COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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WENDY L. WATANABE
CHIEF DEPUTY

February 1, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **PERSONAL INVOLVEMENT CENTER CONTRACT COMPLIANCE AND FOLLOW-UP REVIEWS – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND MENTAL HEALTH SERVICES PROVIDER**

We have conducted a fiscal review of Personal Involvement Center (PIC or Agency), a Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) and Department of Mental Health (DMH) services provider. In addition, we conducted a follow-up review on PIC's efforts to implement 33 recommendations contained in our contract compliance report issued on December 12, 2006.

Background

DCFS and DMH contract with PIC, a private non-profit community-based organization to provide services to clients countywide. DCFS contracts with PIC to provide and operate the Wraparound Program. The Wraparound Program is a family-centered and needs-driven program providing individualized services to children and their families such as, therapy, housing, educational and social assistance. DMH contracts with PIC to provide Mental Health services which include interviewing program participants, assessing their mental health needs, and developing and implementing a treatment plan. PIC is located in the Second District.

DMH paid PIC between $2.29 and $4.23 per minute of staff time ($137.40 to $253.80 per hour). PIC's contract with DMH was for approximately $1.5 million for Fiscal Year

(FY) 2006-07. DCFS paid PIC on a fee-for-service basis $4,184 per child, per month. DCFS paid PIC approximately $297,000 for FY 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether PIC complied with its contract terms and appropriately accounted for and spent Wraparound funds in providing services to children and their families. In addition, we reviewed PIC's efforts to implement the 33 recommendations contained in our previous report that covered DMH funds.

Results of Review

PIC made limited progress implementing the recommendations in our previous report that identified significant procedural changes needed to correct numerous deficiencies and areas of noncompliance with the County contract. PIC did not implement 17 (52%) recommendations, partially implemented three (9%) recommendations, implemented 12 (36%) recommendations and one (3%) recommendation is no longer applicable.

During the current review, PIC charged $119,690 to the Wraparound and DMH Programs for transactions that were not allowed under the County contract and were delinquent in paying their payroll taxes. For example, PIC:

- Charged $33,183 in Wraparound and DMH Programs expenditures that were not allowed or adequately documented.

- Charged $50,248 in indirect costs to Wraparound and DMH Programs without adequate supporting documentation.

- Did not pay State payroll taxes for January through March 2007 as of July 2007. The delinquent payroll taxes totaled $11,783.

At the conclusion of our prior review, the Agency indicated that they were committed to implementing our recommendations within six months. However, as noted, only 12 of the 33 recommendations were implemented and many of the significant procedural changes have not been made.

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

Review of Report

We discussed our report with PIC on December 11, 2007. In their attached response, PIC management disagreed with three of the 28 recommendations. Specifically, PIC management indicated that:

- The $600 in training costs (Recommendation 3) was appropriately billed to the Wraparound Program since the three contracted staff were assigned to the Wraparound Program. However, the only document PIC provided was an invoice indicating that the staff worked a different DCFS Program.

- The $2,600 in recruiting costs (Recommendation 4) was appropriately billed to Wraparound. However, the invoice PIC provided indicated that the staff person hired was assigned to the DMH Program. PIC did not provide appropriate documentation to substantiate why they charged Wraparound for recruiting program staff to work on the DMH program.

- The $33,353 in questioned cleaning service costs (Recommendation 21) was solely for the offices occupied by the DMH Program. However, the maintenance contractor agreement required the contractor to "clean classrooms, bathrooms, hallways, multipurpose rooms, gym, set and special events, offices, and computer and copier rooms" which are not all used by the DMH program.

We notified DCFS and DMH of the results of our review. If the Agency does not commit to implement all recommendations in a timely manner to comply with the County contract, DCFS and DMH need to work with County Counsel to exercise the contractual remedies, such as terminating the County contract, that are available to penalize the Agency for not correcting the areas of non-compliance.

We thank PIC for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

JTM: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
Susan Kerr, Chief Deputy Director, Department of Children and Family Services
Maxine Perryman, Chief Deputy Director, Personal Involvement Center
Board of Directors, Personal Involvement Center
Public Information Office
Audit Committee

DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
FOLLOW-UP AND FISCAL REVIEW
PERSONAL INVOLVEMENT CENTER
FISCAL YEAR 2007-08

CASH/REVENUE

Objective

Determine whether PIC implemented the three recommendations related to cash and revenue from our previous report. In addition, determine whether Wraparound cash receipts and revenues are properly recorded in PIC's records and deposited timely in the Agency's bank account and 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 bank reconciliations for April and May 2007. We also reviewed the status of the recommendations listed in our prior report.

