



Gavin Newsom,  
Mayor

MEMORANDUM

Date: November 19, 2010

To: Tonia Lediju, Director of Audits, Controller's Office

Through: Mitch Katz, MD, Director of Public Health

From: Gregg Sass, Chief Finance Officer, Department of Public Health  
Mivic Hirose, Executive Administrator, Laguna Honda Hospital

Subject: Gift Fund Audit

Thank you for your comprehensive audit of the Laguna Honda Gift Fund. We are particularly appreciative of the audit because it definitively ends any question about whether the money donated for patient benefits were used strictly for patient benefits. As you state on page 19, *for the sample of expenditures reviewed, the audit team found that Laguna Honda charged patient Gift Fund expenditures to patient subaccounts and charged staff development Gift Fund expenditures to staff development subaccounts*. The audit also clearly eliminates any question whether the Gift Fund was depleted, noting that there has never been a shortage of funding in the six-year period under audit.

We hope that your report will end the attacks on the Gift Fund and Laguna Honda Hospital.

We have responded in the attached document to your recommendations. As we have already reported, we no longer deposit staff development contributions to the gift fund.

With respect to your recommendation that we transfer film company payments from the staff development accounts to the patient subaccounts, we have done further research and are certain that the \$17,750 that you identified as undesignated film company payments were meant for staff development. However, since these checks did not have a specific designation written on them, we will nonetheless move them to the resident fund so that our residents can benefit from these funds. We will handle a few other small items on which our research differs from your conclusion, in the same manner.

Thank you again for helping to put these allegations to rest.

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