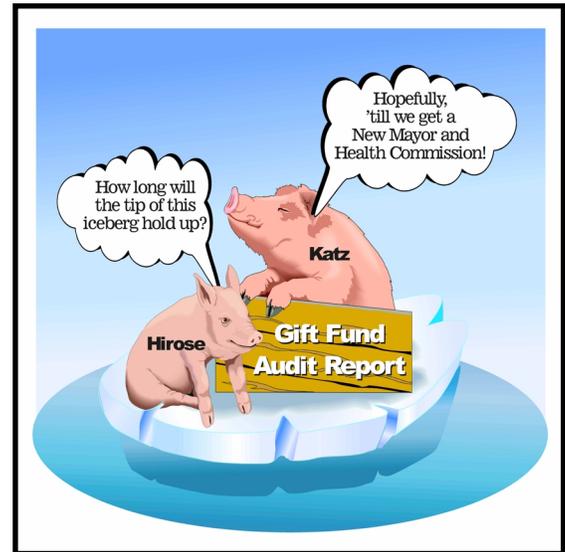
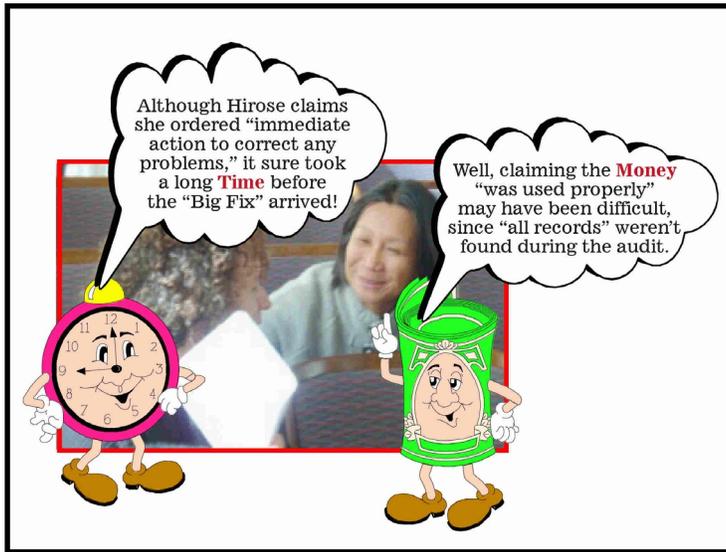


Executive Administrator Admits Responsibility for Laguna Honda Hospital Patient Gift Fund, Then Dissembles

by Patrick Monette-Shaw
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Laguna Honda Hospital's executive administrator has admitted responsibility for the hospital's patient gift fund, but then dissembled.

The porcine oinks from San Francisco's director of public health, Mitch Katz; LHH's public relations spin meister, Marc Slavin; and LHH's executive administrator, Mivic Hirose, squealing they've been exonerated by the City Controller's audit report ordering restitution of \$350,000 to LHH's patient gift fund is nauseating.

Makes you want to give up eating bacon.

The Controller's audit of LHH's patient gift fund was, by design, the Big Fix.

The Controller's methodology for conducting the audit checked all deposits into the gift fund's "staff sub-accounts," but didn't check all expenses paid out of each sub-account. Indeed, the Controller reviewed only 10 percent of expenses on a "sample basis" to ensure expenditures were patient related. Using this methodology, the Controller's audit was able to introduce a Big Fix.

This permitted Katz and Hirose to claim very little had been misspent from patient funds and they were, therefore, somehow exonerated, because the Controller's Office deliberately didn't look at all expenditures, despite being given plenty of clues by Drs. Rivero and Kerr and others of where to look for improper spending during the many public records requests pointedly placed describing potential irregularities of improper expenditures.

Hirose and Katz point to page 19 of the Controller's audit report, claiming staff development expenditures were made from the staff sub-accounts.

This might be all well and good, and may seem perfectly logical and potentially appropriate. Except, Hirose and Katz — and Deputy City Controller Monique Zmuda — appear to forget one key fact: Where did the money in the staff sub-accounts come from?

The answer is that most of it came from money that belonged to patient sub-accounts. The staff accounts were a sham from the outset, having parasitized \$146,309 from patient donations, revenues, and interest allocation, plus \$5,430 taken from operations revenues. This pilfered total of \$151,739 represents 78.8 percent of the money (\$192,483) in the so-called staff accounts.

Fortunately, the table on page 16 of the audit report shows that only \$37,319 out of the \$192,483 in the staff accounts was actually designated for staff, which means that only 19.4 percent of the staff account balances actually belonged to staff.

In other words 76 cents out of every dollar spent on staff amenities came from patient funds. Another 4 cents of every dollar spent on staff came from operations revenues like rent payments from choir groups, or book fees for nurses taking CPR classes. Less than 20 cents of every dollar spent on staff was actually intended to support staff.