Results

PIC implemented one recommendation. Two other recommendations were not implemented. Although the Agency properly recorded and deposited Wraparound funds, the Agency did not significantly improve their controls over cash or properly complete the bank reconciliations in a timely manner.

The following is the current status of the recommendations in our prior report.

PIC management establish adequate separation of duties over the handling of cash (Recommendation #7).

Current Status: IMPLEMENTED

We interviewed PIC management and reviewed supporting documentation. PIC established an adequate segregation of duties over their cash handling operations.

PIC management ensure that bank reconciliations are reviewed and approved by a manager that does not have cash handling responsibilities (Recommendation #8).

Current Status: NOT IMPLEMENTED

PIC assigned a consultant who does not have cash handling responsibilities to review the Agency's bank reconciliations. However, as of July 2007, the consultant had not reviewed any of PIC's bank reconciliations.

PIC management ensure that bank reconciliations are completed properly and in a timely manner (Recommendation #15).

Current Status: NOT IMPLEMENTED

The bank reconciliations that PIC completed contained significant reconciling items and were not completed properly. For example, the book balance reported on the Agency's April 2007 payroll account reconciliation did not agree with the Agency's accounting records and contained reconciling items totaling $101,328.

Recommendations

PIC management:

1. **Ensure that bank reconciliations are reviewed by an appropriate reviewer in a timely manner.**

2. **Ensure that bank reconciliations are prepared accurately and reconciling items are resolved timely.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether PIC implemented three recommendations related to expenditures from our previous report. In addition, determine whether expenditures charged to the Wraparound Program are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 29 non-payroll expenditure transactions billed by the Agency from July 2006 through May 2007, totaling $20,273. We also reviewed the status of the recommendations in our prior report.

Results

PIC implemented one recommendation and two recommendations were not implemented. Overall, the Agency did not significantly improve their controls over expenditures and procurement. Many of the issues noted in the Agency's use of the

Wraparound Program funds were similar to the issues noted in our prior review. The following is the current status of the recommendations.

PIC management do not use specific program funds to fund activities in other programs (Recommendation #17).

Current Status: NOT IMPLEMENTED

PIC continued to use program funds to pay for non-program related activities. Specifically, PIC charged the Wraparound Program $2,619 in training, telephone and vehicle expenditures that were not related to the Wraparound Program.

PIC management maintain original invoices/receipts to support program expenditures (Recommendation #18).

Current Status: NOT IMPLEMENTED

PIC did not maintain original invoices or receipts to support program expenditures. Specifically, PIC:

- Charged the Wraparound Program $2,600 in recruiting costs without a contract or the name of the employee who performed the service.

- Charged the Wraparound Program $2,250 in utilities billed by Praise of Zion Baptist Church (Church), an affiliated party, without adequate supporting documentation. The lease agreement between PIC and the Church did not entitle the Church to bill $750 per month for utilities. PIC did not provide any other documentation to justify the $750 monthly payment.

- Charged the Wraparound Program $243 in program expenditures without adequate supporting documentation. PIC claimed the expenditure related to meals purchased for clients. However, the Agency did not provide receipts or the names of clients who received the meals.

- Charged the DMH Program $6,264 without providing the original receipts or invoices.

- Charged the DMH program $1,500 per month for utilities without adequate supporting documentation. The monthly charges were paid to the Church. During Fiscal Year (FY) 2006-07, PIC charged the DMH program $10,500 for unsupported utilities.

PIC management repay the County $36,836 for undocumented and unallowable expenses identified in our report (Recommendation #19).

Current Status: IMPLEMENTED

PIC reduced their July 2007 billings to DMH to repay the $36,836.

Recommendations

PIC management:

3. **Repay DCFS $2,619 for amounts billed the Wraparound Program that were related to other programs.**

4. **Repay DCFS $5,093 ($2,600 + $2,250 + $243) and DMH $16,764 ($6,264 + $10,500) for amounts billed that were undocumented.**

5. **Do not use funds of one program to fund activities in other programs.**

6. **Maintain original invoices/receipts and adequate documentation to support program expenditures.**

INTERNAL CONTROLS

Objective

Determine whether PIC has implemented seven recommendations related to internal controls from our previous report. In addition, determine whether the contractor maintained sufficient internal controls over its DMH and Wraparound Program business operations.

Verification

We interviewed Agency personnel, reviewed the Agency's policies and procedures manuals and tested transactions in various areas such as expenditures, payroll and personnel. We also reviewed the status of recommendations in our prior report.

Results

PIC implemented five recommendations and two recommendations were not implemented. Generally, PIC maintained adequate internal controls over its DMH and Wraparound Programs' business operations. However, PIC continued to have difficulty maintaining accurate accounting records. The following is the current status of the recommendations.

