grant. Revenue from donations and fund raising events is recognized on an accrual basis according to the conditions of the promise.

**Income Taxes**

El Proyecto del Barrio, Inc. is a nonprofit corporation exempt from the payment of income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701(d). Accordingly, no provision has been made for income taxes.

**NOTE 3      PROPERTY AND EQUIPMENT**

Property and equipment at September 30<sup>th</sup> is composed of:

	<b>2012</b>	2011
Land	\$ <b>1,971,533</b>	\$ 1,971,533
Buildings and improvements	<b>9,355,668</b>	9,025,983
Furniture and equipment	<b>3,151,786</b>	2,920,682
Construction in progress	<b>322,582</b>	267,005
	<b>14,801,569</b>	14,185,203
Less accumulated depreciation	<b>6,159,633</b>	5,682,622
	<b>\$ 8,641,936</b>	\$ 8,502,581

All real and personal property owned by El Proyecto are pledged as collateral as referenced in Note 4. Provision for depreciation for the years ended September 30, 2012 and 2011, amounted to \$477,010 and \$404,050, respectively

**NOTE 4      LOANS PAYABLE**

El Proyecto's loans payable at September 30<sup>th</sup> is composed of:

	<b>2012</b>	2011
<b>Raza Development Fund</b>		
Mortgage loan amounting to \$2.12 million, interest at 7.26%, payable in 7 years with balloon payment in 2014. The debt is collateralized by a deed of trust on the real property located at 8902 Woodman Avenue, Arleta California (Arleta property).	\$ <b>1,793,362</b>	\$ 1,861,674
Mortgage loan amounting to \$4.65 million, interest at 7.26%, payable in 7 years with balloon payment in 2014. The debt is collateralized by a deed of trust on the real property located at 20800 Sherman Way, Winnetka, California (Winnetka Property).	<b>3,933,556</b>	4,083,390
<b>Pacific Western Bank</b>		
Loan payable, interest of 6%, due in June 2012. Interest and principal payments are payable monthly.	-	70,000
<b>NCB Capital</b>		
Notes payable, interest at 3.175%, due in June 2011 and September 2014. Interest and principal payments are payable monthly.	-	213,609
	<b>\$ 5,726,918</b>	\$ 6,228,673

The loan payable balance with Pacific Western Bank was fully paid in February 2012 while the notes payable to NCB Capital were fully paid in April 2012.

**NOTE 4      LOANS PAYABLE (CONTINUED)**

On November 27, 2012, El Proyecto signed a written preliminary proposal for the refinancing of the above Raza Development Fund mortgage loans for another 7 years with interest rate of 6% fixed. The closing of the refinancing is subject to the satisfaction of certain conditions specified by Raza Development Fund.

The following reflects the combined future principal payments of the remaining outstanding loans:

Year ending September 30,	Amount
2013	\$ 234,521
2014	5,492,397
	<u>\$ 5,726,918</u>

Interest on long-term debt charged as expense amounted to \$428,360 and \$457,233 respectively, for the years ended September 30, 2012 and 2011.

**NOTE 5      TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consist of \$479,846 (2011-\$477,000) contribution received from the County of Los Angeles for the renovation of, and purchase of equipment for, the Azusa Health Center.

**NOTE 6      COMMITMENTS**

El Proyecto occupies certain facilities and utilizes equipment under both month-to-month and long-term lease agreements expiring through June 2014. Future minimum rental payments under these non-cancelable leases for years ending September 30<sup>th</sup> are as follows:

2013	\$	826,036
2014		<u>463,212</u>
	\$	<u>1,289,248</u>

Total facilities rent and equipment lease, including month-to-month and long-term leases, amounted to approximately \$830,607 and \$46,643 in 2012, respectively, and \$813,015 and \$ 111,435 in 2011, respectively.

**NOTE 7      LINE OF CREDIT**

El Proyecto del Barrio, Inc. has an available line of credit with a bank providing for borrowings up to \$1,000,000, which expires and can be renewed on or before April 29, 2013. Interest is payable monthly at the bank's base rate plus 0.75% (2011 - 1.5%). There were no drawings on the line as of September 30, 2012 and 2011.