What conclusion can be drawn, other than LHH inflated the staff sub-accounts by hijacking 76 percent of the staff “assets” from patient funds and 4 percent from operations revenue? Dubiously, LHH claims “exonerated” because all the money spent on staff amenities came from the 80 percent of illegitimately acquired staff funds.

By designing the audit to principally examine all deposits, but not all expenditures, the City Controller’s Office put in the Big Fix, all but guaranteeing that only the tip of the iceberg would be examined, not what’s lurking beneath in the murky waters below.

For instance, while the Controller’s Office was well aware of it, they failed to examine or report on huge money shifts in the patient gift fund, including \$1.5 million potentially taken from major gift fund bequests in 2005, when at the same time, \$827,772 appears to have been put into the “miscellaneous” sub-account that appears to have been used for some staff and operational expenses. And the Controller’s Office failed to explain where the \$754,110 difference ended up.

The Controller’s audit also failed to explain why all the patient gift fund sub-account codes were changed in 2005, when huge sums were transferred from “old” sub-accounts into “new” ones. Lacking this explanation, there’s no way to tell what money went where.

There are other “clues” the City Controller simply chose not to address during its audit.

And on page 22 of the audit report, the Controller notes it couldn’t determine the cause of discrepancies, nor determine whether sub-accounts had been correctly charged.

Since the Controller’s audit only looked at the tip of problems — but not the whole iceberg lurking below — a letter from Mivic Hirose addressed to the Laguna Honda “community” that was ostensibly written in June 2010, is of interest.

She claims she ordered LHH’s chief financial officer, presumably Tess Navarro, to review the gift fund’s books after she became LHH’s executive administrator “18 months ago.”

If her letter was really written in June 2010, she’s claiming she was LHH’s administrator three months before LHH’s former executive administrator, John Kanaley, dropped dead in March 2009.

If her letter actually was written 18 months after she became executive administrator, the letter may have been written in September or October 2010, not June.

Hirose claims she directed immediate action to correct any problems, but that none were found. She also claims the City Controller’s office also concluded — apparently on May 21 — that there had been no mismanagement, all gift fund money had been appropriately spent, and the gift fund was properly managed.

This is a stretch, since the Controller’s May 21 “review” was only cursory in nature spent.

Disturbingly, Hirose’s June 2010 letter claimed that LHH had “released all records” requested by former employees who had made charges about the gift fund.

All too frequently, the Department of Public Health or Laguna Honda Hospital failed to provide records, claiming “there are no records responsive” to specific document requests, and that “none of the records demonstrate mismanagement.”

To claim LHH did not cut back on resident bus trip outings, Hirose’s letter repeats the nonsense that the number of LHH’s residents had decreased from 1,200 to only 780 in 2008.

In fact, LHH has not had a census of 1,200 patients in over a decade, which data is recorded in the Health Commission’s LHH-JCC meeting minutes.

The minutes show LHH had a census of 817 in December 2008, a far cry from the 1,200 fabricated by Hirose. She inflated the true census by 33 percent to disreputably pretend LHH hadn’t cut patient bus trips. The documented 65 percent decline in the number of patients going out on restaurant bus trips started in early 2009 — about the time Hirose became CEO — and continued through March 2010.

The big decline in patient outings occurred over a 15-month period, when LHH’s patient census dropped from 810 to 780, or about 3.7 percent.

On September 28, LHH’s CFO, Tess Navarro, presented data during the LHH JCC’s meeting, and apparently didn’t acknowledge the \$176,481 that went missing from the gift fund in FY 2006-2007 transferred into LHH’s capital project fund. Two weeks earlier, Kerr and Rivero had brought it to the Controller’s attention.

There’s no explanation why Navarro would have suddenly discovered this three-year-old raid of the gift fund during closing of LHH’s books three years later in FY 2009-2010, or why she hadn’t mentioned it on September 28 to the Health Commissioners.

Hirose’s dissembling doesn’t disguise that by her own admission, ultimately it was her responsibility to ensure donations to the gift fund were spent as donors intended. She doesn’t seem to have taken that responsibility seriously, after all.

If she did take it seriously, she would have issued a public apology to gift fund donors and LHH’s residents, long before now.

As observers have noted, had this scandal occurred in the private sector, and a competent audit ordered restitution of at least \$350,000, local District Attorney’s and the State’s Attorney General would likely have pursued charges of elder financial abuse.

Hirose is lucky the Big Fix is in, letting her teeter on the iceberg a little longer.

Perhaps she’s hoping Katz’s escape to Los Angeles doesn’t bring a little global warming to LHH’s gift fund iceberg.

Further reading: For a printer-friendly version of this article and its slide show, go to www.stopLHHdownsize.com and click on the Examiner.com icon in the upper left-hand corner. The following documents are available:

- Mivic Hirose’s 6/24/10 Letter
- Mitch Katz’s 9/2/10 Press Release
- City Controller’s 11/22/10 Audit Report
- Mitch Katz’s 11/22/10 Letter

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