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June 8, 2009

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TO: Supervisor Don Knabe, Chairman
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FROM: Wendy L. Watanabe 
Auditor-Controller

SUBJECT: **SPIRITT FAMILY SERVICES CONTRACT REVIEW – A DEPARTMENT
OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of Spiritt Family Services (Spiritt or Agency) a Department of Mental Health (DMH) service provider.

Background

DMH contracts with Spiritt, a private non-profit community-based organization that provides services to clients in Service Planning Area 3. Services include interviewing program participants, assessing their mental health needs, and developing and implementing a treatment plan. Spiritt's offices are located in the First and Fifth Supervisorial Districts.

DMH paid Spiritt between \$2.02 and \$4.82 per minute of staff time (\$121.20 to \$289.20 per hour) for services or approximately \$550,000 for Fiscal Year (FY) 2007-08.

Purpose/Methodology

The purpose of our review was to determine whether Spiritt complied with its contract terms and appropriately accounted for and spent DMH funds providing services outlined in their contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed Agency staff.

Results of Review

Spiritt staff assigned to the County contract possessed the required qualifications. In addition, the Agency maintained Progress Notes to support the services billed. However, the Agency did not always comply with other program and contract requirements. Specifically, the Agency:

- Did not complete Client Care Plans in accordance with the County contract for five (33%) of 15 clients sampled.
- Charged DMH \$1,200 for services provided to non-DMH clients.
- Charged DMH \$863 for staff time spent working on a non-DMH program. Subsequent to our review, the Agency repaid DMH for the overcharged salary expenditure.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed the results of our review with Spiritt and DMH on March 20, 2009. In their attached response, the Agency agreed with our recommendations and reduced their DMH expenditures by \$1,200.

We thank Spiritt management 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:JET:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Spiritt Family Services
Irene Redondo-Churchward, Executive Director
Roger Stoltenberg, President
Public Information Office
Audit Committee

**DEPARTMENT OF MENTAL HEALTH
SPIRITT FAMILY SERVICES
FISCAL YEAR 2007-08**

BILLED SERVICES

Objective

Determine whether Spiritt Family Services (Spiritt or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 20 billings totaling 1,833 minutes from 18,042 service minutes of approved Medi-Cal billings from January and February 2008. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 1,833 minutes represent services provided to 15 program participants.

Results

Spiritt maintained documentation to support the billed service minutes. In addition, the Agency completed Assessments and Progress Notes in compliance with the County contract. However, the Client Care Plans for five (33%) of 15 clients sampled did not contain observable and/or quantifiable goals. The Client Care Plan should establish goals and interventions to address the mental health issues identified in the client's Assessment.

Recommendation

1. **Spiritt management ensure that Client Care Plans are completed in accordance with the County contract.**

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 compliance with staffing ratios.

Recommendation

None.

STAFFING QUALIFICATIONS**Objective**

Determine whether Spiritt's treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for six of the seven Spiritt treatment staff who provided services to DMH clients during January and February 2008.

Results

Each employee reviewed possessed the qualifications required to deliver the services billed.

Recommendation

None.

CASH / REVENUE**Objective**

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

Verification

We interviewed Spiritt's management and reviewed the Agency's financial records. We also reviewed the Agency's March 2008 bank reconciliations for two bank accounts.

Results

Spiritt properly recorded and deposited cash receipts timely. In addition, the Agency prepared bank reconciliations appropriately.

Recommendation

None.

COST ALLOCATION PLAN**Objective**

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

Verification

We reviewed Spiritt's Cost Allocation Plan, interviewed management and reviewed the Agency's accounting records to ensure that expenditures were properly allocated to the Agency's programs.

Results

Spiritt's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate their indirect expenditures.

Recommendation

None.

EXPENDITURES**Objective**

Determine whether program expenditures were allowable under the County contract, properly documented and accurately charged to the DMH program.

