



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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February 23, 2009

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe   
Auditor-Controller

SUBJECT: **ST. ANNE'S MATERNITY HOME CONTRACT COMPLIANCE REVIEW –  
A WRAPAROUND PROGRAM AND MENTAL HEALTH SERVICE  
PROVIDER**

We completed a fiscal and program review of St. Anne's Maternity Home (St. Anne's or Agency) to determine the Agency's compliance with two separate County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program and the Department of Mental Health (DMH) to provide mental health services.

**Background**

Under DCFS' Wraparound Program, St. Anne's provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with DMH, St. Anne's provides mental health services which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. St. Anne's is located in the First District.

DCFS paid St. Anne's on a fee-for-service basis at \$4,184 per child per month less placement costs or approximately \$180,000 for Fiscal Year (FY) 2006-07. DMH paid St. Anne's on a cost reimbursement basis between \$1.70 and \$4.05 per minute of staff time (\$102 to \$243 per hour) or approximately \$2 million for FY 2006-07.

### **Purpose/Methodology**

The purpose of the program review of the mental health services was to determine the appropriateness of the services provided based on available documentation. This included a review of the Agency's billings, participant charts and personnel and payroll records. We also interviewed a number of the Agency's staff.

The purpose of the fiscal review of DCFS' Wraparound Program and mental health services was to determine whether St. Anne's appropriately accounted for and spent Wraparound and DMH funds providing the services outlined in their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

### **Results of Review**

#### **DMH Program Review**

St. Anne's maintained documentation to support the service minutes billed for the DMH Program and the participants interviewed stated that the services they received met their expectations. In addition, St. Anne's treatment staff in our sample possessed the qualifications required to deliver the services billed.

#### **DMH and DCFS' Wraparound Programs Fiscal Review**

St. Anne's properly recorded and deposited cash receipts in a timely manner. However, St. Anne's charged DCFS' Wraparound and DMH programs for unallowable and undocumented expenditures totaling \$70,638. Specifically, St. Anne's:

- Charged DCFS \$14,279 and DMH \$1,747 for unallowable and undocumented program expenditures.
- Over allocated \$1,240 to DCFS' Wraparound Program and \$642 to DMH Program for payroll expenditures using estimates not actual hours worked on the programs.
- Over allocated \$52,730 to the DMH Program by using a Cost Allocation Plan that is not in compliance with the County contract.

The details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with St. Anne's, DMH and DCFS on March 20, 2008. In their attached response, St. Anne's management agreed that the questioned costs identified in this report were not program expenditures. The Agency also indicated that their combined costs for both programs exceeded their revenue by \$383,479. Under the DMH and DCFS contracts, if St. Anne's can provide DMH and DCFS with documentation to support allowable expenditures for the total amount billed to each program, they do not have to repay the County for the questioned cost.

We will work with DMH and DCFS to determine if the Agency's expenditures are appropriate and supported. We also notified DMH and DCFS of the results of our review.

We thank St. Anne's for their cooperation and assistance during this review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer  
Dr. Marvin J. Southard, Director, Department of Mental Health  
Patricia S. Ploehn, Director, Department of Children and Family Services  
Ted Myers, Chief Deputy Director, Department of Children and Family Services  
Susan Kerr, Senior Deputy Director, Department of Children and Family Services  
Andrew E. Bogen, Chairman, Board of Directors, St. Anne's Maternity Home  
Tony Walker, President/CEO, St. Anne's Maternity Home  
Public Information Office  
Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS  
ST. ANNE'S MATERNITY HOME  
FISCAL YEAR 2007-08**

**BILLED SERVICES**

**Objective**

Determine whether St. Anne's Maternity Home (St. Anne's or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

**Verification**

We judgmentally selected 30 billings totaling 2,926 minutes from 113,806 service minutes of approved Medi-Cal billings for May and June 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' chart for the selected billings. The 2,926 minutes represent services provided to 23 program participants.

**Results**

St. Anne's maintained adequate documentation to support the services billed to DMH.

**Recommendation**

There are no recommendations for this section.

**CLIENT VERIFICATION**

**Objective**

Determine whether clients received the services that St. Anne's billed DMH.

