



COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

ARLENE BARRERA
AUDITOR-CONTROLLER

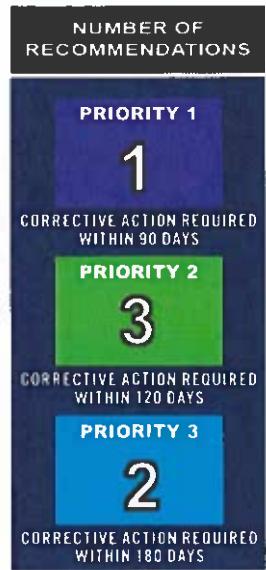
OSCAR VALDEZ
CHIEF DEPUTY AUDITOR-CONTROLLER

February 3, 2022

TO: Each Supervisor

FROM: Arlene Barrera, Auditor-Controller *Arline Barrera*

SUBJECT: DEPARTMENT OF MENTAL HEALTH – INTERIM HOUSING PROGRAM REVIEW



With the support and active participation of the Department of Mental Health (DMH or Department) management, we evaluated the design of DMH's Interim Housing Program (IHP) processes and controls to determine whether they provide reasonable assurance to management that eligibility requirements have been established to ensure clients qualify for IHP services, DMH monitors their contract providers' performance to ensure appropriate service delivery to clients, and IHP goals are established and periodically evaluated to ensure program objectives are achieved. Our review did not include certain aspects of DMH's IHP processes, such as invoice payment/processing and contract provider solicitation.

We identified opportunities to improve DMH's IHP processes, controls, and control monitoring, which management has agreed to strengthen. For example:

- DMH management will develop a process to ensure contractor corrective action plans include specific timeframes for implementation.
- DMH will reinstruct staff to ensure follow-up activities confirm whether corrective actions have been fully implemented/documentated.

These enhancements will provide greater assurance that clients receive quality service from providers. They will also increase management's ability to evaluate the program's successfulness, implement timely strategic updates, and maximize effectiveness.

For details of our review and the Department's corrective actions, see Attachment I. The Department's response, included in Attachment II, indicates general agreement with our findings and recommendations.

We thank DMH management and staff for their cooperation and assistance during our review. If you have any questions please call me, or your staff may contact Mike Pirolo at mpirolo@auditor.lacounty.gov.

AB:OV:MP:ZP:mh

Attachments

c: Flesia A. Davenport, Chief Executive Officer
Celia Zavala, Executive Officer, Board of Supervisors
Jonathan E. Sherin, M.D., Ph.D, Director, Department of Mental Health

FAST FACTS

DMH IHP utilizes 21 contract provided sites across L.A. County to provide temporary housing to clients experiencing homelessness.

DMH IHP clients stay in the shelters, on average, for eight months.

DMH IHP has nine staff members and a budget of \$13.8 million in Fiscal Year 2020-21.

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I
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Oscar Valdez

CHIEF DEPUTY AUDITOR-CONTROLLER

Mike Pirolo

DIVISION CHIEF

AUDIT DIVISION

Report #K21CA

DEPARTMENT OF MENTAL HEALTH – INTERIM HOUSING PROGRAM REVIEW

BACKGROUND

The Department of Mental Health (DMH or Department) Interim Housing Program (IHP) provides temporary shelter services to adults with mental illness and their minor children who are experiencing homelessness and do not have adequate income to pay for temporary housing. DMH uses MHSA (Mental Health Services Act) funding to provide these services. IHP had a budget of approximately \$13.8 million in Fiscal Year (FY) 2020-21. While DMH IHP clients may be receiving additional services (e.g., mental health treatment, permanent housing placement) concurrently, those services are provided and funded by other County programs (e.g., outpatient mental health clinics, homeless outreach teams).

DMH's IHP staff receive client referrals to the program from mental health professionals (e.g., mental health outreach teams, medical professionals). IHP staff review referral applications and determine the appropriate shelter placement for clients. DMH uses contract providers to provide shelter services including, safe and clean shelter, 24-hour general oversight, three meals each day, clean linens, clothing, and toiletries. IHP staff monitor the contractors' performance via monthly reporting requirements, client satisfaction surveys, and periodic meetings via telephone and/or on-site visits. In addition, contract providers provide data to DMH to determine the number of clients entering and exiting the program annually. IHP management uses this data, along with the data IHP staff collect via their monitoring efforts throughout the year to gauge the program's effectiveness.

