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DEPARTMENT OF AUDITOR-CONTROLLER**

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November 8, 2010

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

FROM: Wendy L. Watanabe  
Auditor-Controller

SUBJECT: **DREW CHILD DEVELOPMENT CORPORATION CONTRACT REVIEW  
– A DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We completed a program and fiscal contract compliance review of Drew Child Development Corporation (Drew or Agency), a Department of Mental Health (DMH) service provider. The purpose of our review was to determine whether Drew complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County contract. Services include interviewing program clients, assessing their mental health needs, and developing and implementing a treatment plan.

DMH paid Drew on a cost-reimbursement basis for services or approximately \$1.7 million for Fiscal Year (FY) 2009-10. The Agency's headquarters is located in the Second District.

**Results of Review**

Drew staff possessed the required qualifications to provide the mental health services provided and the Agency maintained adequate controls over cash and liquid assets. However, the Agency charged DMH \$46,212 in questioned costs and did not always comply with other County contract requirements. Specifically, Drew:

- Billed DMH \$8,831 for clients who did not meet the medical necessity requirement (\$6,506) and for unsupported service minutes (\$2,325).

*Drew's attached response indicates that they will repay DMH \$8,831.*

- Allocated \$28,775 to the DMH program for non-DMH program costs.

*Drew's attached response indicates that they will reduce their FY 2008-09 Cost Report by \$28,775.*

- Charged DMH \$8,606 (\$7,006 + \$1,600) for non-DMH programs expenditures.

*Drew's attached response indicates that they will reduce their FY 2008-09 Cost Report by \$8,606.*

- Did not complete some elements of the participants' Assessments, Client Care Plans and Progress Notes in accordance with the County contract requirements.

*Drew's attached response indicates that their Quality Assurance Team will work closely with staff reviewing notes and care plans and will provide ongoing training to program staff.*

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 Drew and DMH. In the attached response, the Agency concurred with our recommendations and agreed to repay DMH \$8,831 and reduce their FY 2008-09 Cost Report by \$37,381.

We thank Drew 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  
Kerry English, Chair, Board of Directors, Drew Child Development Corporation  
Mike Jackson, Executive Director, Drew Child Development Corporation  
Public Information Office  
Audit Committee

**DEPARTMENT OF MENTAL HEALTH  
DREW CHILD DEVELOPMENT CORPORATION  
FISCAL YEAR 2009-10**

**BACKGROUND/PURPOSE**

The Department of Mental Health (DMH) contracts with Drew Child Development Corporation (Drew or Agency) a private, non-profit, community-based organization that provides services to clients in Service Planning Area 6. Services include interviewing program clients, assessing their mental health needs, and developing and implementing a treatment plan.

The purpose of our review was to determine whether Drew complied with its contract terms and appropriately accounted for and spent DMH program funds providing the services outlined in their County 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.

**BILLED SERVICES**

**Objective**

Determine whether Drew provided the services billed in accordance with their County contract with DMH.

**Verification**

We selected 30 billings totaling 4,865 minutes from 123,878 service minutes of approved Medi-Cal billings for May and June 2009, which were the most current billings available at the time of our review (February 2010). We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 4,865 minutes represent services provided to 20 program participants.

**Results**

Drew billed DMH \$8,831 without adequate documentation to support billings. Specifically, Drew billed DMH:

- \$6,506 for two participants who did not meet the medical necessity requirements (Multidisciplinary Assessment Team (MAT)). The County contract requires Agencies to bill the Department of Children and Family Services for the services provided to clients who do not meet the medical necessity requirements.
- \$1,653 for 978 service minutes billed for Targeted Case Management without documentation addressing the services aimed towards clients' goals, functional impairments or presenting problems as required.

- \$672 for 307 service minutes for observing a family visit without a mental health intervention and clerical activities discharging a client, which were not billable services in accordance with the County contract.

In addition, Drew did not always complete some elements of the Assessments, Client Care Plans and Progress Notes in accordance with the County contract.

### Assessments

Drew did not adequately describe the symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients for seven (35%) of the 20 clients sampled on their Assessments. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies to follow DSM when diagnosing clients.

### Client Care Plans

Drew did not complete some elements of the Client Care Plans for five (25%) of the 20 clients sampled in accordance with the County contract. Specifically, the Client Care Plans contained goals that were not specific.

### Progress Notes

Drew did not complete three (10%) of the 30 Progress Notes in accordance with the County contract. Specifically, the Progress Notes for mental health services did not document what the clients or service staff attempted and/or accomplished towards the clients' goals.

### Recommendations

#### **Drew management:**

- 1. Repay DMH \$8,831.**
- 2. Work with DMH to determine the amount billed to Medi-Cal for the services provided to MAT clients with no documentation of medical necessity during Fiscal Year (FY) 2009-10 and repay DMH for the determined amount.**
- 3. Ensure that service minutes billed are allowable mental health services in accordance with the County contract.**
- 4. Maintain sufficient documentation to support the service minutes billed to DMH.**

- 5. Ensure that Assessments, Client Care Plans and Progress Notes 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 did not provide services that require staffing ratios for this particular program.