**NOTE 8      PATIENT FEES AND MANAGED CARE CONTRACTS**

Net patient fee revenues are reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and include estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

Payment agreements have been made with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. Premiums are due monthly (calculated on a prospectively determined capitated rate) and are recognized as revenue during the period in which El Proyecto is obligated to provide services to its members.

Operating expenses incurred in the provision of health services are accrued in the period in which services are provided to patients based in part on estimates, including accrual for medical services provided but not yet reported to El Proyecto. Incurred but not reported (IBNR) costs are costs associated with health care service incurred during a financial reporting period but not reported to the health care organization until after the financial reporting date. El Proyecto's estimated IBNR claims are determined based on claim lag studies that track and measure date of service against date of payment.

**NOTE 9      PENSION PLAN**

On October 1, 1998, El Proyecto del Barrio, Inc. established a Tax Sheltered Annuity Plan under section 403(b) of the Internal Revenue Code. El Proyecto del Barrio, Inc. matched 100% of an employee's salary contribution up to 4% of a participant's compensation. This matching contribution requires 0-6 years of service for vesting purposes with an employee being 100% vested after 6 years of service. Employees who are eligible must be a full-time regular employee who routinely works 40 hours or more per week and must have completed one continuous year of full time employment with El Proyecto. Effective July 1, 2009, El Proyecto terminated the discretionary employer contribution.

**NOTE 10      CONCENTRATION OF RISK**

El Proyecto maintains its cash accounts with certain banks. Balances with these banks at times may exceed federally insured limits. El Proyecto has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. El Proyecto's deposit accounts with banks at September 30<sup>th</sup> exceeded the FDIC's insured limit of \$250,000 by \$229,845 in 2012 and \$227,000 in 2011.

During the years ended September 30, 2012 and 2011, El Proyecto received its total revenues from the following sources:

	2012	2011
Federal and state grants and contracts	<b>31%</b>	42%
Patient fees ( primarily Medi-Cal and Medicare)	<b>52%</b>	45%
Managed care contracts	<b>17%</b>	13%

**NOTE 11      CONTINGENCIES**

El Proyecto has received local, state and federal funds for specific purposes that are subject to review and audit by the contracting agencies. Although such audits could generate expenditure disallowances under terms of the grants or contracts, management believes that any required reimbursements will not be material.

**NOTE 12      COMPLIANCE WITH DEBT COVENANTS**

Under the terms of the loan agreements with certain lenders, El Proyecto is required to meet certain coverage ratios, among other requirements. El Proyecto met all the coverage ratio requirements for the years ended September 30, 2012 and 2011.

**NOTE 13      SUBSEQUENT EVENTS**

El Proyecto has evaluated events or transactions that occurred subsequent to September 30, 2012 through January 16, 2013, the date the accompanying financial statements were available to be issued, for potential recognition or disclosure in the financial statements and determined no subsequent matters require disclosure or adjustment to the accompanying financial statements other than the signing of a written preliminary proposal for refinancing of the Raza Development Fund mortgage loans as disclosed in Note 4 – Loans Payable.