We evaluated the design of DMH IHP's procedures and controls to determine if they provide reasonable assurance to management that IHP clients are eligible to receive services, contract providers are providing quality service, and IHP goals are established and periodically evaluated. Based on our review, we noted that DMH appropriately reviews client referrals to ensure eligibility and processes approvals/denials as required. In addition, DMH conducts client satisfaction surveys to ensure contractors are providing quality service to their clients. However, we also identified opportunities for improvement as noted in the table below.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	Contractor Corrective Action Plans - DMH needs to develop a process to ensure contractor corrective action plans include timeframes for completion of improvements and remedial activities, as required by County Fiscal Manual (CFM) Section 12.5.2. We noted DMH's IHP staff are required to conduct monthly evaluations to monitor their service providers' (i.e., contractors) compliance with contract requirements. For example, IHP staff conduct site visits to ensure shelters are complying with maintenance, safety, and housing condition contract requirements (e.g., running hot/cold water, free of pests, functioning restrooms). IHP staff also conduct monthly client satisfaction surveys via phone	Priority 1 - DMH management develop a process to ensure contractor corrective action plans include specific timeframes for implementation of improvements and remedial activities. Department Response: Agree Implementation Date: April 30, 2022

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency's operations if corrective action is not taken.

<p>interviews to ensure quality service (e.g., receiving necessary toiletries, dietary preferences being met) is provided to IHP clients. Additionally, we noted DMH has a process for working with contractors to address any issues/deficiencies identified during these evaluations. Program supervisors are required to contact their shelter service providers within ten days to discuss potential issues identified during the contractor evaluation processes. Program deficiencies are addressed through a corrective action plan.</p> <p>However, during our walkthroughs we noted DMH's processes for developing corrective action plans do not include requirements to establish specific timeframes for completion of improvements or remedial activities by the contractor as required by the CFM.</p> <p>Impact: DMH IHP provides critical shelter services to some of the County's most vulnerable populations. Corrective action plans should be developed with a timetable for implementation of changes. If timetables are not identified, clients may not receive the critical services they need in a timely manner. This weakness increases the risk of additional instances of non-compliance and/or poor customer service. This weakness could also impact the well-being of IHP clients and increases the risk of County/Department liability. Delayed implementation of corrective actions impacting critical services also increases the risk of negative public perception of the County and the services it provides.</p>	
<p>2 Corrective Action Plan Follow-up - DMH needs to strengthen their contractor evaluation processes to ensure follow-up activities confirm whether corrective actions have been fully implemented.</p> <p>As noted in Issue No. 1, DMH staff work with contractors to develop corrective action plans to address any issues/deficiencies identified during their monthly contractor evaluations. DMH requires staff to conduct follow-up activities to ensure corrective actions are fully implemented. However, we noted staff do not always conduct follow-up activities as required. For example, during our walkthrough, we noted IHP staff received a corrective action plan from a contractor which indicated proposed program changes and development of new template forms. However, DMH did not conduct any follow-up activities, such as a review of completed/annotated</p>	<p>Priority 2 - DMH management reinstruct staff that follow-up activities should be conducted/document to confirm whether corrective actions have been fully implemented within specified timeframes.</p> <p>Department Response: Agree Implementation Date: May 30, 2022</p>

