

Public health director's fuzzy math confounds San Francisco hospital's gift fund scandal

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By June 24, Dr. Katz (second row, left, striped tie) knew of LHH's potential gift fund abuses; he ordered staff sub-accounts frozen.



By the Health Commission's August 17 meeting, Katz had not indicated an "audit" of LHH's patient gift fund would be conducted; he also hadn't indicated finding a so-called "Investment Balance" account.

San Francisco's Director of Public Health, Mitch Katz, MD, may be confounding — substituting various extraneous variables for other independent variables — information about San Francisco's Laguna Honda Hospital's patient gift fund, potentially to cloud cause and effect.

A press release Katz issued on September 2 appears to prematurely conclude that "there has not been a single instance in which funds designated for patients were used for any other purpose."

He may be confounding the available "cash balance" variable with an "investment balance" variable not readily available for patient use.

Katz leaps to that conclusion claiming he had requested a "more detailed audit" of patient gift fund transactions.

The "audit" — being conducted by the City Controller's Office, rather than by an independent, external auditor — hasn't even concluded, but this doesn't stop Katz from prematurely divining the outcome of the audit.

For starters, Katz denies the validity of concerns raised about siphoning funds intended for patients that were spent on staff, instead.

On August 25, Deputy City Controller Monique Zmuda indicated that her "audits group" is now conducting a "review" of LHH's patient gift fund to determine whether LHH had had administered the fund in accordance with the municipal code.

Zmuda indicated that re-allocation of \$100,000 in "interest earned" might be re-performed based on the "reasonableness" of the initial interest allocation to staff education accounts rather than to patients.

She indicated that if there was a departure from the Administrative Code, her group would determine under what authority practices had been amended. Katz appears to have self-anointed his authority to amend (or ignore) the Administrative Code.

Somehow, Zmuda's "review" is now being painted as an official — although not an independent — "audit."

The timeline of events starting on September 1 is remarkable, given the resulting spin control issued by the City.

On September 1, 2010, doctors Maria Rivero and Derek Kerr submitted a second report regarding potential cost-shifting of previously-borne hospital operating expenses onto LHH's patient gift fund, which may have further depleted the gift fund from providing supplementary amenities for patients.

Their September 1 report to the Health Commission, Civil Grand Jury, and the Whistleblower Program administered by the City Controller's Office, suggested \$745,000 may have went missing from LHH's patient gift fund between 2004 and 2005.

The next day, on September 2, Dr. Katz issued a press release claiming a minor error in deposits of funds intended for patients, "had no impact on expenditures for patients," and "in no way influenced the amount of money available for patient activities."

He's likely wrong, on both counts.

The following day, on September 3, the City Controller's Office released for the first time news that an "Investment Balance" sub-account may exist within the patient gift fund. It was news to everybody who has been following this scandal.

Could it be that the various detailed analyses by Drs. Kerr and Rivero gave the City no choice but to dig deeper?

Katz's press release contained a number of glaring problems.

He claimed, for example, that just "two former Laguna Honda employees" had submitted records requests, but he ignores that KGO TV Channel 7's "I-Team," members of the West of Twin Peaks Central Council, and this Examiner, among others, have placed records requests.

He claims that, collectively, "false statements" have been made and broadcast, but based on responses to the records requests, patient advocates and concerned observers cannot be wrongly labeled as "detractors," as Katz falsely asserts.

We're not "detractors"; we're patient advocates, as Katz must surely understand.

Moreover, if there has been no adverse impact on patients, why were LHH staff told that the patient gift fund was bankrupt, and bus outings sharply curtailed, resulting in the State citation Laguna Honda Hospital received for cutting bus trip outings by 65 percent?

There is nothing in the City's Administrative Code that observers know about that permits a department head to circumvent applicable law.

Katz's press release contains no plausible explanations; it is doubtful the City Controller's so-called audit — which may be tainted by potential conflicts of interest — may be any more plausible, since it is being rushed to conclusion for a September 28 meeting of the Health Commission, perhaps to whitewash irregularities.

As the slide show accompanying this article shows, the City is now creatively claiming an "investment account" heretofore not mentioned, may suddenly have \$835,307 in it.

But the City doesn't explain how \$1.96 million in major bequests to LHH may have vanished between 2004 and 2010, nor has the City released data about how Katz may be underreporting the amount contributed to LHH's patient gift fund by at least \$128,769.

The slide show also raises questions about how \$649,685 may have gone missing in the gift fund's "cash balance" between 2004 and 2010, and how the "total balance" may have decreased by \$585,688 across this time period.

Badly tarnished pennies from heaven are raising multiple red flags about gross improprieties and the questionable veracity of the good Dr. Katz.

Reasonable observers are now wondering about the transformation of LHH's patient Trust Fund into an all-purpose "slush fund."

It's unclear whether Zmuda's new investigation will distinguish between — let alone examine — "trust" from "slush."

Peg Stevenson, the City Services Auditor who works closely with Zmuda, has indicated some \$400,000 in "Proposition C" City Services Audit funds are designated for LHH. A small part of the \$400,000 could be used for an independent, CPA-directed audit of the LHH patient gift fund, to prevent Zmuda's potential conflict of interest from tainting the results of a full, impartial audit.

The slide show accompanying this article illustrates that only an independent audit — conducted by an external agency — will keep Katz and the City honest.

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