



Gavin Newsom  
Mayor

Mitchell H. Katz, MD  
Director of Health

Laguna Honda Hospital and Rehabilitation Center  
Mivic Hirose, RN, CNS, Executive Administrator

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Eileen Shields, Public Information Officer  
415/554-2507

### Statement Concerning the Laguna Honda Gift Fund

During the last four months, two former Laguna Honda employees have submitted over 150 individual inquiries about the Laguna Honda gift fund containing allegations regarding hundreds of detailed transactions. These were contained in 26 public records requests.

In response, we have produced over 1,500 pages of financial records, which confirm that there has not been a single instance in which funds designated for patients were used for any other purpose.

Of \$570,000 in contributions to the patient gift fund from fiscal years 04-05 to 09-10, we have identified two checks from 06-07 intended for the patient fund that were instead posted to the staff development fund. The two checks, for \$18,562 and \$18,540, were reimbursements from a philanthropic auxiliary, the Laguna Honda Volunteers, Inc., for expenditures already made by the hospital for patient activities.

We have informed the Laguna Honda Volunteers, Inc. about the error and we are transferring the total amount, plus interest, into the patient gift fund.

It is important to note that from 04-05 to the present, the balance in the patient fund ranged from \$1.6 million to \$1.9 million. Therefore, the posting of the two checks totaling \$37,102 to the wrong account had no impact on expenditures for patients.

Over the past four months, there have been inaccurate statements made and broadcast about the patient gift fund. We expect these false statements to continue. We also expect that our detractors will cite these two errors as proof that their allegations were correct, even though these two errors in no way influenced the amount of money available for patient activities.

Because repeated allegations raise concerns, we have requested the Controller's Office to follow its May 2010 review of the gift fund accounting practices with a more detailed audit of transactions. The audit has begun and is scheduled to be completed within the next 30 days. Additionally, we have established an annual gift fund review process with the Laguna Honda Volunteers, Inc.

**Mitchell H. Katz, M.D., *Director of Health***

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