<p>forms, to ensure the proposed processes were fully implemented by the contractor.</p> <p>DMH management should reinstruct their staff that follow-up activities, such as reviews of completed/annotated forms, training logs, etc., should be conducted to ensure corrective action plan recommendations and/or requirements have been fully implemented within their specified timeframes. Additionally, DMH management should develop a process for monitoring their contractor corrective action plan processes to ensure they are functioning as intended, as noted in Issue No. 4 below.</p> <p>Impact: DMH IHP has an annual budget of approximately \$13.8 million. If corrective action plans are not appropriately implemented, the risk of clients not receiving critical services increases. This weakness could result in an inefficient use of DMH's IHP funding and increases the risk of negative public perception of the program and/or quality of the services provided.</p>	
<p>3 Key Performance Indicators (KPI) - A KPI is a type of performance measurement that is used to evaluate the success of an organization or of a particular activity/function in which it engages.</p> <p>We noted DMH established processes to collect program information such as client satisfaction surveys to ensure contractors are serving clients' needs. However, DMH has not established KPIs to measure program performance and ensure the program operates effectively and efficiently.</p> <p>As part of a robust performance management process, County departments should establish KPIs with specific and measurable performance targets. For example, DMH could establish specific timeframes for processing client referrals to facilitate minimal wait times for clients to receive services. Departments should also periodically track and review actual performance against KPIs and establish goals/plans for improvement when needed. For example, if client satisfaction surveys had poor results, DMH could establish incremental goals for percentage increases in scores over time and assist their contractors in improving by providing coaching/training as needed.</p> <p>Impact: DMH IHP assisted 925 clients with a FY 2020-21 budget of \$13.8 million. Robust performance management processes provide management with information on current and ideal performance and</p>	<p>Priority 2 - DMH management strengthen their performance management processes to ensure:</p> <p>a) Written KPIs are specific and measurable, provide a timeline for achievement and confirms staff are aware of established KPIs.</p> <p>b) Periodic reviews of KPIs and performance metrics are conducted and documented to evaluate progress and reassess/review KPIs as needed.</p> <p>Department Response: Agree Implementation Date: May 30, 2022</p>

	<p>serve as a mechanism for setting direction in bridging gaps. Without a comprehensive documented process to develop, track, and review KPI's, management may not be able to effectively evaluate the program, make decisions and prioritize tasks, and implement timely strategic changes. In addition, there is an increased risk of inefficient and ineffective operations and greater likelihood of not achieving the mission and objectives of the program.</p>
<p>4 Management Monitoring of Controls - DMH needs to develop ongoing self-monitoring processes to regularly monitor and document that processes and controls are working as intended, as required by CFM Section 1.0.2. Specifically, they need to develop self-monitoring processes to ensure:</p> <ul style="list-style-type: none"> • Contractor corrective action plans include specific timeframes for implementation as noted in Issue No. 1. • Follow-up activities, such as reviews of completed/annotated forms, training logs, etc., are conducted to confirm whether corrective actions have been fully implemented within specified timeframes as noted in Issue No. 2. • Key performance indicators are being monitored on a regular basis and appropriate action is being taken when necessary, as noted in Issue No. 3. • Documentation is being maintained regularly for monitoring purposes as noted in Issue No. 5. • Written standards and procedures are routinely kept updated as noted in Issue No. 6. • Processes such as IHP approvals, denials, and forwarding of client referrals to partner agencies are working as intended. <p>Effective self-monitoring processes could include tests or observations examining an adequate number of transactions on a regular basis (e.g., 5 - 10 weekly, quarterly, semi-annually) and documenting and retaining evidence of this review in such a manner that a third-party can subsequently validate it.</p> <p>Impact: Prevents management from having reasonable assurance that important program and County objectives are being achieved. This weakness also increases the risk for not promptly identifying and correcting any process/control weaknesses or instances of non-compliance contract requirements and/or County rules.</p>	<p>Priority 2 - DMH management develop ongoing self-monitoring processes that include:</p> <ol style="list-style-type: none"> a) Examination of process and control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to program guidelines. b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated. c) Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk, and to ensure appropriate corrective actions are implemented. <p>Department Response: Agree Implementation Date: May 30, 2022</p>