PIC management maintain accurate accounting records (Recommendation #3).

Current Status: NOT IMPLEMENTED

As of July 2007, PIC had not recorded Wraparound Program payroll expenditures for May and June 2007 to the Agency's general ledger.

PIC management ensure that all voided checks are accounted for and recorded in their accounting records (Recommendation #9).

Current Status: IMPLEMENTED

The five voided checks sampled were properly accounted and recorded in PIC's general ledger.

PIC management ensure that expenditures are pre-approved by management (Recommendation #10).

Current Status: IMPLEMENTED

PIC management pre-approved all 15 DMH expenditures sampled.

PIC management require that invoices or receipts are marked "paid" to prevent duplicate payments (Recommendation #11).

Current Status: IMPLEMENTED

PIC marked "paid" all 15 DMH expenditures sampled.

PIC management do not issue checks payable to cash (Recommendation #12).

Current Status: IMPLEMENTED

PIC did not issue checks payable to cash during the period covered by our review.

PIC management develop a policy regarding the use of cellular phones (Recommendation #13).

Current Status: IMPLEMENTED

PIC management developed a policy regarding the use of cellular phone and also required all employees to sign a cellular phone agreement prior to attaining a cellular phone from the Agency.

PIC management ensure that all financial transactions are properly recorded in the Agency's accounting records (Recommendation #16).

Current Status: NOT IMPLEMENTED

In their corrective action plan, PIC management proposed a quality assurance process whereby management would review the accounting records on a monthly basis to identify errors and ensure that their financial records are complete. PIC provided a general ledger account summary report, income statement and balance sheet used for

the quality assurance process. PIC indicated that their former Chief Executive Officer and consultant reviewed the documents on a quarterly basis to identify unusual transactions. However, PIC did not provide documentation detailing the results of the quality assurance review. In addition, the accounting records used for quality assurance monitoring did not contain detailed transactions that would have allowed management to detect unusual transactions.

Recommendation

7. **PIC management maintain accurate and complete accounting records that contain detailed transactions.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether PIC implemented the two recommendations related to fixed assets and equipment from our previous report. In addition, determine whether PIC's fixed assets and equipment purchased with DMH and Wraparound funds are used for the Wraparound Program 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 count and reviewed the usage of three items listed on the Agency's listing.

Results

PIC partially implemented one recommendation and one recommendation was not implemented. The fixed assets and equipment purchased using Wraparound Program funds were used within the program. The Agency needs to improve its oversight of fixed assets and equipment purchased with program funds. The following is the current status of the recommendations.

PIC management maintain a listing of the Agency's fixed assets and equipment including description, unique identifier, assigned individual and the program where the asset is used (Recommendation #26).

Current Status: NOT IMPLEMENTED

PIC's fixed assets and equipment listing does not include the assigned individual, purchase price, date of purchase or funding source.

PIC management remove the 2002 Cadillac from the Agency's financial records and reimburse the County for any depreciation that was billed to the County (Recommendation #27).

Current Status: PARTIALLY IMPLEMENTED

PIC removed the 2002 Cadillac from the Agency's fixed assets and equipment listing and their depreciation schedule. However, PIC did not reimburse the County for any depreciation that was billed to the County for the 2002 Cadillac.

Recommendations

PIC management:

8. **Maintain a listing of the Agency's fixed assets and equipment including description, unique identifier, assigned individual and the program where the asset is used.**

9. **Reimburse the County for depreciation that was billed to the County for the 2002 Cadillac.**

PAYROLL AND PERSONNEL

Objective

Determine whether PIC has implemented the six recommendations related to the payroll and personnel from our previous report. In addition, determine whether payroll expenditures are appropriately charged to the Wraparound Program and whether personnel files are maintained as required.

Verification

We reviewed the payroll expenditures totaling $9,588 for six employees for June 2007. We also reviewed the personnel files of the six staff assigned to the Wraparound Program. We also reviewed the status of the recommendations in our prior report.

Results

PIC implemented one recommendation, two recommendations were partially implemented and three recommendations were not implemented. Additional issues were also noted that impacted the Wraparound Program payroll/personnel areas. PIC did not always document the approval of the salaries paid to their employee or pay their payroll taxes timely. The following is the current status of recommendations and the additional areas of non-compliance.

PIC management ensure timecards are signed by the employee and approved in writing by supervisory personnel (Recommendation #14).

Current Status: PARTIALLY IMPLEMENTED

PIC management established a policy that states timekeeping records must be approved and signed by the employee and the immediate supervisor. Eight of the ten PIC employees and immediate supervisors signed the timecards sampled. PIC did not provide a timecard for one employee whose salary is charged to the DMH Program.