**Recommendation**

**None.**

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether Drew 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 seven of the 26 Drew treatment staff who provided services to DMH clients.

**Results**

Each employee in our sample possessed the qualifications required to provide 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 there are adequate controls over cash and other liquid assets.

**Verification**

We interviewed Drew's management and reviewed the Agency's financial records. We also reviewed two bank reconciliations for December 2009.

**Results**

Drew maintained adequate controls to ensure that revenue, cash and liquid assets were properly recorded and deposited in a timely manner.

**Recommendation**

**None.**

**COST ALLOCATION PLAN**

**Objective**

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

**Verification**

We reviewed the Agency's Cost Allocation Plan and selected 22 shared expenditures totaling \$124,935 to ensure that the expenditures were appropriately allocated to the Agency's programs.

**Results**

Drew's Cost Allocation Plan was prepared in compliance with the County contract. However, Drew allocated \$32,690 in FY 2008-09 for 100% of their advertisement, building repairs and maintenance expenditures instead of allocating among all benefited programs. Subsequent to our review, Drew determined \$28,775 of the \$32,690 were non-DMH program costs.

During the contract year, DMH pays Drew a negotiated rate for their cost-reimbursement contract. At the end of the contract year, if the Agency's revenues exceed the actual expenditures on their Cost Report, the Agency must repay DMH for the excess amount received.

**Recommendation**

- 6. Drew management revise the FY 2008-09 Cost Report to reduce the reported program expenditures by \$28,775 and repay DMH for any excess amount received.**

## 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 25 non-payroll expenditure transactions totaling \$131,270 charged to the DMH program between July 2008 and December 2009.

### Results

Drew charged DMH \$8,606 in questioned costs. Specifically, Drew charged DMH:

- \$7,006 for supplies and subcontractor costs related to non-DMH programs.
- \$1,600 for publication costs that never incurred.

As indicated previously, DMH pays Drew a negotiated rate for their cost-reimbursement contract during the contract year. At the end of the contract year, if the Agency's revenues exceed the actual expenditures on their Cost Report, the Agency must repay DMH for the excess amount received.

### Recommendations

#### **Drew management:**

7. **Revise the FY 2008-09 Cost Report to reduce the reported program expenditures by \$8,606 (\$7,006 + \$1,600) and repay DMH for any excess amount received.**
8. **Ensure that only allowable expenditures are charged to the DMH program.**

## FIXED ASSETS

### Objective

Determine whether fixed assets depreciation costs charged to DMH were allowable under the County contract, properly documented and accurately billed.

We did not perform test work in this area, as Drew did not charge DMH depreciation costs during FY 2008-09.

**Recommendation**

**None.**

**PAYROLL AND PERSONNEL**

**Objective**

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

**Verification**

We traced the payroll expenditures totaling \$20,591 for ten employees to the payroll records and time reports for the pay period ending December 25, 2009. We also interviewed all ten employees and reviewed their personnel files.

**Results**

Drew's payroll expenditures were appropriately charged to the DMH program. In addition, the Agency maintained their personnel files as required.

**Recommendation**

**None.**

**COST REPORT**

**Objective**

Determine whether Drew's FY 2008-09 Cost Report reconciled to the Agency's accounting records.

**Verification**

We traced the Agency's FY 2008-09 DMH Cost Report to the Agency's accounting records.

**Results**

Drew's Cost Report reconciled to the Agency's accounting records.

**Recommendation**

**None.**

Drew  
Child  
Development  
Corporation

September 14, 2010

Wendy L. Watanabe, Auditor-Controller  
County of Los Angeles  
Department of Auditor-Controller  
500 West Temple Street, Room 525  
Los Angeles, CA 90012

Subject: Drew Child Development Corporation Contract Review - A Department of  
Mental Health Service Provider

Dear Ms. Watanabe:

The management team of Drew Child Development Corporation has reviewed the  
findings of the program and fiscal contract compliance review performed.

Enclosed please find Drew CDC's Corrective Action Plan resulting from the DMH  
Contract review.

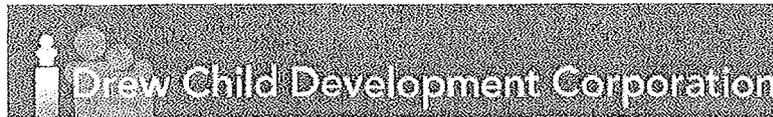
If you have any questions, please contact me at (323) 249-2950 ext. 123.

Sincerely,



Mike Jackson, Ph.D.  
President and CEO

Enclosures



**DMH CONTRACT REVIEW  
FISCAL YEAR 2008-2009  
RESPONSE & CORRECTIVE ACTION PLAN**

Drew Child Development Corporation (Drew CDC) is committed to high quality services that that strengthen positive outcomes for our children and families. Our QA team works closely with our Division Director of Mental Health to ensure strong internal controls including compliance with Federal, State, and County Guidelines.