**El Proyecto del Barrio, Inc.**  
**Consolidated Schedule of Functional Expenses**  
**Year ended September 30, 2012**

	<b>Medical Services</b>	<b>Drug Programs</b>	<b>Job training programs</b>	<b>Youth Services</b>	<b>HIV/AIDS Programs</b>	<b>Child Care Services</b>	<b>General Administration</b>	<b>Total Expenses</b>
Employee compensation	\$ 8,662,813	\$ 360,364	\$ 854,284	\$ 1,871,063	\$ 605,018	\$ 544,590	\$ 1,512,556	\$ 14,410,688
Contracted services	3,871,420	864	14,284	110,612	50,340	16,115	498,597	4,562,232
Laboratory services	405,927	20,075	-	-	36,294	-	1,413	463,709
Equipment rental, repairs and maint	110,347	9,827	9,958	9,860	3,206	8,176	7,604	158,978
Other facilities expenses	156,174	10,580	2,533	4,264	14,459	5,802	12,968	206,780
Insurance	240,446	8,705	7,190	20,800	5,212	6,109	69,698	358,160
Postage/printing	79,285	3,055	8,924	15,937	15,024	4,213	11,239	137,677
Rent	13,051	154,900	199,446	205,594	85,636	126,088	45,892	830,607
Staff development	10,053	2,010	1,444	59,367	3,604	1,341	105,003	182,822
Subscriptions/dues/licenses	81,707	6,094	261	163	3,085	6,530	30,737	128,577
Medical supplies	172,297	-	-	-	14,390	-	-	186,687
Pharmacy supplies	25,342	-	-	-	12,278	-	-	37,620
Health promotion and education	-	-	4,827	8,706	11,344	35,864	3,201	63,942
Supplies	104,989	8,644	9,822	24,454	24,175	6,977	14,714	193,775
Telephone	193,161	7,034	20,691	43,129	16,523	4,839	39,341	324,718
Travel	21,353	6,345	4,356	10,602	8,318	514	14,140	65,628
Utilities	119,191	15,795	16,105	39,004	9,504	14,533	16,357	230,489
Nonmajor equipment	169,869	-	176	-	2,631	14,052	27,193	213,921
Depreciation and amortization	357,010	-	-	31,320	-	-	88,680	477,010
Interest, bank charges and others	320,252	-	-	-	-	-	115,539	435,791
Client expenses	6,654	656	354,865	97,317	8,334	40,871	133	508,830
Bad debts expense	116,000	-	-	-	-	-	-	116,000
Other misc. expenses	671	-	-	-	-	-	289	960
	<u>\$ 15,238,012</u>	<u>\$ 614,948</u>	<u>\$ 1,509,166</u>	<u>\$ 2,552,192</u>	<u>\$ 929,375</u>	<u>\$ 836,614</u>	<u>\$ 2,615,295</u>	<u>\$ 24,295,601</u>

**El Proyecto del Barrio, Inc.**  
**Consolidated Schedule of Functional Expenses**  
**Year ended September 30, 2011**

	<u>Medical Services</u>	<u>Drug Programs</u>	<u>Job Training Programs</u>	<u>Youth Services</u>	<u>HIV/AIDS Programs</u>	<u>Child Care Services</u>	<u>General Administration</u>	<u>Total Expenses</u>
Employee compensation	\$ 6,613,515	\$ 374,929	\$ 840,392	\$ 2,264,342	\$ 528,292	\$ 504,502	\$ 1,540,392	\$ 12,666,363
Contracted services	2,165,429	2,811	13,621	163,269	27,289	14,470	320,768	2,707,657
Laboratory services	387,019	22,736	-	-	50,324	-	2,242	462,321
Equipment rental, repairs and maint	147,499	21,604	19,611	10,484	4,403	4,832	3,216	211,650
Other facilities expenses	100,260	9,360	2,807	14,568	4,641	6,767	10,725	149,127
Insurance	180,678	9,039	10,071	20,248	5,561	10,672	47,447	283,716
Postage/Printing	67,547	2,481	1,792	19,133	6,744	1,940	14,376	114,013
Rent	1,564	140,703	185,759	276,827	84,209	123,953	-	813,015
Staff development	7,540	1,722	2,958	28,952	2,236	1,047	29,807	74,260
Subscription/due /licenses	94,707	8,882	1,519	-	676	6,226	16,278	128,289
Medical supplies	136,439	-	-	-	11,688	-	-	148,127
Pharmacy supplies	20,298	-	-	-	2,855	-	-	23,153
Health promotion and education	711	2,079	12,022	42,859	15,356	23,104	350	96,482
Supplies	112,184	7,716	9,937	66,218	12,206	6,543	29,315	244,120
Telephone	129,330	4,230	32,863	40,752	15,404	3,638	36,222	262,438
Travel	25,277	5,984	3,660	9,365	11,146	75	9,034	64,542
Utilities	108,418	13,238	14,495	50,864	7,944	15,612	9,135	219,705
Non major equipment	171,165	1,709	877	109,563	5,126	11,963	1,011	301,413
Depreciation and amortization	288,716	-	-	31,320	-	-	84,014	404,050
Interest, bank charges and others	331,877	-	-	-	-	-	132,557	464,434
Client expenses	3,913	47	415,079	257,872	1,752	30,731	2	709,395
Bad Debts expense	124,000	-	-	-	-	-	-	124,000
Other misc. expenses	-	-	-	-	-	6,590	89,527	96,117
	<u>\$ 11,218,087</u>	<u>\$ 629,269</u>	<u>\$ 1,567,463</u>	<u>\$ 3,406,636</u>	<u>\$ 797,847</u>	<u>\$ 772,666</u>	<u>\$ 2,376,419</u>	<u>\$ 20,768,387</u>

