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May 19, 2011

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY - A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES CONTRACT PROVIDER - CONTRACT COMPLIANCE REVIEW**

We have completed a review of Five Acres The Boys' and Girls' Aid Society of Los Angeles County (Five Acres or Agency). Our review was intended to evaluate the Agency's compliance with two separate County contracts. The Department of Mental Health (DMH) contracts with Five Acres to provide mental health services, including interviewing Program participants, assessing their mental health needs, and implementing a treatment plan. The Department of Children and Family Services (DCFS) contracts with Five Acres to provide Wraparound Approach Services Program (Wraparound) services to children and their families, including therapy, housing, education and social assistance.

The purpose of our review was to determine whether Five Acres provided services in accordance with their County contracts. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with federal, State and County guidelines.

DMH paid Five Acres approximately $10 million on a cost-reimbursement basis for Fiscal Year (FY) 2009-10. DCFS paid Five Acres approximately $1 million on a fee-for-service basis for FY 2009-10. The Agency's office is located in the Fifth Supervisorial District.

Results of Review

DMH Program Review

Five Acres maintained documentation to support the service minutes billed to the DMH Program, and the staff assigned to the DMH Program had the required qualifications. However, the Agency did not always comply with the County contract requirements. Specifically, Five Acres did not:

- Adequately describe the symptoms and behaviors in the Assessments to support the Agency's clinical diagnosis for 24 (69%) of the 35 clients sampled.

  Five Acres' attached response indicates that their Quality Assurance staff review the case files for medical necessity, and that they recently conducted training for Agency staff to ensure compliance with the County contract requirements.

- Document Informed Consent in the charts for six (50%) of the 12 clients reviewed, who received psychotropic medication.

  Five Acres' attached response indicates that they developed a tracking system to ensure that the staff document Informed Consent in the clients' charts prior to treatment with psychotropic medication.

DMH and DCFS Wraparound Programs Fiscal Review

Five Acres maintained adequate controls over cash. However, Five Acres charged $44,465 and $8,067 in questioned costs to the DMH and Wraparound Programs, respectively. In addition, Five Acres did not return $275,956 in unspent Wraparound funds to DCFS. Specifically, Five Acres:

- Allocated $39,075 in payroll expenditures to the DMH Program for August 2010 without documentation to support their allocation rates.

- Allocated $5,790 for lease and consultant expenditures to the Wraparound Program for August 2010 without documentation to support their allocation rates.

- Charged $5,390 and $2,277 to the DMH and Wraparound Programs, respectively, for four employees who worked on multiple programs, without documentation to support the amounts charged to each program.

  Five Acres' attached response indicates that they will conduct a time study to support their allocations rates, and adjust the FY 2010-11 expenditures accordingly before June 30th.

- Retained $275,956 in unspent Wraparound Program funds that should have been returned to DCFS.

  At the end of each DCFS Wraparound Program year, the Agency is allowed to retain unspent funds, up to ten percent of their Program expenditures for future Wraparound Program use. The Agency must return any funds in excess of ten percent to the DCFS. For the Program Year ending April 30, 2009, Five Acre had unspent Wraparound funds, totaling $342,602, Five Acres' accounting records indicated they were allowed to retain $66,646 in unspent funds, and the Agency should have returned the remaining $275,956 ($342,602 - $66,646) to DCFS.

  Five Acres' attached response indicates that they have established a plan with DCFS to repay the $275,956.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed the results of our review with Five Acres, DMH and DCFS. Five Acres' attached response indicates the Agency agrees with our findings and recommendations. DMH and DCFS will ensure that Five Acres implements the recommendations.

We thank Five Acres 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:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Jackie Contreras, Ph. D., Interim Director, DCFS
Dr. Marvin J. Southard, Director, DMH
William M. Clark, Chair, Board of Directors, Five Acres
Robert Ketch, Executive Director, Five Acres
Public Information Office
Audit Committee

FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS FISCAL YEARS 2009-10 AND 2010-11

BILLED SERVICES

Objective

Determine whether Five Acres The Boys' and Girls' Aid Society of Los Angeles County (Five Acres or Agency), provided the services billed to the Department of Mental Health (DMH) in accordance with their DMH contract.

Verification

We selected 30 billings, totaling 4,911 minutes, from the 550,171 service minutes, and ten full-day billings from 3,877 service days of approved Medi-Cal billings for February and March 2008. We also selected an additional eight billings, totaling 185 minutes, from the 638,234 service minutes of approved Medi-Cal billings for January and February 2010. We reviewed the Assessments, Client Care Plans, Progress Notes and Informed Consents in the clients' charts for the selected billings. The 5,096 minutes represent services to 35 Program clients.