**Verification**

We interviewed seven participants that the Agency billed DMH for services during May and June 2007.

**Results**

The seven program participants interviewed stated that the services they received from the Agency met their expectations.

**Recommendation**

There are no recommendations for this section.

**STAFFING LEVELS**

**Objective**

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency does not provide services that require staffing ratios for this particular program.

**STAFF QUALIFICATIONS**

**Objective**

Determine whether St. Anne's treatment staff possessed the required qualifications to provide mental health services.

**Verification**

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for nine (64%) out of 14 treatment staff who provided services to DMH clients during May and June 2007.

**Results**

Each employee in our sample possessed the qualifications required to deliver the services billed.

**Recommendation**

There are no recommendations for this section.

**SERVICE LEVELS**

**Objective**

Determine whether St. Anne's reported service levels varied significantly from the service levels identified in the DMH contract.

We did not perform test work in this section as DMH's contract with St. Anne's did not specify the required service levels for Fiscal Year (FY) 2006-07.

**CASH/REVENUE**

**Objective**

Determine whether cash receipts and revenue are properly recorded in St. Anne's records and deposited timely in the Agency's bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

**Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank reconciliations for August 2007.

**Results**

St. Anne's maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

**Recommendation**

**There are no recommendations for this section.**

**EXPENDITURES/PROCUREMENT**

**Objective**

Determine whether DMH and Wraparound Program related expenditures are allowable under their County contracts, properly documented and accurately billed.

**Verification**

We interviewed Agency personnel, reviewed financial records and documentation to support 28 Wraparound expenditures, totaling \$44,927, and 33 DMH expenditures, totaling \$61,236 between July 2006 and August 2007.

**Results**

St. Anne's charged \$16,026 to the Department of Children and Family Services (DCFS) Wraparound and DMH programs for transactions that were unallowable and unsupported.

**DCFS Wraparound Program**

St. Anne's charged:

- DCFS \$2,648 for furniture and cable installation related to other programs.
- DCFS \$859 for training costs provided to the Agency's employees assigned to other programs.
- DCFS \$6,800 in amusement park tickets, gift cards and catering services costs that were not used for the Wraparound Program.
- DCFS \$1,057 for administration services and other employee related costs for a terminated employee and two Wraparound employees assigned to multiple programs.
- DCFS \$2,915 for gift cards and special activities. However, the Agency could not provide the names of the participants that benefited from the expenditures.

**DMH Program**

St. Anne's charged:

- DMH \$677 for furniture that was not used for the DMH Program.
- DMH \$770 for consultant costs and membership dues that benefited other programs.
- DMH \$300 for special activities. However, the Agency could not provide the names of the participants that benefited from the expenditures.

**Recommendations**

**St. Anne's management:**

1. **Repay DCFS \$14,279 (\$2,648 + \$859 + \$6,800 + \$1,057 + \$2,915).**
2. **Repay DMH \$1,747 (\$677 + \$770 + \$300).**
3. **Ensure that DMH and Wraparound programs funds are solely used for the specific program.**
4. **Maintain adequate supporting documentation for expenditures charged to DMH and Wraparound programs.**

## FIXED ASSETS AND EQUIPMENT

### Objective

Determine whether St. Anne's fixed assets and equipment purchased with Wraparound and DMH funds are used for the programs and that the assets are adequately safeguarded.

### Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment listing. In addition, we performed a physical inventory of 12 Wraparound and 36 DMH items funded by the programs.

### Results

Two (16%) of the 12 Wraparound items and seven (19%) of the 36 DMH items were not included in the Agency's inventory list. In addition, the Agency does not perform a physical inventory.

### Recommendations

St. Anne's management:

5. **Maintain a complete and accurate listing of fixed assets and equipment.**
6. **Perform an annual physical inventory.**

## PAYROLL AND PERSONNEL

### Objective

Determine whether payroll expenditures were appropriately charged to the Wraparound and DMH Programs and whether personnel files are maintained as required.

### Verification

We traced the Wraparound payroll expenditures totaling \$14,011 for ten employees and the DMH payroll expenditures totaling \$33,403 for 11 employees for August 2007 to the Agency's payroll records and time reports. We also reviewed the personnel files of the seven staff assigned to the Wraparound Program and eight staff assigned to the Mental Health Program.