**Report of Independent Auditors on Compliance and on Internal Control  
over Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

**Board of Directors  
El Proyecto del Barrio, Inc.**

We have audited the consolidated financial statements of El Proyecto del Barrio, Inc. (a nonprofit organization) as of and for the year ended September 30, 2012, and have issued our report thereon dated January 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether El Proyecto del Barrio, Inc.'s consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of El Proyecto del Barrio, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered El Proyecto del Barrio, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Proyecto del Barrio, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of El Proyecto del Barrio, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Vargay + Company LLP*

**Los Angeles, California  
January 16, 2013**



**Single Audit Report**  
**El Proyecto del Barrio, Inc.**  
***Year ended September 30, 2012***  
***with Report of Independent Auditors***

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**Report of Independent Auditors on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

**Board of Directors  
El Proyecto del Barrio, Inc.**

We have audited the financial statements of El Proyecto del Barrio, Inc. a California not-for-profit corporation, as of and for the year ended September 30, 2012 and have issued our report thereon dated January 16, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

Management of El Proyecto del Barrio, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered El Proyecto del Barrio, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of El Proyecto del Barrio, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of El Proyecto del Barrio, Inc.'s internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether El Proyecto del Barrio, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and the use of the Board of Directors, management, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

*Vargay + Company LLP*

**Los Angeles, California**  
**January 16, 2013**

**Independent Auditor's Report on Compliance with Requirement  
that could have a Direct and Material Effect on each Major Program and  
on Internal Control over Compliance in Accordance with OMB Circular A-133**

**Board of Directors  
El Proyecto del Barrio, Inc.**

Compliance

We have audited El Proyecto del Barrio, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of El Proyecto del Barrio, Inc.'s major federal programs for the year ended September 30, 2012. El Proyecto del Barrio, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of El Proyecto del Barrio, Inc.'s management. Our responsibility is to express an opinion on El Proyecto del Barrio, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about El Proyecto del Barrio, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of El Proyecto del Barrio, Inc.'s compliance with those requirements.

In our opinion, El Proyecto del Barrio, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 to 2012-05.

Internal Control Over Compliance

Management of El Proyecto del Barrio, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered El Proyecto del Barrio, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of El Proyecto del Barrio, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of El Proyecto del Barrio, Inc. as of and for the year ended September 30, 2012, and have issued our report thereon dated January 16, 2013, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

El Proyecto del Barrio, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit El Proyecto del Barrio, Inc.'s responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, those charged with governance, others within the entity, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

*Vargay + Company LLP*

**Los Angeles, California  
January 16, 2013**

**El Proyecto del Barrio, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year ended September 30, 2012**

Federal Grantor/ Pass Through Grantor/Program Title	Pass Through Grantor's Number	Grant Period	CFDA Number	Program Award Amount	Expenditures
<b>Major Programs</b>					
<b><u>U.S. Department of Health and Human Services Health Resources and Services Administration</u></b>					
<b><u>Direct Programs:</u></b>					
Health Center Cluster	H80CS06647	01/01/11-12/31/11	93.224	\$ 877,280	\$ 260,229
Health Center Cluster	H80CS06647	01/01/12-12/31/12	93.224	984,855	711,140
<b>Subtotal</b>					<u>971,369</u>
<b><u>Passed through the County of Los Angeles Department of Health Services:</u></b>					
HIV/AIDS Ambulatory Outpatient Medical Services	H209031 SCH-75	03/01/11-02/29/12	93.914	215,499	89,239
HIV/AIDS Ambulatory Outpatient Medical Services	H209031 SCH-80	03/01/12-02/28/13	93.914	215,499	102,477
HIV/AIDS Oral Health Care Services	H209031 SCH-78	03/01/11-02/29/12	93.914	100,612	26,440
HIV/AIDS Oral Health Care Services	H209031 SCH-83	03/01/12-02/28/13	93.914	100,612	73,379
<b>Subtotal</b>					<u>291,535</u>
<b><u>U.S. Department of Health and Human Services</u></b>					
<b><u>Passed through the County of Los Angeles Public Health</u></b>					
<b><u>Substance Abuse Prevention and Control:</u></b>					
Perinatal Outpatient Alcohol/Drug Free Counseling Service	PH-001361A	07/01/11-06/30/12	93.959	224,871	168,653
Perinatal Outpatient Alcohol/Drug Free Counseling Service	PH-001361A-2A-1	07/01/12-06/30/13	93.959	112,871	56,283
Perinatal Day Care Habilitative Services	PH-001679A	07/01/11-06/30/12	93.959	98,545	60,830
Perinatal Day Care Habilitative Services	PH-001679A-1A	07/01/12-06/30/13	93.959	98,545	13,658
<b>Subtotal</b>					<u>299,424</u>
<b>Total Major Programs \$</b>					<b><u>1,562,328</u></b>