PIC management ensure that payroll expenditures are allocated to the appropriate program (Recommendation #20).

Current Status: PARTIALLY IMPLEMENTED

PIC staff report the percentage of time they work each day on each program. However, PIC charged one employee's salary and payroll taxes totaling $7,637 to the DMH Program for an employee not working for the DMH program. PIC management stated that the employee is a director of a federal program administered by PIC.

PIC management ensure employees report on their timecards the total hours worked on each program (Recommendation #21).

Current Status: IMPLEMENTED

The four employees' timecards reviewed reported the percentage of time each employee worked on each program. PIC used the percentages to calculate the amount charged to each program.

PIC management ensure timecards are maintained for all employees (Recommendation #22).

Current Status: NOT IMPLEMENTED

As previously indicated, PIC did not provide a timecard for one (10%) of ten DMH employees sampled.

PIC management ensure that the County is billed only for insurance benefits provided to actual employees in accordance with program requirements (Recommendation #23).

Current Status: NOT IMPLEMENTED

PIC continued to pay for the health insurance of one of the four terminated employee as noted on the December 2006 report. PIC paid $2,947 for the former employee from January through April 2007.

PIC management calculate the total amount the County was incorrectly billed for the health insurance benefits provided to the four terminated employees and repay the County (Recommendation #24).

Current Status: NOT IMPLEMENTED

PIC did not calculate the total amount overbilled for the health insurance benefits provided to the four terminated employees or repay the County.

Additional Issues

PIC also did not comply with the Wraparound Program and County contract requirements in other payroll/personnel areas. Specifically, PIC:

- Did not maintain documentation to support the salary rates paid to four (67%) of six sampled employees. The salaries paid to the four employees were higher than the approved rated documented in the personnel files. As a result, PIC overcharged Wraparound Program $22,599 for FY 2006-07.

- Did not pay $11,783 in State payroll taxes for January through March 2007 as of July 2007. PIC management stated that PIC did not pay the payroll taxes because the Agency has a credit balance with the State. However, PIC did not provide supporting documentation to validate their statement.

Recommendations

PIC management:

10. **Ensure timecards are signed by the employee and approved in writing by supervisory personnel.**

11. **Ensure that payroll expenditures are allocated to the appropriate program.**

12. **Ensure timecards are maintained for all employees.**

13. **Ensure that the County is billed only for insurance benefits provided to employees working on the DMH contract in accordance with program requirements.**

14. **Calculate the total amount the County was overbilled for health insurance benefits provided to terminated employees and repay the County.**

15. **Ensure that employees are paid their correct salaries based on approved rates.**

16. **Ensure that payroll register reflects accurate information.**

17. **Ensure that personnel files contain all required documents.**

18. **Pay $11,783 to State or provide documentation to support PIC's credit balance of payroll tax paid.**

19. **Repay DCFS $22,599 and DMH $10,584 ($7,637 + $2,947).**

COST ALLOCATION PLAN

Objective

Determine whether PIC has implemented three recommendations related to the Cost Allocation Plan from our previous report. In addition, determine whether PIC used their Cost Allocation Plan to allocate shared program expenditures to the DMH and Wraparound Program. We also reviewed the status of the recommendations in our prior report.

Verification

We reviewed PIC's Cost Allocation Plan and selected sample expenditures from July 2006 through May 2007 to ensure that the expenditures were appropriately allocated to the Agency's programs. We also reviewed the status of the recommendations in our prior report.

Results

PIC implemented one recommendation and two recommendations were not implemented. The following is the current status of the recommendations.

PIC management develop a detailed Cost Allocation Plan (Recommendation #4).

Current Status: IMPLEMENTED

PIC management provided a detailed Cost Allocation Plan that allocated indirect costs based on direct payroll expenditures.

PIC management allocate costs to each program on a monthly basis in accordance with the detailed Cost Allocation Plan (Recommendation #5).

Current Status: NOT IMPLEMENTED

PIC did not allocate indirect costs in accordance to the Cost Allocation Plan. PIC indicated that they allocated indirect costs based on the number of employees assigned to each program. However, the Agency did not provide documentation to support the

rates used to allocate $15,515 in indirect expenditures charged to the Wraparound Program during FY 2006-07. PIC also did not allocate costs on a monthly basis. Based on the postings to the Agency's general ledger, PIC intermittently allocated their indirect costs.

PIC allocated $1,380 for cellular phones and equipment expenditures to the Wraparound Program using an allocation rate that was not in compliance with the Agency's Cost Allocation Plan.

In addition, PIC charged the DMH Program $2,880 in monthly maintenance cost for cleaning services provided to a building occupied by staff that provide services to several programs. The amount that PIC overbilled the DMH Program totaled $33,353. Cleaning services were not charged to the Wraparound program.

