

Note: Since this article was written and submitted to the *Westside Observer* neighborhood newspaper, LHH's spin-control department appears to have changed its name from the "Government and Community Relations Department" to the "Communications Department." This is undoubtedly more "deconstruction" (one thing is not what it seems, and is called another thing) from deconstruction-specialist Marc Slavin. You may remember he's the same guy who claimed LHH's patient gift fund "isn't for patients."

Snoozing at Laguna Honda's Gift Fund Wheel

by Patrick Monette-Shaw

While some progress continues to be made with Laguna Honda Hospital's patient gift fund, many problems remain unaddressed.

How many City administrators are asleep at the wheel, or snoozing? Mayor Edwin Lee might want to consider cutting LHH's public relations staff budget, since Marc Slavin earned \$132,470 in 2010 and his assistant Linda Acosta — hired as, and sitting on, a job requisition for a 2588 Health Care Worker IV Activity Therapist, but is performing public relations work, instead — earned \$66,742. Shouldn't activity therapists be working with patients, rather than doing public relations work?

This totals \$199,212 in salaries Mayor Lee could easily trim.

Slavin, LHH's director of public relations, appeared to need a short snooze on January 25 when the Health Commission's sub-committee, the LHH Joint Conference Committee, met suddenly to discuss changes to LHH's patient gift fund policy and procedure.

Many of the recommendations made by former LHH doctors Maria Rivero and Derek Kerr have finally been returned to policy #45-01, including reinstating the Gift Fund Management Committee, which had suddenly been disbanded in April 2010 thought to be from Slavin's editing. LHH's Resident Council president has been reinstated to the Gift Fund Management Committee, restoring a patient representative. The policy change also restores reference to the City's Administrative Code, which authority reference had been deleted from the policy in April 2010.

The sub-accounts for staff amenities have finally been removed from the policy, since the fund was expressly created to only benefit patients.

This reporter testified on January 25 that the policy changes don't go far enough. The policy still permits LHH's Executive Administrator to add new sub-account grant codes in the future without consulting the Health Commission first. Although the revised policy gives the City Controller's office the "right to conduct final review and approval of all expenses," there is nothing in the policy requiring the City Controller to perform an audit or review of gift fund activity annually.

The January 25 draft changes to the policy restored quarterly reports of gift fund activity to the Health Commission as Kerr and Rivero had recommended, but neither the Health Commission nor the Resident's Council — nor the reinstated Gift Fund Management Committee — would be involved in actively managing proposed stock portfolio transactions of bequests to the patient gift fund.

There are reports that the Resident Council's previous request to receive quarterly reports of gift fund transactions, was rebuffed by LHH's executive administrator, Mivic Hirose, and isn't addressed in the revised gift fund policy.

And there is still no provision for LHH staff to donate to the gift fund via payroll deductions through the annual Combined Charities Campaign; this should be codified in the gift fund policy, because in October 2009 LHH staff were told they could no longer donate to the gift fund through Combined Charities. When I asked Health



Marc Slavin snoozes during Laguna Honda Hospital's January 25 JCC meeting; his assistant, Linda Acosta, appears a tad pensive

Commissioner Jim Illig to look into this restriction on January 25, he tried to suggest that Lousie Renne's separate Laguna Honda Foundation had been set up to accept donations from the public to benefit patients.

I had to point out to him that Renne's Foundation's tax exempt status had been granted by the IRS to fund a \$15 million furniture, fixtures, and equipment acquisition program (which her Foundation never raised), not donations for direct patient benefit, and that her Foundation wasn't granted tax exempt status to raise funds for patients.

The JCC took no formal action on January 25 in open session to adopt the proposed gift fund policy changes, and made no motion to forward the policy to the full Health Commission. An audio tape of the January 25 JCC meeting shows Commissioner Illig realized only after going into closed session that they should have taken a vote during open session. Just as the closed session began, Illig noted they would forward the policy changes to the full Commission with recommendations from the JCC, but revealed no information about what the JCC's recommendations would be; whether they voted in closed session isn't known, since recording was then turned off.

When the Health Commission then met on March 1, there was suddenly a new version of the proposed policy changes different from the January 25 version. Suddenly, the Gift Fund Management Committee was added as a reviewer of proposed stock transactions, a welcome improvement. But the quarterly updates of gift fund activities to the full Health Commission was changed; now only the Commission's JCC sub-committee will receive the quarterly reports. The full Commission will only receive annual reports, instead.

The full Health Commission hasn't discussed the City Controller's audit of LHH's gift fund as a full agenda item with public comment, beyond Commissioner Melara asking during the Commission's January 4 meeting to have a PowerPoint presentation about the audit (but not the actual audit report itself) e-mailed to all Commission members. In response to a records request to obtain the audio tape of the Commission's January 4 meeting, this reporter was told that the audio recording system had failed — akin to Rosemary Woods' infamous erasure of a portion of an audiotaped key meeting with President Nixon — and no recording of the meeting had occurred.