**El Proyecto del Barrio, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended September 30, 2012**

Federal Grantor/ Pass Through Grantor/Program Title	Pass Through Grantor's Number	Grant Period	CFDA Number	Program Award Amount	Expenditures
<b>Nonmajor Programs</b>					
<b><u>U.S. Department of Labor</u></b>					
<b><u>Passed through the City of Los Angeles - Community Development Department:</u></b>					
WIA One Stop Career Center Adult	119168	07/01/11-06/30/12	17.258	\$ 696,526	\$ 492,032
WIA One Stop Career Center Adult	120991	07/01/12-06/30/13	17.258	658,233	121,796
WIA Adult Logistics	120848	03/01/12-06/30/13	17.258	240,000	167,298
San Fernando Valley New Start	118874	07/01/10-09/30/12	17.258	78,315	68,385
					849,511
WIA/ Youth Opportunity Sun Valley	119140	07/01/11-06/30/12	17.259	1,342,266	997,231
WIA/ Youth Opportunity Sun Valley	120993	07/01/12-06/30/13	17.259	900,000	125,721
WIA/ Youth Opportunity Winnetka	119137	07/01/11-06/30/12	17.259	1,502,700	1,141,388
WIA/ Youth Opportunity Winnetka	120992	07/01/12-06/30/13	17.259	900,000	179,898
County of LA Summer Program	121059	07/01/12-09/30/12	17.259	33,144	33,144
					2,477,381
WIA One Stop Career Center Dislocated Worker	119168	07/01/11-06/30/12	17.278	464,315	328,028
WIA One Stop Career Center Dislocated Worker	117552	07/01/12-06/30/13	17.278	482,925	91,860
WIA Dislocated Worker Logistics	120848	03/01/12-06/30/13	17.278	160,000	70,362
					490,250
<b>Subtotal</b>					<b>3,817,142</b>
<b><u>U.S. Department of Health and Human Services Health Resources and Services Administration</u></b>					
<b><u>Direct Programs:</u></b>					
Health Care and Other Facilities	C76HF19329	09/01/10-11/30/11	93.887	297,000	51,000
Health Care and Other Facilities	C76HF16112	09/01/09-09/29/12	93.887	329,670	178,729
Health Care and Other Facilities	C76HF09748	09/01/08-12/31/12	93.887	463,980	317,050
					546,779
Ryan White Part C Outpatient EIS Program	H76HA00659	07/01/11-06/30/12	93.918	209,196	158,196
Ryan White Part C Outpatient EIS Program	H76HA00659	07/01/12-06/30/13	93.918	209,196	51,000
					209,196
<b>Subtotal</b>					<b>755,975</b>
<b><u>Passed through the County of Los Angeles Department of Health Services:</u></b>					
HIV FFSS Store Front	PH-000812 SCH 1	07/01/11-12/31/11	93.940	60,000	11,651
HIV FFSS Store Front	PH-000812 SCH 2	01/01/12-12/31/12	93.940	100,000	37,957
					49,608
<b>Subtotal</b>					<b>49,608</b>
<b><u>U.S. Department of Health and Human Services</u></b>					
<b><u>Passed through the County of Los Angeles Public Health</u></b>					
<b><u>Substance Abuse Prevention and Control:</u></b>					
Perinatal Services Program - ODF (DMC)	PH-001809A	07/01/11-06/30/12	93.778	70,984	15,272
Perinatal Services Program - ODF (DMC)	PH-001809A	07/01/12-06/30/13	93.778	70,984	7,761
Perinatal Services Program - PDCH (DMC)	PH-001809B	07/01/11-06/30/12	93.778	28,414	7,804
Perinatal Services Program - PDCH (DMC)	PH-001809B	07/01/12-06/30/13	93.778	28,414	3,644
Perinatal Services Program - PODF (DMC)	PH-001809B	07/01/11-06/30/12	93.778	16,772	5,421
Perinatal Services Program - PODF (DMC)	PH-001809B	07/01/12-06/30/13	93.778	16,772	3,520
					43,422
<b>Subtotal</b>					<b>43,422</b>
<b>Total Nonmajor Programs</b>					<b>4,666,147</b>
<b>Total Federal Programs \$</b>					<b>6,228,475</b>