PIC management review FY 2004-05 and 2005-06 costs charged to all programs to ensure all costs were appropriately allocated to each program and resolve the billing discrepancies with the appropriate County department (Recommendation #6).

Current Status: NOT IMPLEMENTED

PIC management stated that the Agency did not review FY 2004-05 and 2005-06 costs charged to all programs.

Recommendations

PIC management:

20. **Repay DCFS $16,895 ($15,515 + $1,380) for amounts billed that were inadequately supported.**

21. **Repay DMH $33,353 for amounts billed that were used by other programs.**

22. **Ensure that indirect costs are allocated according to the Cost Allocation Plan.**

23. **Review FY 2004-05 and 2005-06 costs charged to all programs to ensure all costs were appropriately allocated to each program and resolve the billing discrepancies with the appropriate County department.**

FINANCIAL VIABILITY

Objective

Determine whether PIC has implemented two recommendations related to the Financial Viability section from our previous report.

Verification

We interviewed PIC management and reviewed the Agency's financial records.

Results

PIC did not implement the two recommendations. The following is the current status of the recommendations.

PIC management submit a plan to DMH and DCFS to improve its financial condition that includes maintaining sufficient working capital to pay its bills (Recommendation #1).

Current Status: NOT IMPLEMENTED

PIC management did not provide a written plan to improve its financial condition. In our prior report, PIC reported negative net assets balance of $585,377 on their FY 2005-06 financial statements.

PIC management develop a plan to pay its installment agreement with the IRS using non-County funds (Recommendation #2).

Current Status: NOT IMPLEMENTED

From June 2006 to February 2007, PIC made payments totaling $214,920 to the IRS to pay off the Agency's tax liability. However, it appeared that County funds were used to pay a portion of the tax liability. PIC made the payments to the IRS totaling $142,734 from their general and payroll bank accounts. County funds were deposited and disbursed from both bank accounts. In addition, the County provided approximately 90% of the Agency's funding. PIC did not provide documentation to support that PIC used non-County funds to pay their IRS tax liability.

Recommendations

PIC management:

24. **Submit a plan to DMH and DCFS to improve its financial condition that includes maintaining sufficient working capital to pay its bills.**

25. **Develop a plan to pay its installment agreement with the IRS using non-County funds and repay the County for funds used to reduce the tax liability for current and prior contract periods.**

BUILDING LEASE

Objective

Determine whether PIC has implemented the recommendation related to their building lease from our previous report.

Verification

We reviewed PIC's documentation to support their implementation of their recommendation regarding lease amounts paid in the prior audit period.

Results

PIC did not implement the one recommendation. The following is the current status of the recommendation.

PIC management work with the Auditor-Controller to determine whether the amount charged for leasing office space was appropriate for FY 2005-06 and prior contract years (Recommendation #25).

Current Status: NOT IMPLEMENTED

PIC did not provide documentation to support their claims that the lease between PIC and the Church (Lessor) was an "arms length" transaction that enabled the Agency to bill both programs their actual lease expense at fair market value.

Recommendation

26. **PIC management work with the Auditor-Controller to determine whether the amount charged for leasing office space was appropriate for FY 2005-06 and prior contract years.**

BILLED SERVICES

Objective

Determine whether PIC implemented five recommendations related to the billed services from our previous report. In addition, determine whether PIC provided the services billed in accordance with their DMH contract. We did not test Wraparound billed services.

Verification

We judgmentally selected 35 billings totaling 3,701 minutes from 82,522 service minutes of approved Medi-Cal billings for March and April 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' chart for the selected billings. The 3,701 minutes represent services provided to 20 program participants. We also reviewed the status of the recommendations in our prior report.

Results

PIC implemented three recommendations and two recommendations were not implemented. The following is the current status of the recommendations.

PIC management maintain sufficient documentation to support its compliance with contract requirements for the services billed to DMH (Recommendation #28).

Current Status: NOT IMPLEMENTED

PIC did not complete Assessments in accordance with the County contract for nine (45%) of 20 clients sampled.

In addition, the Agency did not maintain completed Client Care Plans for eleven (55%) of the 20 clients sampled. Specifically, eight Client Care Plans did not contain observable and/or quantifiable goals and three Client Care Plans did not contain goals and planned interventions for each type of treatment provided.

PIC management enhance controls to detect and correct billing errors (Recommendation #29).

Current Status: IMPLEMENTED

No billing errors were noted during this year's audit.

PIC management repay DMH $1,130 for the amount overpaid (Recommendation #30).

Current Status: IMPLEMENTED

DMH resolved the billing discrepancies by offsetting their July 2007 payment.