Also suddenly, a new sub-committee of the Citizen's General Obligation Bond Oversight Committee (CGOBOC) held a hearing on February 3, with little advance notice, regarding the Controller's audit of LHH's gift fund. While CGOBOC was initially created to monitor use of voter-approved general obligation bonds on capital improvement projects, Proposition "C" passed by voters in 2003 creating the City Services Auditor program increased CGOBOC's duties to provide oversight of audits and whistleblower complaints by creating a Citizen's Audit Review Board. It took seven years before CGOBOC got around to creating its Audit Review Board "Audit Sub-Committee."

The Controller's Office made another presentation about LHH's gift fund to the Audit Sub-Committee on February 3, but it is not yet clear whether the sub-committee will refer the audit to the full CGOBOC for further discussion. It is clear that the Civil Grand Jury has taken an interest in the whistleblower program, in part as a result of Kerr's and Rivero's whistleblower complaint. And there is some movement that the Board of Supervisor's Government Audit and Oversight committee may finally be taking an interest in the LHH gift fund audit.

Many questions linger about the audit of LHH's patient gift fund. As I reported in the *Observer's* January-February issue, the City Controller's audit of LHH's patient gift fund quietly ordered restitution of at least \$350,000 to sub-accounts that directly benefits patients. That's just the tip of the iceberg.

The Controller's audit didn't go far enough and failed to examine a number of relevant problems. Questions about hundreds of thousands of dollars in donations directed to benefit actual patients still haven't been adequately answered.

First, there's still unanswered questions about what happened to approximately three-quarters of a million dollars in bequests to the patient gift fund, which the City Controller's audit didn't even address.

Second, according to IRS tax returns for Laguna Honda Volunteers, Inc. — a non-profit organization formed in the 1950's to benefit only Laguna Honda's patients and volunteers — there's questions about two separate \$187,500 donations, totaling \$375,000, that Volunteers, Inc. reported on its tax returns for 2003 and 2004 as being

paid to its “affiliate,” Laguna Honda Hospital, separate and above what it donated for actual patient and volunteer support.

Those two \$187,500 transactions weren’t investigated, because the Controller’s audit team restricted the audit period to cover gift fund activity only between November 1, 2004 and June 2010. Maybe nobody wanted to audit whether the two transactions went first to Laguna Honda Hospital and then possibly were diverted to another entity.

Additionally, Laguna Honda Volunteers, Inc.’s tax returns for 2006 and 2007 reported that it authorized \$133,063 and \$33,027, respectively — a total of \$166,090 — for so-called “Board Directed Special Projects,” reported to the IRS’ as “Program Services.” Despite inquiries to find out what the Board Directed special projects involved, Volunteers, Inc. hasn’t responded.

Adding the two payments Laguna Honda Volunteers, Inc. made to Laguna Honda Hospital in 2003 and 2004 to the 2006 and 2007 board-directed special projects totals \$540,090, which were not examined during the City Controller’s audit.

Between unanswered questions about bequests and Volunteer Inc. tax returns, we’re talking about \$1.12 million in unexplained expenditures.

Volunteer, Inc.’s IRS Form 990 tax returns for 2009 were recently posted on GuideStar.org. The forms show Nichelle Lyons, Supervisor Sean Elsbernd’s preferred fundraiser, was paid \$10,000 in 2009 for fundraising for Volunteers Inc., but it is not clear what event she raised funds for. The only publicized LHH fundraiser in 2009 was Elsbernd’s February 27, 2009 crab fest, but that event was to benefit Louise Renne’s separate Laguna Honda Foundation, not Volunteers, Inc.

A third non-profit — Community Initiatives, which acts as a fiscal sponsor for Renne’s Foundation — reported on its Form 990 tax returns for 2009 that Ms. Lyons was paid another \$42,998 as a fundraiser for Elsbernd’s February 2009 crabfest, out of \$151,650 in gross receipts. Lyons pocketed fully 28% of the crabfest’s revenue just from Community Initiatives. If her additional \$10,000 earnings from Volunteers, Inc. was payment related to Elsbernd’s crabfest, she may have pocketed 35% of that event’s proceeds.

It will be interesting to learn how much Volunteers, Inc. and Community Initiatives may have paid Ms. Lyons in 2010 for coordinating LHH’s June 24, 2010 Black Tie Gala Dinner, since that fundraising event was designed to benefit both Volunteers, Inc. and Renne’s Laguna Honda Foundation. Elsbernd, Volunteers, Inc., and Renne’s Foundation still haven’t released publicly how much money Lyons raised for them at the June 2010 Black Tie Dinner.

Why is the interrelationship between Laguna Honda Hospital, Laguna Honda Volunteers, Inc. and Renne’s Laguna Honda Foundation sounding more and more like the tangled web of the CSU Stanislaus Foundation scandal, whose critics have complained that foundations have been used as a sort of secret checking account? Accountability advocates argue that auxiliaries and affiliated organizations should be subject to the state’s Public Records Act so their finances can be scrutinized.

Slavin, who controls content posted to LHH’s web site, still hasn’t returned the missing gift fund instruction page to LHH’s web site, which was deliberately removed under his control in September, eight months ago.

If Commissioner Illig wants gift fund donations to increase, why is he asleep at the wheel, ineffectual in getting that web page reposted? Is sleepy Slavin, on behalf of Renne, somehow stopping Illig?

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