**El Proyecto del Barrio, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year ended September 30, 2012**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

- (1) The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal award programs of El Proyecto del Barrio. El Proyecto del Barrio's reporting entity is defined in Note 1 to El Proyecto del Barrio's Financial Statements. All Federal awards received directly from Federal Agencies as well as Federal awards passed through other governmental agencies are included in the schedule.
- (2) The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.
- (3) Non Federal sources expenditures reimbursed by the City of Los Angeles for the period of October 1, 2011 to September 30, 2012 under contracts listed below:

Contract	Funding Source	Program Year	Amount Disbursed
120766	City General Fund	7/1/12-10/31/12	\$ 138,600
120766	City Council District #7	7/1/12-10/31/12	\$ 161,818
121059	County ECF Summer Program	7/1/12-09/30/12	\$ 46,954
119713	LA County - SYEP	7/1/12-10/31/12	\$ 6,936
119219	YOP City Summer Program	7/1/11-10/31/11	\$ 32,710
			\$ 387,018

- (4) Subcontractors expenses incurred with federal funds passed through the City of Los Angeles Community Development Department are listed below:

Contract	Program Title	Name of Subcontractor	Amount Disbursed
119140	WIA Youth Opp. Sun Valley	Santa Clarita College	\$ 24,000
		Pierce College	\$ 8,500
		L.A. Valley College	\$ 6,250
120993	WIA Youth Opp. Sun Valley	None	\$ -
			\$ 38,750
119137	WIA Youth Opp. Winnetka	Santa Clarita College	\$ 24,000
		Pierce College	\$ 8,500
		L.A. Valley College	\$ 6,250
120992	WIA Youth Opp. Winnetka	None	\$ -
			\$ 38,750

**Section I – Summary of Auditors’ Results**

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**Financial Statements**

Type of auditors’ report issued on the financial statements:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial statements noted:	No

**Federal Awards**

Internal control over its major programs:	
• Material weakness(es) identified:	No
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	Yes

**Identification of Major Programs:**

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
93.224	Health Center Clusters
93.914	HIV/AIDS Ambulatory Outpatient Medical Services and HIV/AIDS Oral Health Care Services
93.959	Perinatal Outpatient Alcohol/Drug Free Counseling Services and Perinatal Day Care Habilitative Services

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as a low-risk auditee:	Yes

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**Section II – Financial Statement Findings**

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No matters were reported.

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**Section III – Federal Award Findings**

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**Finding # 2012-01: Program Income**

Federal Catalog Number:	93.959
Federal Program Name:	Block Grants for Prevention and Treatment of Substance Abuse – Perinatal Services Program
Federal Agency:	Department of Health and Human Services – Passed through County of Los Angeles Department of Public Health

*Criteria*

Section 11 of the Alcohol and Drug Services Agreement states that “If Contractor provides participants with residential and/or non-residential treatment services hereunder, participants shall be charged a fee by Contractor for the provision of such services. In charging fees, Contractor shall take into consideration the participant’s ability to pay (based on participant’s income and expenses), and the fee(s) charged shall not be in excess of Contractor’s actual unit cost to provide such service(s). In establishing fees to be charged, Contractor shall follow procedures and which have been reviewed and approved by the Director in determining allowable reimbursement costs. Contractor shall set and collect fees using methods approved by the Director in accordance with Health and Safety Code Section 11852.5 and County Policy. County Contractor shall exercise diligence in the billing and collection of fees from participants.”