PIC management ensure that Annual Assessment Updates are completed (Recommendation #31).

Current Status: NOT IMPLMENTED

PIC did not complete Assessments for nine (45%) of 20 clients sampled in accordance with the County contract.

PIC management maintain a current Client Care Plan for each service billed and ensure that it includes the client and parent/guardian's signature(s) (Recommendation #32).

Current Status: IMPLEMENTED

PIC maintained current Client Care Plans (Plans) for all sampled clients, and the Plans were signed by the clients and their parent/guardians.

Recommendations

PIC management:

27. **Maintain sufficient documentation to support its compliance with contract requirements for the services billed to DMH.**

28. **Ensure that Annual Assessment Updates and Client Care Plans are completed.**

SERVICE LEVELS

Objective

Determine whether PIC implemented the following recommendation related to the service levels from our previous report.

Results

PIC management obtain written authorization from DMH prior to deviating from contracted service labels (Recommendation #33).

Status: No longer applicable

This recommendation is no longer applicable since the new contract does not contain required service levels.

PERSONAL INVOLVEMENT CENTER, Inc.

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To: J. Tyler McCauley, Auditor-Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn, Hall of Administration
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Los Angeles, CA 90012-2766

Re: Personal Involvement Center contract compliance and follow-up reviews – A Department of Children and Family Services and Mental Health Services Provider

Please find attached our response to contract compliance review conducted by your office on July 2007. Our response includes the findings and recommendations of the Auditor-Controller, as well as the corrective action the Personal Involvement Center has taken to address indicated concerns.

The Personal Involvement Center would like to thank your staff for their assistance and professionalism throughout the course of the review and exit interview process.

If you have any questions or need further information, please contact me at (323) 778-0488.

Respectfully,

Maxine Perryman
Chief Deputy Director

Cc: PIC Board of Directors
Finance
Harrington Group

Attachments

PERSONAL INVOLVEMENT CENTER, INC.

Response to contract compliance and follow-up reviews – A Department of Children and Family Services and Mental Health Services Provider
Submitted to the County of Los Angeles
Auditor-Controller
J. Tyler McCauley, Auditor-Controller
January 2008

CASH/REVENUE

Recommendations:

1. Ensure that bank reconciliations are reviewed by an appropriate reviewer in a timely manner.

2. Ensure that bank reconciliations are prepared and accurately and reconciling items are resolved in a timely manner.

Agency Response:

1. Currently, bank reconciliations are reviewed by Maxine Perryman, Chief Deputy Director within 5 business days from the time bank reconciliations are prepared and signed.
2. Currently, bank reconciliations are prepared within 30 days from the end of the period (month) and signed by the preparer. The Maxine Perryman reviews bank reconciliations within 5 days from the time bank reconciliation is prepared and signed by the preparer.

EXPENDITURES/PROCUREMENT

Recommendations:

3. Repay DCFS $2,619 for amounts billed that was used by other programs.
4. Repay DCFS $5,093 and DMH $16,764 for amounts billed that was undocumented.
5. Do not use specific program funds to fund activities in other programs
6. Maintain original invoices/receipts and adequate documentation to support program expenditures.

Agency Response:

3. PIC will repay the DCFS $2,019. Currently, all expenses are billed/charged to the appropriate program. Payment requisitions are approved by Maxine Perryman, Chief Deputy Director. The $600 was appropriately billed to the Wraparound program for staff that was acquired through an agency. Those individuals were employed under the Wraparound program. The agency incorrectly stated another program on the invoice. However, Wraparound program documentation in charts, files and meetings substantiates that those individuals actually were employed under the Wraparound program. A corrected invoice has been received by the agency.

4. PIC will repay the DCFS $3,086. The amount of $2600 was appropriately billed to the Wraparound program for staff that was acquired through the Delta-T Group. Per the Wraparound program qualifications, all staff must attend a training of the various components of the program. The agency incorrectly stated another program on the invoice. However, Wraparound program documentation of trainings, charts, files and meetings substantiates that those individuals actually were employed under the Wraparound program. A corrected invoice has been received by the agency.

   PIC to repay DMH $ 13,032, which represents $6768 for amounts billed for utilities and $6264 for charges to the DMH program without providing the original receipts or invoices. Currently, the DMH program is not being charged for utilities and finance ensures that all payments have original invoices attached as supportive documentation.

5. Currently, PIC ensures that all funds are specifically used for each appropriate program. Each program Administrator and the Chief Deputy Director reviews and approves each program's expenditures according to the contract.