Below is our response to the recommendations outlined in the Auditor Controller's report dated September 8, 2010. Where appropriate, we have also included our corrective plan to mitigate future issues with compliance.

**Billed Services**

**Recommendations:**

Drew Management:

1. Repay DMH \$8,831 or provide documentation to support the undocumented services.

**Response:** Drew CDC agrees with this finding and will repay DMH the \$8,831 in question.

2. Work with DMH to determine the amount billed to Medi-Cal for the services provided to Multidisciplinary Assessment Team clients with no medical necessity during Fiscal Year (FY) 2009-10 and repay DMH for the determined amount.

**Response:** We believe that this matter has been resolved since we installed the EXYM system and have provided in-service trainings regarding MAT DMH and DCFS billing requirements. However, we need additional time, a month or two, to review the files so that we can adequately respond to your recommendation/request.

**Corrective Action:** Effective immediately, Drew CDC has implemented an electronic health record system which automatically creates two separate funding sources for each MAT client, (MAT DMH and MAT DCFS) this ensures a higher level of accuracy for billable activities for MAT clients who do not meet medical

necessity. We have also trained staff on MAT DMH and MAT DCFS billing requirements.

3. Ensure that service minutes billed are allowable mental health services in accordance with the County Contract.

**Response:** Our QA and licensed clinical supervisors routinely evaluate billing to ensure that we all service minutes billed are allowable mental health services in accordance with the County Contract.

**Corrective Action:** Effective immediately, in-service trainings will be conducted for Drew CDC program staff to address and review the DMH guidelines and procedures for reimbursable activities. Drew CDC program staff will also attend applicable DMH trainings as they become available. Drew CDC program staff will participate in an upcoming audit findings training to be scheduled by DMH. Also, the implementation of the electronic health record system will greatly diminish the overall rate of errors and deficiencies through enhancement of the internal auditing review process by the Clinical Supervisors and Quality Assurance Department.

4. Maintain sufficient documentation to support the service minutes billed to DMH.

**Response:** All clinical documentation is reviewed by licensed clinical staff and QA. We have also implemented the EXYM system which helps us to ensure that documentation is written in a manner to support services minutes billed to DMH.

**Corrective Action:** Effective immediately, in service trainings will be conducted for Drew CDC program staff to review standards and guidelines for writing assessments. Drew CDC program staff will also be attending DMH trainings applicable to the writing of assessments as they become available. In addition, Drew CDC will be participating in an audit findings training to be scheduled by DMH. The program implementation of a new electronic record system will improve the overall compliance and adherence to the standards and guidelines of the writing of assessments by Drew CDC clinical staff as set forth by DMH.

5. Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County Contract.

**Response:** The Quality Assurance Team will work closely with staff reviewing notes and care plans to ensure compliance with the DMH contract.

**Corrective Action:** Effectively immediately, ongoing in service trainings will be conducted for Drew CDC program staff to review DMH standards and guidelines for writing Client Coordination Care Plans. Drew CDC program staff will also be

participating in all mandatory DMH Client Care Plan online training modules. As previously mentioned the implementation of the electronic record system will enhance the overall internal evaluation and monitoring process of all client care plans.

### Cost Allocation Plan

6. Drew management revised the FY 2008-09 Cost Report to reduce the reported program expenditures by \$28,775 and repay DMH for any excess amount received.

**Response:** Drew's Cost Allocation Plan was prepared in compliance with the County contract. However, Drew allocated \$32,690 in fiscal Year (FY) 2008-09 for 100% of their advertisement, building repairs and maintenance expenditures instead of allocating among all benefited programs. Subsequent to our review, Drew determined \$28,775 of the \$32,690 as non-DMH program costs.

During the contract year, DMH pays Drew a negotiated rate for their cost-reimbursement contract. At the end of the contract year, if the Agency's revenues exceed the actual expenditures of their Cost Report, the Agency must repay DMH for the excess amount received.

**Corrective Action:** Effective immediately, Drew CDC fiscal staff will receive ongoing training regarding the Agency's Cost Allocation Plan. Appropriate coding of expenses will be verified by Controller to ensure that only allowable expenditures are charged to the appropriate contract. Upon request, Drew CDC will revise the FY 2008-09 Cost Report to reduce the reported program expenditures.

### Expenditures

7. Revise the FY 2008-09 cost report to reduce the reported program expenditures by \$8,606 (\$7,006 = \$1,600) and repay DMH for any excess amount received.

**Response:** Drew agrees to the \$8,606 in question.

**Corrective Action:** Effective immediately, appropriate coding of expenses will be verified by Controller to ensure that only allowable expenditures are charged to the appropriate contract. Upon request, Drew CDC will revise the FY 2008-09 Cost Report to reduce the reported program expenditures.

8. Ensure that only allowable expenditures are charged to the DMH program.

**Response:** Drew CDC agrees.

**Corrective Action:** Effective immediately, appropriate coding of expense will be verified by the Controller to ensure that only allowable expenditures are charged to the appropriate contract.