<p>5 Documenting Report Reviews - DMH needs to develop a process to document their review of the following reports and subsequent follow-up discussions, to demonstrate they effectively monitor the services provided to clients:</p> <ul style="list-style-type: none"> • Monthly client status • Client waitlist <p>IHP service providers prepare and submit monthly client status reports to DMH, which indicate active IHP client information such as name, income, and medical treatment. DMH staff indicated they review the reports to ensure clients are receiving appropriate services in compliance with IHP guidelines. When discrepancies are noted, such as clients with high income or clients that have not seen a medical provider, the program supervisor will contact the contractor to discuss/resolve the issue. However, DMH does not document their calls with contractors, or their report review processes to demonstrate that they effectively monitor the quality of services provided to clients.</p> <p>In addition, DMH maintains and updates the IHP client waitlist, which indicates clients who need shelter placement and their shelter preferences (e.g., location, pets allowed, family, men/women only). DMH staff indicated that they review and update the report intermittently as shelter beds become available to ensure clients are appropriately matched to shelter services based on their preferences. However, we noted they do not document the dates of their review or note the outcome of client interactions to demonstrate that they are effectively monitoring the waitlist to ensure clients are matched with a shelter.</p> <p>Impact: Not documenting the review of pertinent information reduces the program staff's ability to appropriately monitor client services and increases the risk that clients' needs are not being met. This weakness also increases the risk some clients may be receiving services they are not eligible for.</p>	<p>Priority 3 - DMH management develop a process to document their report reviews and subsequent follow-up discussions and retain records to ensure effective quality of service monitoring.</p> <p>Department Response: Agree Implementation Date: July 1, 2022</p>
<p>6 Standards and Procedures - DMH needs to develop detailed written standards and procedures to adequately guide supervisors and staff in the performance of their IHP duties. Specifically, written standards and procedures either did not exist or were outdated/incomplete for the following processes:</p> <ul style="list-style-type: none"> • Ensuring contractor corrective action plans include specific timeframes for completion of remedial action as noted in Issue No. 1. 	<p>Priority 3 - DMH management enhance or establish written standards and procedures to adequately guide supervisors and staff in the performance of their Interim Housing Program duties.</p> <p>Department Response: Agree Implementation Date: July 1, 2022</p>

<ul style="list-style-type: none">Ensuring follow-up activities, such as reviews of completed/annotated forms, training logs, etc., are required to confirm implementation of contractor corrective actions as noted in Issue No. 2.Ensuring the program is regularly measuring performance and effective in providing services as noted in Issue No. 3.Management's monitoring of the IHP processes as noted in Issue No. 4.Ensuring proper documentation of report review processes as noted in Issue No. 5. <p>Written procedures should provide detailed guidance to staff and supervisors in the performance of their day-to-day duties and describe how processes are performed. They must also require staff and supervisors to maintain documentation of their processes and should require an audit trail of key events where practical.</p> <p>Impact: This weakness increases the risk staff will perform tasks, such as measuring program performance, incorrectly or inconsistently. It also increases the effort to train new staff to document their report reviews noted in this report and prevents management from effectively evaluating process/control environments.</p>	
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We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit auditor.lacounty.gov/audit-process-information.



DEPARTMENT OF MENTAL HEALTH
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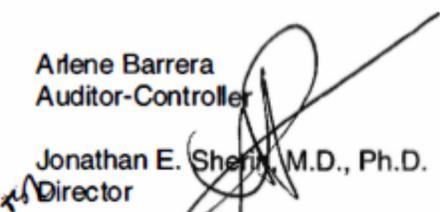
JONATHAN E. SHERIN, M.D., Ph.D.
Director

Gregory C. Polk, M.P.A.
Chief Deputy Director

Curley L. Bonds, M.D.
Chief Medical Officer

Lisa H. Wong, Psy.D.
Senior Deputy Director

January 18, 2022

TO: Arlene Barrera
Auditor-Controller

FROM: Jonathan E. Sherin, M.D., Ph.D.
Director
SUBJECT: **DEPARTMENT OF MENTAL HEALTH - INTERIM HOUSING PROGRAM REVIEW**

We have reviewed the Auditor-Controller's report of the Department of Mental Health's Interim Housing Program Review.

We agree with the recommendations contained in the current report and have already initiated corrective measures on the issues that were brought to our attention during the review process. The attached Corrective Action Plan details our responses and the actions that will be taken to address each of the recommendations.

