

## Health Commission Misses the Point: Laguna Honda's Gift Fund Scandal

by Patrick Monette-Shaw



As I reported in the December issue of the *Westside Observer*, restitution of at least \$350,000 to the Laguna Honda Hospital patient gift fund is a good first step, along with recommendations to improve oversight of the gift fund. It's too bad that it took nearly a year to obtain both outcomes.

Lingering questions remain unanswered, following foot-dragging by San Francisco officials.

Although Mivic Hirose, LHH's Executive Administrator, and other Department of Public Health staff keep asserting that the audit of the gift fund "definitively ends any question" about whether gift funds were used strictly for patient benefit, observers note this isn't the case. Questions about the audit, and use of the patient gift fund, abound.

One unanswered question involves whether another \$56,209 was transferred from LHH's patient gift fund to a capital project account or some other account, and whether that \$56,209 pushes the amount restituted for patient benefit to over \$400,000, rather than the \$350,000 restitution amount reported earlier.

On December 3, a Health Commission subcommittee — the Laguna Honda Hospital Joint Conference Committee — held a hearing at LHH to officially receive the City Services Auditor's 36-page report on its audit of LHH's patient gift fund. Tonia Lediju, the City Controller's director of audits, admitted that the Whistleblower Program team — who reports to her — had **not** conducted an investigation of the LHH patient gift fund whistleblower complaint filed in March 2010 by former LHH doctors Derek Kerr and Maria Rivero.

During that meeting, Health Commission president James Illig, noted that the "biggest mistake" made with the gift fund was that the hospital's administration team had lost track of the requirement for the Health Commission to approve changes to the gift fund policies. Illig couldn't bring himself to admit that the real "biggest mistake" was when LHH's administrators started to think in 2004 that the \$2 million patient gift fund was a slush-fund account they could — and did — raid for staff use.

Illig also praised the whistleblowers for having brought to light the gift fund problems. But he brazenly suggested it was "incumbent on" Drs. Rivero and Kerr, this reporter, and George Wooding, president of the West of Twin Peak Central Council, to help LHH with the "processes of reconnecting with the community ... to ensure that donations continue to come in" to support patients.

In reality, it is incumbent on City officials to reconnect with donors, not incumbent on the concerned citizens who had uncovered the abuse of the restricted patient funds.

On December 8, the Department of Public Health's chief financial officer, Gregg Sass, testily replied to a records request indicating that the \$56,209 in question was "not another transfer from the gift fund, but rather is just a clean-up, funds in and out, within the gift fund." But he did not elaborate on why the \$56,209 was transferred on November 16, 2006 on the same date that the \$176,480 was transferred to a capital account, since both amounts appear to have initially been involved in clearing a "cash deficit," and both amounts appear to have been returned to LHH's patient gift fund on September 27, 2010 while the gift fund audit was well underway.

But neither Ms. Lediju's November 22 audit report, nor her Quarterly Update report to the Citizen's General Obligation Committee (CGOBOC) on January 11, mentions the \$56,209 amount.

A document provided by the Controller's Office indicates that "no one at the Controller's Office or Laguna Honda could explain why the Gift Fund had been used for this purpose," referring to the transfer of gift fund monies into a capital account.

Given the gift fund scandal, donations to the gift fund may have fallen off even further since July 2010, but the Commission and LHH seem to be in no hurry to fix the fund's reputation. They fail to see it is incumbent on them to restore adequate oversight to LHH's gift fund.

Sadly, the December 3 LHH-JCC meeting ended on a thud, when Health Commissioner Sonia Melara — who had bemoaned that her “reputation was on the line because people had asked [her] about the gift fund” and the media situation had not been a very nice one on her side since she “happens to be related to folks in the media” — recommended to accept the audit report, and chose to accept a motion *not* to take any action by choosing not to make the audit report an “action item,” portending the full Health Commission will not take any action on the audit report, either.

The audit report failed to note that 56 separate \$50 employee-of-the-month awards given to staff totaling \$3,342 had been paid for out of the gift fund, unrestored.

The audit report also failed to note that of the 50 deposits into the gift fund, fully 25 deposits — 50 percent, which represented 80% of all contributions wrongly initially allocated to staff sub-accounts — had been improperly made. Observers wonder what other errors Laguna Honda administrators may be making with accounting transactions — beyond just the patient gift fund.

Several of the audit report's conclusions trivialize the root cause of the patient gift fund misappropriations, and may be misleading. For at least 11 years, LHH's existing policies complied with the City's Administrative Code and donor intent. “The gift fund's problems were never about a lack of policies and procedures. The problem was a willful alteration of long-standing, patient-centered, and law-abiding policies and procedures by the very folks in charge,” says Dr. Derek Kerr.

“Several of the administrators who made these policy changes still make decisions at LHH,” Kerr adds.

Illig and other City officials continue to stonewall on restoring LHH's gift fund web-page informing the public about how to contribute directly to the patient gift fund. That web page was taken down five months ago, in early September; it remains missing in action as of January 23.

In addition, this year for the first time Laguna Honda executives prohibited hospital employees from donating money directly to the patient gift fund through the City employees combined charities campaign; employees were restricted to donating to Louise Renne's Laguna Honda Foundation or to Laguna Honda Volunteers, Inc., both separate charities. Illig needs to investigate how this restriction will adversely affect sustainability of the gift fund, and should order the web page reinstated immediately in order to increase donations to LHH's patient gift fund.

Several agencies remain interested in the audit of LHH's patient gift fund and the City's whistleblower program.

Lediju's January 11 quarterly update to CGOBOC included only a four-and-a-half line summary of her CSA's 36-page audit report of LHH's gift fund; her summary didn't bother mentioning the \$176,480 restored to the patient gift fund.

When CGOBOC met January 20, its Audits Review subcommittee took up the gift fund audit report, and will report back to the full CGOBOC recommendations on a public hearing on the LHH audit, since CGOBOC is mandated by Proposition C passed by voters in 2003 to monitor and hold hearings on the City's whistleblower program and disposition of audits.

“Obviously, because administrators of Laguna Honda Hospital and the Health Department haven't learned their lesson, CGOBOC should hold public hearings on the LHH gift fund audit, since there could easily be a repeat of the patient gift fund scandal,” says former LHH physician, Dr. Maria Rivero. Other observer's concur with Rivero.

“Although Ms. Lediju’s January 11 quarterly report to CGOBOC referenced \$151,739 inappropriately spent from the fund, several issues were missing from her update, including the \$176,480 wrongly transferred from the gift fund to a capital project account, and steps being considered to prevent a recurrence of the fund’s mismanagement,” notes Sherrie Matza, an LHH gift fund contributor and prominent advocate for Alzheimer’s patients.

“Since DPH’s director and others flatly refused to acknowledge significant mismanagement of funds even after it was crystal clear that misappropriation of funds had occurred, CGOBOC needs to schedule a hearing on the whistleblower program and the integrity of LHH’s gift fund,” Matza adds.

The fallout from LHH’s gift fund scandal doesn’t seem to be over, and may have implications for potential abuses of other charitable contribution programs administered by the City.

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### **Further reading ...**

- Verbatim Transcript of Laguna Honda Hospital Joint Conference Committee meeting, December 3, 2010.
- San Francisco City Services Audit Report, “*Department Of Public Health: Laguna Honda Hospital Needs to Improve the Management of Its Gift Fund*,” November 22, 2010.
- City Services Auditor PowerPoint presentation to the Joint Conference Committee, Department of Public Health, City and County of San Francisco, December 3, 2010