6. PIC finance currently ensures that original invoices/receipts and adequate documentation to support program expenditures are maintained in the program records. Each program Administrator and the Chief Deputy Director reviews and approve each program expenditures. Appropriate back-up must be attached to payment requests in order for payments to be rendered. Also, the finance department reviews expenditures at the end of each month for appropriate documentation. (i.e. receipts received)

INTERNAL CONTOLS

Recommendations:

7. Personal Involvement Center to maintain accurate and complete accounting records.

Agency Response:

Currently, PIC management has a structure which complete accounting records are maintained. All documentation is maintained within the finance department. Also, PIC has a complete separation of duties to ensure the Internal Control process.

FIXED ASSETS AND EQUIPMENT

Recommendations:

8. Maintain a listing of the Agency's fixed assets and equipment including description, unique identifier, assigned individual and the program where the asset is used.
9. Reimburse the County for any depreciation that was billed to the County for the 2002 Cadillac.

Agency Response:

8. Currently, PIC has properly listed and accurately recorded its list of fixed assets and equipment. The list includes a description, unique identifier, assigned individual and the program where the asset is used. Any equipment purchased moving forward has all information required by the County-Auditor and also, PIC has implemented an in-house Purchase Order which adds additional backup documentation for any fixed asset purchased within the agency.

9. PIC is working with DerManouel Insurance to make sure that any depreciation that may have been billed to the County for the 2002 Cadillac was not charged or a credit was given to the PIC regarding the Auto Insurance.

PAYROLL AND PERSONNEL

Recommendations:

10. Ensure timecards are signed by the employee and approved in writing by supervisory personnel.
11. Ensure that payroll expenditures are allocated to the appropriate program.
12. Ensure timecards are maintained for all employees.
13. Ensure that the County is billed only for insurance benefits provided to DMH employees in accordance with program requirements
14. Calculate the total amount the County was over billed for health insurance benefits provided to terminated employees and repay the County.
15. Ensure that employees are paid their correct salaries based on approved rates.
16. Ensure that payroll register reflects accurate information
17. Ensure that personnel files contain all required documents
18. Pay $11,783 to State or provide documentation to support PIC's credit balance of payroll tax paid.
19. Repay DCFS $22,599 DMH $10,584

Agency Response:

10. Personal Involvement Center has re-vamped its personnel and payroll process. Currently, AppleOne is our payroll processor. Also, we have implemented an electronic timekeeping system. Policy and Procedures implemented have Human Resources not allowing any time records processed unless both the employee and supervisor have signed the timecard. Human Resources receive and review all timecards for appropriate signature. Also, Maxine Perryman reviews timecards to additionally ensure timecards are appropriately signed.

11. At the end of the pay period, each employee prints out their timecard for their Supervisor's signature. All timecards are maintained by the Human Resources department.

12. Currently, all timesheets/timecards are maintained by the Human Resources department. Timesheets are maintained according to program for easier viewing, reconciliation and access.

13. Currently, Human Resources is responsible for ensuring that employees who have elected to have insurance benefits, have the appropriate charges billed to the appropriate program. Also, these reports are copied to the finance department to ensure appropriate postings are made to the GL.

14. Currently, all employees and HR records reflect salaries based on approved rates. The PIC has implemented a PAN (Personnel Action Notice) which is documentation that reflects any changes regarding employee's position, salaries, or program changes. This PAN is signed by the employee, supervisor and Chief Deputy Director.

15. PIC had documented rates for employees. PIC has implemented a Personnel Classification Form to adjust all documentation in the file. Documentation had mistakenly not been inserted in the file. Therefore, PIC had to re-produce documentation to support noted changes in salary for employees. Based on this obvious mistake, PIC does not believe that the agency should have to repay the county $22,599 for an obvious mistake in record keeping. Currently, PIC has a PAN (Personnel Action Notice) to ensure that all changes in employee salaries are reported, documented and approved.

16. AppleOne, PIC's payroll processor produces all reports for payroll. Human Resources and Finance receives the information and review for correct information, and also finance reviews and posts information to the GL.

17. Currently, Human Resources has a personnel checklist to ensure that all required documentation is contained and maintained in personnel files. Quality Compliance conducts a quarterly review of employee files to ensure accuracy of personnel files.

18. Currently, PIC has paid all State payroll taxes owed without using County Funds. As of March 1, 2007, AppleOne Payroll Services, ensures that all payroll tax deposits are made timely and accurately

19. PIC had documented rates for employees. PIC has implemented a Personnel Classification Form to adjust all documentation in the file. Documentation had mistakenly not been inserted in the file. Therefore, PIC had to re-produce documentation to support noted changes in salary for employees. Based on this obvious mistake, PIC does not believe that the agency should have to repay the county $22,599 for an obvious mistake in record keeping. Currently, PIC has a PAN (Personnel Action Notice) to ensure that all changes in employee salaries are reported, documented and approved.

