



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

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December 11, 2008

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

FROM:

Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: **FOOTHILL FAMILY SERVICE CONTRACT COMPLIANCE REVIEW – A
WRAPAROUND PROGRAM AND DEPARTMENT OF MENTAL
HEALTH SERVICE PROVIDER**

We completed a fiscal and program review of Foothill Family Service (FFS 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 the Wraparound Program, FFS provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with DMH, FFS provides mental health services which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. FFS' offices are located in the First and Fifth Districts.

DCFS paid FFS on a fee-for-service basis \$4,184 per child, per month less placement costs or approximately \$627,110 for Fiscal Year (FY) 2007-08. DMH paid FFS on a cost reimbursement basis between \$1.95 and \$4.66 per minute of staff time (\$117 to \$279.60 per hour) for services. FFS' DMH contract was for approximately \$9 million for FY 2007-08.

Purpose/Methodology

The purpose of the program review of the mental health services was to determine whether FFS maintained documentation to support the services provided. This included a review of a sample 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 the Wraparound Program and mental health services was to determine whether FFS appropriately accounted for and spent Wraparound and DMH program funds in providing the services outlined in their County contract. We 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

FFS maintained documentation to support the services billed. The Agency completed the Assessments, Client Care Plans and Progress Notes in accordance with program requirements. In addition, the staff possessed the required qualifications to provide services.

DMH and Wraparound Programs Fiscal Review

At the end of each program year, the Agency is allowed to retain unspent Wraparound funds up to ten percent of their program expenditures and repay any funds in excess of ten percent to the County. For FY 2006-07, FFS' unspent revenue totaled \$24,219 and program expenditures totaled \$214,037. FFS kept unspent Wraparound funds and did not set aside ten percent of the revenue for future program expenditures. We recommended that FFS place \$21,404 (10% of \$214,037) in a reserve account for future Wraparound expenditures and repay DCFS \$2,815 (\$24,219 - \$21,404). In addition, the Agency allocated shared program expenditures using budget rather than actual data.

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 FFS, DMH and DCFS on July 10, 2008. In their attached response, the Agency describes the corrective actions planned to address the recommendations in our report.

We thank FFS 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:DC:EB:gh

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
- Helen Morran-Wolf, Executive Director, FFS
- Public Information Office
- Audit Committee

**DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
FOOTHILL FAMILY SERVICE
FISCAL YEAR 2007-08**

BILLED SERVICES

Objective

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

Verification

We judgmentally selected 50 billings totaling 5,314 minutes from 476,303 service minutes of approved Medi-Cal billings for September and October 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 5,314 minutes represent services provided to 25 program participants.

Results

Overall, FFS documented and provided the services billed in accordance with their County contract.

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 compliance with staffing ratios for this funding program.

STAFFING QUALIFICATIONS

Objective

Determine whether FFS 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 21 (10%) of the 215 FFS treatment staff who provided services to DMH clients during September and October 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 FFS' reported service levels varied significantly from the service levels identified in the DMH contract.

We did not perform test work in this area as DMH's contract with FFS did not specify the required service levels for each type of service provided for the audit period.

UNSPENT WRAPAROUND REVENUE

FFS' FY 2006-07 contract with the Department of Children and Family Services (DCFS) allowed the Agency to retain unspent revenue up to ten percent of their operating expenditures. The Agency is required to place the excess funds in a reserve account for future Wraparound expenditures. Any funds in excess of ten percent are required to be returned to the County.

For FY 2006-07, FFS' unspent revenue totaled \$24,219 and program expenditures totaled \$214,037. FFS kept unspent Wraparound funds and did not set aside ten percent of the revenue for future program expenditures. FFS needs to place \$21,404 (10% of \$214,037) in a reserve account for future Wraparound expenditures and repay DCFS \$2,815 (\$24,219 - \$21,404).

Recommendations**FFS management:**

- 1. Reserve \$21,404 to ensure that the funds are used to provide Wraparound program services in subsequent years.**

2. Repay DCFS \$2,815.**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 FFS' management and reviewed the Agency's financial records. We also reviewed the Agency's bank reconciliations for November 2007 for two bank accounts.