*Condition*

El Proyecto del Barrio, Inc. determines the amount of fees to be charged to the participants based on participant’s income, expense and number of dependents in conjunction with the sliding fee schedule. During our audit, we noted that, out of the 13 participants tested, 5 participants who were required to be charged sliding fees were not charged. Consequently, no fees were collected from these participants.

*Questioned Costs*

Not Applicable

*Effect*

This may constitute noncompliance with the grant contract terms and conditions which may be grounds for unnecessary sanctions. This also constitutes failure to collect potential program revenue.

*Recommendation*

We recommend that El Proyecto del Barrio, Inc. determine the fees that are required to be charged to the participants diligently.

*Views of Responsible Officials and Planned Corrective Actions*

El Proyecto will re-examine the policy and procedures regarding fee determination status. The institution of review and determination of ability to pay will be monitored and documented accordingly.

***Finding # 2012-02: Special Tests and Provisions***

Federal Catalog Number: 93.914

Federal Program Name: HIV/AIDS Ambulatory/Outpatient Medical Services  
HIV/AIDS Oral Health Care Services

Federal Agency: Department of Health and Human Services – Passed  
through County of Los Angeles Department of Health

*Criteria*

Per the Additional Provisions section of the HIV/AIDS Ambulatory/Outpatient Medical Services Agreement (which also includes the agreement for HIV/AIDS Oral Health Care Services Agreement), prior to employment or provision of services, and annually thereafter, Contractor shall obtain and maintain documentation of tuberculosis screening for each employee, volunteer, and consultant providing services hereunder.

*Condition*

During our audit, we noted that one of the HIV/AIDS Ambulatory/Outpatient Medical Services employee did not have an annual TB test/assessment prior to or during the FY ended September 30, 2012. The recent TB assessment on file was performed on January 11, 2013.

*Questioned Costs*

Not Applicable

*Effect*

This may constitute noncompliance with the grant terms and conditions which may be grounds for unnecessary sanctions.

*Recommendation*

We recommend that El Proyecto del Barrio develop a method to track the results of the TB tests and/or assessments administered to HIV/AIDS Ambulatory/Outpatient Medical Services and HIV/AIDS Oral Health Care Services employees on a regular basis to ensure that each affected employee submits to a TB test and/or assessment annually (within a twelve month period).

*Views of Responsible Officials and Planned Corrective Actions*

To ensure that El Proyecto del Barrio is compliant with all funding requirements, effective immediately, all clinic staff who have tested positive for a skin TB test, will be required to complete a TB "assessment" form annually, regardless of the presence of symptoms.

***Finding # 2012-03: Program Income***

Federal Catalog Number:	93.914
Federal Program Name:	HIV/AIDS Ambulatory/Outpatient Medical Services HIV/AIDS Oral Health Care Services
Federal Agency:	Department of Health and Human Services – Passed through County of Los Angeles Department of Health

*Criteria*

Per the Additional Provisions section of the HIV/AIDS Ambulatory/Outpatient Medical Services Agreement (which also includes the agreement for HIV/AIDS Oral Health Care Services Agreement), clients/patients treated hereunder shall be charged a fee by Contractor. In charging fees, Contractor shall take into consideration the client's/patient's ability to pay for services received. Contractor shall not withhold services because of the client's/patient's inability to pay for such services. In establishing fees, Contractor shall implement a client/patient fee determination system which has been reviewed and approved by the Director. Contractor shall exercise diligence in the billing and collecting of client/patient fees.

*Condition*

During our audit, we noted that four out of six HIV/AIDS Ambulatory/Outpatient Medical Services patients tested and three out of six HIV/AIDS Oral Health Care Services patients tested were not charged with fees in accordance with El Proyecto del Barrio's Sliding Fee Schedule.

*Questioned Costs*

Not Applicable

*Effect*

This may constitute noncompliance with the grant terms and conditions which may be grounds for unnecessary sanctions. This also constitutes failure to collect potential program revenue.

*Recommendation*

We recommend that El Proyecto del Barrio's HIV/AIDS Ambulatory/Outpatient Medical Services and HIV/AIDS Oral Health Care Services programs diligently charge its patients with fees in accordance with the Sliding Fee Schedule.