Results

Five Acres maintained documentation to support the service minutes billed to DMH. However, Five Acres did not complete some elements of the Assessments, and did not maintain Informed Consents as required by the DMH contract.

Assessments

Five Acres did not adequately describe the clients' symptoms and behaviors on the Assessments, consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM), to support the diagnosis for 24 (69%) of the 35 clients sampled. The DMH contract requires the Agency to follow DSM when diagnosing clients. The DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental orders and the criteria for diagnosing them.

Informed Consent and Court Authorization for Medication

Informed Consents are the clients' agreements to a proposed course of treatment based on receiving clear, understandable information about the treatment's potential benefits and risks. We noted that Five Acres did not have the required Informed Consent forms for six (50%) of the 12 clients who received treatment with psychotropic medication. In addition, for one client who was a court dependent, a doctor for the

Agency prescribed psychotropic medication without a copy of the court authorization as required by the County contract.

Recommendations

Five Acres management:

1. **Ensure that Assessments, Client Care Plans and Progress Notes are completed in accordance with the County contract.**

2. **Ensure that Informed Consents are documented in the clients' charts before treating clients with psychotropic medications.**

3. **Ensure court authorization is on file to prescribe/administer psychotropic medication to court dependents.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staff to client ratio of 1:10 in its Day Rehabilitation Program as required by the County contract.

Verification

We reviewed five days of the client sign-in sheets, staff rosters and staff timecards for February and March 2008.

Results

The Agency maintained the required staff to client ratio.

Recommendation

None.

STAFF QUALIFICATIONS

Objective

Determine whether Five Acres' treatment staff had the qualifications required to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 11 Five Acres' treatment staff who provided services to DMH clients during February and March 2008. We also reviewed an additional 11 treatment staff who provided services during January and February 2010.

Results

All employees reviewed had the qualifications required to deliver the billed services.

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

Five Acres' Wraparound Approach Services Program (Wraparound) contract with the Department of Children and Family Services (DCFS) allows the Agency to retain unspent revenue up to ten percent of their Wraparound operating expenditures. The Agency is required to place the excess funds in a reserved account for future Wraparound Program expenditures. Any funds in excess of ten percent must be returned to DCFS.

For the Program Year ending April 30, 2009, Five Acre's accounting records indicated they had unspent Wraparound funds totaling, $200,373, and Program expenditures totaled $1,208,841. However, the Agency overstated their total Wraparound expenses by including non-Wraparound expenditures in the total expenditures reported to DCFS. The actual unspent Wraparound funds totaled $342,602, and Program expenditures totaled $666,459. As a result, Five Acres was allowed to retain $66,646 (10% of $666,459) for future Wraparound expenditures, and should have returned the remaining $275,956 ($342,602 - $66,646) to DCFS. Five Acres did not return any excess funds to DCFS.

Recommendations

Five Acres management:

4. **Place the $66,646 in a reserved account to ensure the funds are used to provide Wraparound Program services in future years.**

5. **Repay DCFS $275,956 in excess funds.**

CASH/REVENUE

Objective

Determine whether Five Acres had adequate controls to ensure cash receipts and revenue were recorded in the Agency's financial records properly and were deposited in their bank account timely.

Verification

We interviewed Five Acres' management and reviewed the Agency's financial records. We also reviewed two bank reconciliations for August 2010.

Results

Five Acres had adequate controls to ensure that revenue and cash were recorded properly and deposited timely. However, the Agency did not properly reconcile their outstanding checks in a timely manner. Specifically, the Agency could not account for $23,168 in reconciling items that had been outstanding for eight months.

Recommendation

6. **Five Acres management ensure that reconciling items are resolved in a timely manner.**

COST ALLOCATION PLAN

Objective

Determine whether Five Acres' Cost Allocation Plan was prepared in compliance with the DMH and Wraparound contracts, and used to allocate shared program expenditures appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, and selected seven shared expenditures, totaling $125,665, incurred between July 2009 and August 2010, to ensure the expenditures were allocated among the Agency's programs appropriately.

Results

Five Acres' Cost Allocation Plan was prepared in compliance with the DMH and Wraparound contracts. However, the Agency allocated $39,075 to the DMH Program, and $5,790 to the Wraparound Program, without documentation to support the allocation methodologies. Specifically, Five Acres allocated:

- $39,075 to the DMH Program in payroll expenditures without payroll records or time reports to support their allocation rates.

- $5,790 to the Wraparound Program for lease and consultant expenditures without documentation to support the allocation rates.