Verification

We reviewed financial records and documentation to support 20 non-payroll expenditures transactions totaling \$16,187 between July 2007 and June 2008.

Results

The Agency used program funds totaling \$3,600 to pay three expenditures to a subcontractor for psychiatric services. However, the Agency did not provide documentation to identify the DMH clients that received the services.

The Agency subsequently provided documentation to support \$2,400 of the expenditures above. Agency management indicated that the remaining \$1,200 was related to non-DMH program clients.

Recommendations**Spiritt management:**

2. Repay DMH \$1,200.
3. Ensure that program expenditures are supported by adequate documentation.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether fixed assets and equipment costs charged to the DMH program were used by the program and were adequately safeguarded.

Verification

We interviewed staff and reviewed the Agency's fixed assets and equipment listing. In addition, we performed a physical inventory of five items.

Results

The Agency appropriately allocated total Agency fixed assets and equipment costs to DMH program. In addition, the Agency adequately safeguarded their fixed assets and equipment.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

Verification

We traced the payroll expenditures for 13 employees totaling \$10,284 to payroll records and time reports for the two-week pay period ending March 21, 2008. We also reviewed the employees' personnel files and interviewed 11 of the employees.

Results

Spiritt charged the DMH program \$863 for staff time spent working on a non-DMH program. Specifically, the employee worked on DMH and non-DMH programs, but 100% of the employee's salary was charged to the DMH program. In addition, the Agency did not properly document approval of the salary rate paid to one employee in our sample.

Subsequent to our review, the Agency repaid the DMH program for the overcharged salary expenditure.

Recommendations**Spiritt management:**

4. **Ensure that payroll expenditures are based on actual hours worked each day by program.**
5. **Review and approve salary rates.**

COST REPORT**Objective**

Determine whether Spiritt's Fiscal Year (FY) 2006-07 Cost Report reconciled to the Agency's financial records.

Verification

We traced the Agency's FY 2006-07 Cost Report to the Agency's general ledger.

Results

The total Agency expenditures listed on Spiritt's Cost Report reconciled to the Agency's general ledger.

Recommendation

None.



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Family Services
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May 8, 2009

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

Dear Ms. Watanabe:

This letter is in response to your audit recommendations stated in your contract compliance review of SPIRITT Family Services. Each of your recommendations is followed by our corrective actions.

Recommendation

1. SPIRITT management ensure that Client Care Plans are completed in accordance with the County contract.

Corrective Action Plan: A new Care Plan Protocol was initiated on 7/01/08. During weekly staff supervision, they have reviewed the protocols and been reminded of the importance of completing client care plans using the SMART (Specific, Measureable, Attainable, Results-focused and Timely) method called for in the protocol.

Recommendation

2. SPIRITT management repay the DMH program \$1,200

Corrective Action Plan: SPIRITT repaid the DMH program by making an adjustment in our accounting records. The \$1,200 expense was not included in the cost report submitted to DMH.

Recommendation

3. SPIRITT management ensure that program expenditures are supported by adequate documentation.

Corrective Action Plan: SPIRITT developed a new Psychiatrist Protocol in response to the finding of inadequate documentation, to ensure proper documentation for each client referred for psychiatric services.



United Way

Page 2

Recommendation

4. SPIRITT management ensure that payroll expenditures are based on actual hours worked each day by program.

Corrective Action Plan; Payroll registers will be compared to each individual timecard to ensure that payroll expenditures are based on actual hours worked each day by each program.

Recommendation

5. SPIRITT management ensure that salary rates are reviewed and approved by management.

Corrective Action Plan; SPIRITT management will consult with and update the human resource department with written documentation to ensure that all salary rates are reviewed and approved by management in a timely manner.

We appreciate your assistance to improve the quality of our services. If you have any questions, please contact me at (562) 903-7000.

Sincerely,



Irene Redondo-Churchward
Executive Director
SPIRITT Family Services