    During the first quarter of 2006, Dr. JB Hardwick held the position of ED. As an ED, his salary was allocated to all programs. After the 2nd quarter, Dr. JB Hardwick's salary was allocated from another program which is a non-county program.

PIC is currently working with DerManouel Insurance and Blue Cross to audit the insurance billings and reconcile all program allocations. The totals will be calculated and if no credits were made back to the program, PIC will pay the DMH $2,947for benefits paid in error.

COST ALLOCATION PLAN

Recommendation:

20. Repay DCFS $16,895 for amounts billed that were inadequately supported.
21. Repay DMH $33,353 for amounts billed that was used by other programs.
22. Ensure that indirect costs are allocated according to the Cost Allocation Plan
23. Review FY 2004-2005 and 2005-2006 costs charged to all programs to ensure all cost were appropriately allocated to each program and resolve the billing discrepancies with the appropriate County Department

Agency Response:

20. PIC will repay DCFS $16,895 for amounts billed that were inadequately supported.

21. The amount of $33,353 was for maintenance costs for the Mental Health Program only. The maintenance contract language does stipulate offices however, it was the interpretation of the County-Auditor that the contract was for all offices in the PIC. This was incorrect. The PIC had contracts with a subcontractor through Mental Health only. Praises of Zion Baptist Church (landlord) performed maintenance for other programs on a daily basis as a condition of each programs rental/lease agreement. Praises of Zion had been performing maintenance for other programs prior to the contract with DMH and those agreements currently remain in effect today. However, based on the recommendation of the Chief Deputy Director, the Board of Directors requested a renegotiation of the DMH rental/lease agreement to incorporate maintenance service as a condition of the existing rental/lease agreement. Currently, DMH is charged for rental/lease space only.

22. All costs are allocated per pay period, this includes administrative and transportation. All other costs are directly related to a program and are charged accordingly as stated in the Cost Allocation Plan. Currently, Maxine Perryman produces allocation percentages to Human Resources in order for payroll to be processed and recorded appropriately.

23. Senior Quality Compliance Specialist, Ethel Hardwick and her staff are reviewing prior year's expenditures to ensure all costs were charged to the appropriate programs. Responses will be given to each County Program representative with appropriate actions to reconcile or resolve any known billing discrepancies.

FINANCIAL VIABILITY

Recommendation:

24. Submit a plan to DMH and DCFS to improve its financial condition that includes maintaining sufficient working capital to pay its bills.
25. Develop a plan to pay its installment agreement with theirs using non-County funds and repay the County for funds used to reduce the tax liability.

Agency Response:

24. Personal Involvement Center (PIC) has secured a $100,000 line of credit it utilizes to ensure sufficient working capital to pay its bills and payroll.

25. PIC is currently in communication with the IRS and has entered into negotiations to pay its tax liability. PIC will ensure repayment with the IRS utilizing non-County funds as it has done with its State tax liability.

BUILDING LEASE

Recommendation:

26. PIC management to work with the Auditor-Controller to determine whether the amount charged for leasing office space was appropriate for FY 2005-2006 and prior contract years.

Agency Response:

The PIC welcomes a collaborative spirit when determining leasing space provided to PIC by the Praises of Zion Baptist Church. PIC had been leasing office space from Praises of Zion Baptist Church for many years. PIC has consistently been paying well below market prices for leased space. Currently, PIC Mental Health program is paying $.60 sq. ft. for leased office space and PIC Wraparound is paying $.65 a sq. ft. for leased space. This issue has been an area of concern for sometime by the County and PIC would like it resolved as does the County. PIC would like to engage in immediate dialogue regarding this matter so there can be a conclusion and resolution. Maxine Perryman will act as a direct contact for the PIC in this matter.

BILLED SERVICES

Recommendations:

27. Maintain sufficient documentation to support its compliance with contract requirements for the services billed to DMH.
28. Ensure that Annual Assessment Updates and Client Care Plans are completed.

Agency Response:

27. PIC Therapist and Case Managers will submit original copies within 48 hours, to the Quality Assurance Coordinator (QAC). The QAC will review the service log and send the service log to the IS Specialist for billing services to DMH, and the progress notes will be forwarded to the Clinical Director for review and approval. The Clinical Director will forward to the Therapist and/or Case Manager if corrections are needed. Once complete, the documentation will be forwarded to the QAC for filing in the client case file. All documentation will be accessible to management staff. The QAC will review the status of documentation every two (2) weeks to ensure the required documentation is completed and maintained appropriately.

28. The PIC Mental Health QAC's tracking log will be used to ensure compliance with the Annual Assessment Updates and Client Care Plans.