If you have any questions or require additional information, please contact Maria Funk, Ph.D., Deputy Director, at (213) 943-8465 or Mfunk@dmh.lacounty.gov.

JES:GCP:MF:ymm

Attachment

c: Maria Funk, Ph.D.

DEPARTMENT OF MENTAL HEALTH INTERIM HOUSING PROGRAM REVIEW
DEPARTMENT ACTION PLAN/RESPONSE

ISSUE 1: CONTRACTOR CORRECTIVE ACTION PLANS	
A/C Recommendation	DMH management develop a process to ensure contractor corrective action plans include specific timeframes for implementation of improvements and remedial activities.
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan ¹	The Program Manager will review all Client Satisfaction Survey Reports and Site Reviews and ensure that those that include a corrective action have a specific timeframe by which the remedial activities are completed.
Planned Implementation Date	April 30, 2022
Additional Information (optional) ²	

ISSUE 2: CORRECTIVE ACTION PLAN FOLLOW-UP	
A/C Recommendation	DMH management reconstruct staff that follow-up activities should be conducted/documents to confirm whether corrective actions have been fully implemented within specified timeframes.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	Staff will be instructed to document on the program monitoring log the date by which corrective action needs to be completed, and they will verify on the log that the corrective action was fully implemented within the specified timeframe. The Program Manager will review the log monthly for compliance.
Planned Implementation Date	May 30, 2022
Additional Information (optional) ²	

ISSUE 3: KEY PERFORMANCE INDICATORS (KPI)	
A/C Recommendation	DMH management strengthens their performance management processes to ensure: <ol style="list-style-type: none"> Written KPIs are specific and measurable, provide a timeline for achievement, and confirm staff is aware of established KPIs. Periodic reviews of KPIs and performance metrics are conducted and documented to evaluate progress and reassess/review KPIs as needed.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	IHP management will develop written KPIs that are specific and measurable and that include a timeline for achievement. IHP management will inform IHP staff of the established KPIs and IHP monitoring tools will be used to collect the data. The Program Manager will review the KPI data to evaluate progress toward meeting the KPIs and reassess/review the KPIs as needed.

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 3: KEY PERFORMANCE INDICATORS (KPI)	
Planned Implementation Date	May 30, 2022
Additional Information (optional) ²	

ISSUE 4: MANAGEMENT MONITORING OF CONTROLS	
A/C Recommendation	DMH management develop ongoing self-monitoring processes that include: <ul style="list-style-type: none"> a) Examination of process and control activities, such as review of an adequate number of transactions on a regular basis to ensure adherence to program guidelines. b) Documenting the monitoring activity and retaining evidence so it can be subsequently validated. c) Elevating material exceptions to management on a timely basis to ensure awareness of relative control risk, and to ensure appropriate corrective actions are implemented.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	A program monitoring log to self-monitor the IHP activities will be developed and reviewed monthly. Material exceptions to programmatic guidelines and processes that pose a control risk will be elevated to upper management to ensure appropriate corrective actions are implemented.
Planned Implementation Date	May 30, 2022
Additional Information (optional) ²	

ISSUE 5: DOCUMENTING REPORT REVIEWS	
A/C Recommendation	DMH management develop a process to document their report reviews and subsequent follow-up discussions and retain records to ensure effective quality of service monitoring.
Priority	PRIORITY 3
Agree/Disagree	Agree
Department Action Plan ¹	A program monitoring log will be developed to document report reviews and necessary follow-up. All records will be retained.
Planned Implementation Date	July 1, 2022
Additional Information (optional) ²	

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 6: STANDARDS AND PROCEDURES	
A/C Recommendation	DMH management enhance or establish written standards and procedures to adequately guide supervisors and staff in the performance of their Interim Housing Program duties.
Priority	PRIORITY 3
Agree/Disagree	Agree
Department Action Plan ¹	IHP policies and procedures will be developed and implemented to guide supervisors and staff in the performance of IHP duties.
Planned Implementation Date	July 1, 2022
Additional Information (optional) ²	

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.