**Results**

St. Anne's personnel files maintained the required documentation. However, St. Anne's over allocated \$1,240 to the Wraparound Program and \$642 to the DMH Program for three administrative staff who worked on multiple assignments by using estimates not actual hours worked. Specifically, the timecards submitted by the three employees indicated less hours worked than allocated.

**Recommendations**

**St. Anne's management:**

- 7. Repay DCFS \$1,240.**
- 8. Repay DMH \$642.**
- 9. Ensure that payroll expenditures are charged to each program based on the actual hours worked.**

**COST ALLOCATION PLAN**

**Objective**

Determine whether St. Anne's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed St. Anne's Cost Allocation Plan and selected sample expenditures from August 2007 to ensure that the expenditures were appropriately allocated to the Agency's programs.

**Results**

St. Anne's Cost Allocation Plan was not prepared in compliance with the County contract. St. Anne's allocated their shared costs to DMH and Wraparound programs based on budgeted number of staff instead of actual. As a result of our finding, St. Anne's prepared a revised Cost Allocation Plan in compliance with the County contract. Using the revised Cost Allocation Plan, the Agency reallocated their shared costs to all programs and determined that the Agency had over allocated \$52,730 to the DMH Program during FY 2006-07.

**Recommendations**

**St. Anne's management:**

**10. Repay DMH \$52,730.**

**11. Ensure that indirect costs are allocated in accordance with the Cost Allocation Plan and the County contract.**

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Professional Law Corporation

Tom Walker, MA  
St. Anne's President and  
Chief Executive Officer



*Building Brighter Futures*

July 14, 2008

Wendy L. Watanabe  
Acting Auditor-Controller  
County of Los Angeles  
Kenneth Hahn Hall of Administration  
500 West Temple Street, Room 525  
Los Angeles, CA 90012-2706

**Subject: St. Anne's Maternity Home Contract Compliance Review**

Dear Ms. Watanabe:

Thank you for your most recent revised draft of St. Anne's report emailed July 8, 2008. The following is our response to the findings and recommendations outlined in your letter.

**Expenditure/Procurement**

**Results**

*St. Anne's charged \$16,026 to the Department of Children and Family Services (DCFS) Wraparound Approach Services and the Department of Mental Health (DMH) programs for transactions that were unallowable and unsupported. Specifically, St. Anne's charged:*

**DCFS Wraparound Approach Services Program**

- \$2,648 for furniture and cable installation related to other programs.
- \$859 for training costs provided to the Agency's employees assigned to other programs.
- \$6,800 in amusement park tickets, gift cards and catering services costs that were not used for the Wraparound Program.
- \$1,057 for administration and other employee related costs for a terminated employee and two Wraparound employees assigned to multiple programs.
- \$2,915 for gift cards and special activities. However, the Agency could not provide the names of the participants that benefited from the expenditures.

**DMH Program**

- \$677 for furniture that was not used for the DMH Program.
- \$770 to DMH for consultant costs and membership dues by not allocating the cost to all programs benefiting from the services.
- \$300 for special activities. However, the Agency could not provide the names of the participants that benefited from the expenditures.

**Recommendations**

**St. Anne's management:**

1. **Repay DCFS \$14, 279.**
2. **Repay DMH \$1,747.**
3. **Ensure that DMH and Wraparound program funds are solely used for the specific programs.**
4. **Maintain adequate supporting documentation for expenditures charged to DMH and Wraparound programs.**

**Response**

***Recommendations 1 & 2:***

*As stated in my letter of March 12, 2008, St. Anne's contributed donated funds to these programs in the amount of \$383,479 during the period identified (please see details outlined in my letter showing incurred allowable costs in excess of reimbursement for the DCFS and DMH contracts). Therefore, I believe that St. Anne's should not be required to repay the amounts indicated above.*

***Recommendation 3:***

*We have enhanced our review of all expenditures to ensure program funds are solely used for the specific programs intended. This process includes review of detail trial balances for all programs by the Finance Department, Senior Management and each Program Director on a monthly basis. A trial balance is produced and reported separately for each contract.*