*Views of Responsible Officials and Planned Corrective Actions*

The Organization will re-examine the policy and procedures regarding fee determination status. The institution of review and determination of ability to pay will be monitored and documented accordingly.

***Finding # 2012-04: Level of Effort***

Federal Catalog Number: 93.914

Federal Program Name: HIV/AIDS Ambulatory/Outpatient Medical Services  
HIV/AIDS Oral Health Care Services

Federal Agency: Department of Health and Human Services – Passed  
through County of Los Angeles Department of Health

*Criteria*

Per Ambulatory/Outpatient Medical Services agreement, Exhibit BBB (for HIV/AIDS Ambulatory/Outpatient Medical Services), the contract goals and objectives for the period March 1, 2011 to February 29, 2012 are as follows:

- Number of medical visits – 700
- Number of unduplicated - 150

Per HIV/AIDS Ambulatory/Outpatient Medical Services agreement, Exhibit DDD (for HIV/AIDS Oral Health Care Services), the contract goals and objectives for the period March 1, 2011 to February 29, 2012 are as follows:

- Number of diagnostic dental procedures – 291
- Number of prophylactic dental procedures – 100
- Number of dental procedures – 75
- Number of unduplicated – 100

*Condition*

During our audit, we noted that the programs did not meet goals set in the contracts. For the HIV/AIDS Ambulatory/Outpatient Medical Services program, we noted the following:

- The number of medical visits for the period March 1, 2011 to February 29, 2012, was 618. This is 82 medical visits short of its goal.

For the HIV/AIDS Ambulatory/Outpatient Medical Services, we noted the following:

- The number of unduplicated clients for the period March 1, 2011 to February 29, 2012, was 69. This is 31 unduplicated clients short of its goal.
- The number of diagnostic dental procedures for the period March 1, 2011 to February 29, 2012, was 165. This is 126 diagnostic dental procedures short of its goal.
- The number of prophylactic dental procedures for the period March 1, 2011 to February 29, 2012, was 68. This is 32 prophylactic dental procedures short of its goal.

*Questioned Costs*

Not Applicable

*Effect*

This may constitute noncompliance with the grant terms and conditions which may be grounds for unnecessary sanctions.

*Recommendation*

We recommend that El Proyecto del Barrio evaluate the performance of each of its programs regularly and develop and implement strategies that will enable it to meet the the programs' goals.

*Views of Responsible Officials and Planned Corrective Actions*

El Proyecto will establish a formal review process to monitor attainment of contract goals of the programs on a periodic basis. Appropriate corrective action will be instituted to ensure contract compliance.

***Finding # 2012-05: Reporting***

Federal Catalog Number:	93.914
Federal Program Name:	HIV/AIDS Ambulatory/Outpatient Medical Services HIV/AIDS Oral Health Care Services
Federal Agency:	Department of Health and Human Services – Passed through County of Los Angeles Department of Health

*Criteria*

Monthly Data Reports (from Clinics)

Per the cover letter to the HIV/AIDS Ambulatory/Outpatient Medical Services agreement, the County of Los Angeles, Office of AIDS Programs and Policy (OAPP) states that monthly reports (including Monthly Invoices and Monthly Data Reports) are due no later than 30 days after the end of each calendar month.

*Condition*

During our audit, we noted that one (1) of eight (8) monthly reports was submitted late on April 3, 2012. The report was due on March 30, 2012.

*Questioned Costs*

Not Applicable

*Effect*

This may constitute noncompliance with the grant terms and conditions which may be grounds for unnecessary sanctions.

*Recommendation*

We recommend that El Proyecto del Barrio's HIV/AIDS Ambulatory/Outpatient Medical Services and HIV/AIDS Oral Health Care Services programs ensure that the required monthly reports are submitted timely. We also recommend that El Proyecto del Barrio retain proof of submission of the reports (e.g. shipping receipt, OAPP date stamp, etc).

*Views of Responsible Officials and Planned Corrective Actions*

All program reports will be scanned and sent through e-mail and hand-delivered with acknowledgement of receipt of delivery will be secured for compliance purposes.

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**Section IV – Status of Prior Year Findings**

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No findings were reported for the year ended September 30, 2011.