Results

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

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN**Objective**

Determine whether FFS' 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 FFS' Cost Allocation Plan, interviewed management and reviewed the Agency's accounting records.

Results

FFS' Cost Allocation Plan was prepared in compliance with the County contract. However, the Agency did not use the plan to allocate shared expenditures. Specifically, the Agency's Cost Allocation Plan stated that FFS will allocate shared program expenditures based on direct program salaries. However, the Agency recorded payroll expenditures for all programs in the same account and allocated the total amount to the

DMH and Wraparound program based on budgeted hours for each program rather than actual hours worked.

Recommendation

- 3. FFS management allocate shared program expenditures based on actual program salaries.**

EXPENDITURES

Objective

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

Verification

We reviewed financial records and documentation for 39 non-payroll expenditures transactions totaling \$68,940 between July and December 2007.

Results

FFS' Wraparound and DMH expenditures were allowable, adequately documented and accurately billed.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Objective

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

Verification

We interviewed staff and reviewed the Agency's financial records related to fixed assets. In addition, we reviewed a sample of five fixed assets with depreciation costs of \$45,667 that the Agency charged to the DMH and Wraparound programs.

Results

FFS' fixed asset depreciation costs charged to DMH and the Wraparound programs were allowable under the County contract, properly documented and accurately billed.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL**Objective**

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

Verification

We interviewed management and reviewed 22 employees' personnel files.

Results

The Agency maintained personnel files as required. However, FFS did not charge direct program salary expenditures to the DMH and Wraparound programs based on actual hours worked, as required. Specifically, FFS recorded payroll expenditures for all programs in the same account and allocated the total to the DMH and Wraparound programs using an inappropriate allocation method that includes each employee's annual salary and the budgeted hours for each program.

Recommendation

4. FFS management charge direct program salary expenditures to the DMH and Wraparound programs based on actual hours work on each program.

COST REPORT**Objective**

Determine whether FFS' 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 general ledger for FY 2006-07.

Results

The Agency's total DMH costs listed on the Cost Report reconciled to their general ledger.

Recommendation

There are no recommendations for this section.

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September 15, 2008

Wendy L. Wantanabe,
Acting Auditor-Controller
Department of Auditor-Controller
County of Los Angeles
500 West Temple Street, Room 525
Los Angeles, California 90012-2706

RE: Department of Auditor-Controller Contract Compliance Review of Foothill Family Service

Dear Ms. Wantanabe,

I am writing to respond to your Contract Compliance Review report related to the Agency's contracts for Wraparound services with the Department of Children and Family Services (DCFS) and for Mental Health services with the Department of Mental Health.

The report contained three recommendations and our response to them and our actions taken are as follows:

1. Under the heading, Unspent Wraparound Revenues, it was recommended that the Agency reserve \$21,404 in Wraparound funds for subsequent years and that we repay DCFS \$2,815. During the fiscal year ended June 30, 2008, we made an entry to record a Wraparound liability reserve of \$21,404 and an amount due to DCFS of \$2,815 was added to accounts payable. The \$2,815 will be sent back to DCFS in September, 2008.
2. Under the heading, Cost Allocation Plan, it was recommended that the Agency allocate shared program expenses based on direct program salaries. Beginning in the year ending June 30, 2009 after new timekeeping systems are have been put in place, the Agency will capture actual hours by program for staff on timesheets and in our payroll records and that actual information will be used as the basis for allocating shared program expenses.

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- 3. Under the heading, Payroll and Personnel, it was recommended that the Agency charge direct program salary expenditures based on actual hours worked on each program. Beginning in the year ending June 30, 2009 after new timekeeping systems have been put in place, the Agency will capture actual hours by program for staff on timesheets and in our payroll records and that actual information will be used as the basis for allocating shared program expenses.

Please let me know if you have any questions or require further information.

Sincerely,

Helen Morran-Wolf
Executive Director

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