***Recommendation 4:***

*The Finance Department is now reviewing all payment back up information to ensure that expenditures charged to the DMH and Wraparound programs are appropriate. Examples of the revised procedures include:*

1. *Program Directors approval is required on all expenses charged to any funding source.*

2. *We have created a detailed Flex Fund Policy for the Wraparound Approach Services Program.*
3. *Clients are now signing a Statement of Receipt form for donations and Flex Funds.*
4. *The Wraparound Approach Services Program Assistant is keeping a Petty Cash Log to closely monitor the return of cash receipts for any petty cash distributed to staff for client needs.*

### **Fixed Assets and Equipment**

#### **Results**

*Two (16%) of the 12 Wraparound items and seven (19%) of the 36 DMH items were not included in the Agency's inventory list. In addition, the Agency does not perform a physical inventory.*

#### **Recommendations**

**St. Anne's management:**

5. **Maintain a complete and accurate listing of fixed assets and equipment.**
6. **Perform an annual physical inventory.**

#### **Response**

**Recommendation 5:**

*St. Anne's is now maintaining a complete and accurate listing of fixed assets and equipment.*

**Recommendation 6:**

*St. Anne's will perform an annual physical inventory.*

### **Payroll and Personnel**

#### **Results**

*St. Anne's personnel files maintained the required documentation. However, St. Anne's over allocated \$1,240 to the Wraparound Program and \$642 to the DMH Program for three administrative staff who worked multiple assignments by using estimated not actual hours worked. Specifically, the timecards submitted by the three employees indicated less hours worked than allocated.*

**Recommendations**

7. Repay DCFS \$1,240.
8. Repay DMH \$642.
9. Ensure that payroll expenditures are charged to each program based on the actual hours worked.

**Response**

*Recommendations 7 & 8:*

*See response to recommendations 1 & 2.*

*Recommendation 9:*

*St. Anne's is closely monitoring that all payroll expenditures are charged to the appropriate programs by program staff. Staff that work in multiple programs charge their time based on actual hours worked in each program and will continue to complete allocated time sheets during each pay period. The new overhead allocation procedure adopted by St. Anne's Finance Committee on May 21, 2008, will be used to charge administrative and support staff costs based on the actual salary costs of each program.*

**Cost Allocation Plan**

**Results**

*St. Anne's Cost Allocation Plan was not prepared in compliance with the County contract requirements. St. Anne's allocated their shared costs to DMII and Wraparound programs based on budgeted number of staff instead of actual. As a result of our finding, St. Anne's prepared a revised Cost Allocation Plan in compliance with the County contract. Using the revised Cost Allocation Plan, the agency reallocated their shared costs to all programs and determined that the Agency had over allocated \$52,730 to the DMII program during FY 2006-2007.*

**Recommendations**

**St. Anne's management:**

10. Repay DMH \$52,730.
11. Ensure that indirect costs are allocated in accordance with the Cost Allocation Plan and the County contract.

**Response**

***Recommendation 10 & 11:***

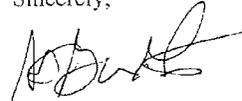
*See response to recommendations 1 & 2.*

***Recommendation 12:***

*A new Indirect Cost Allocation Plan, in accordance with the County contracts, has been implemented. Actual program salaries are now used as the basis to allocate indirect costs to each program.*

As I have previously stated, we thank the Auditor-Controller's Office for their efforts during this audit period. We appreciate the open dialogue and opportunity to address our concerns and questions throughout the process. If you have any questions or need further information, please feel free to call on me at (213) 381-2931, ext. 237.

Sincerely,



*for* Tony Walker, MA  
President and Chief Executive Officer

CC: Joe Harrington, CPA, The Harrington Group  
Gayle Whittemore, CPA, MBT, Whittemore Associates  
Steve Gunther, LCSW, Chief Operating Officer  
Mike Cazares, Chief Financial Officer  
Janice Kanellis, LCSW, Vice President of Programs  
Bree Davis, Ph.D., Director, Family Based Services  
Anu Mandapati, Director, Mental Health Services  
Carlos Tobar, Director, Quality Assurance Division  
Scott Kissack, Director, Support Services