DMH pays Five Acres based on a negotiated rate per unit of service. However, if the Agency's Program revenue exceeds their actual costs, the Agency must repay DMH the excess amount received. The Agency reports their revenues and actual expenditures on their annual Cost Report.

Recommendations

Five Acres management:

7. **Provide documentation to support the $39,075 and reduce FY 2010-11 DMH Program expenditures by any unsupported amount.**

8. **Provide documentation to support $5,790 and repay DCFS for any unsupported amount.**

9. **Ensure that only allowable expenditures are charged to the DMH Program.**

10. **Ensure that allocation methodologies are supported by adequate documentation.**

EXPENDITURES

Objective

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

Verification

We interviewed Agency personnel, and reviewed financial records and documentation for two DMH expenditures incurred during August 2010, totaling $8,620, and a $1,200 Wraparound expenditure.

Results

Five Acres' expenditures were allowable, documented properly, and billed accurately as required.

Recommendation

None.

FIXED ASSETS

Objective

Determine whether fixed asset depreciation expense charged to the DMH and Wraparound Programs were allowable under the County contracts, documented properly and billed accurately.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed asset financial records. In addition, we reviewed the fixed assets with depreciation expense for 11 items charged to the DMH and Wraparound Programs.

Results

Five Acres' depreciation expense was allowable, documented properly, and billed accurately.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

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

Verification

We reviewed DMH and Wraparound Program-related payroll expenditures, totaling $22,754, for 11 employees to their payroll records for the pay period ending August 18, 2010. We also reviewed the personnel files for the 11 employees.

Results

Five Acres charged $5,390 and $2,277 to the DMH and Wraparound Programs, respectively, for four employees who worked on multiple programs, without documentation to support the amounts charged. Specifically, Five Acres used

predetermined rates to charge the employees' payroll costs, instead of the actual hours worked on each program.

Recommendations

Five Acres management:

11. **Provide documentation to support the $5,390, and reduce the FY 2010-11 payroll expenditures by any unsupported amount.**

12. **Provide documentation to support $2,277 or repay DCFS for any unsupported amount.**

13. **Bill payroll expenditures based on actual hours worked each day on each program.**

COST REPORT

Objective

Determine whether Five Acres' Fiscal Year (FY) 2009-10 DMH Cost Report reconciled to the Agency's accounting records.

Verification

We traced the Agency's FY 2009-10 DMH Cost Report to the Agency's accounting records.

Results

Five Acres' Cost Report reconciled to the Agency's accounting records.

Recommendation

None.

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To: Wendy L. Watanabe, Auditor Controller
Susan Kim, CPA, CIA, Principal Accountant-Auditor

From: Daniel Braun, Chief Financial Officer
Cindy Coons, Director of Mental Health Services 3/24/11

Subject: FIVE ACRES THE BOYS' AND GIRLS' AID SOCIETY OF LOS ANGELES COUNTY CONTRACT REVIEW – A WRAPAOUND PROGRAM AND MENTAL HEALTH SERVICES PROVIDER

We are responding to the recommendations made during the program and fiscal compliance review of Five Acres – The Boys' and Girls' Aid Society of Los Angeles County (Five Acres). We are following the format laid out in the January 2011 draft provided to us.

Please review our response and indicate should further action be necessary.

Informed Consent and Court Authorization for Medication

Recommendations

Five Acres management:

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

Five Acres Corrective Action Plan:

- Five Acres has a Quality Assurance clinician that reviews 100% of Medical Necessity documents and develops trainings based on internal audits. Medical Necessity reviews conducted by QA audit for appropriateness of diagnoses, documentation of functional impairment and symptomatology that support the diagnoses and that Medical Necessity is met and documented in accordance with the County contract. Medical Necessity reviews focus on documentation written to support the primary Axis 1 diagnosis and that criteria in the DSM that support the diagnosis is documented. The Client Care Plans are reviewed to ensure the plan relates to and supports the assessment and diagnoses.
- The Quality Assurance clinician and a clinical supervisor recently conducted training for all clinical supervisors on how to improve assessments, Client Plans and documented Medical Necessity. The training focused on documentation supporting the diagnoses, specifically the primary Axis 1 diagnosis, and documenting what DSM criteria are met for the diagnosis.

2. Ensure that Informed Consent is documented in the client's chart prior to treatment with psychotropic medication.

Five Acres Corrective Action Plan:

- Five Acres has developed a tracking system for monitoring due dates for Informed Consent and renewed Informed Consent as psychotropic medications are adjusted during treatment. Five Acres will ensure that every client receiving psychotropic medication will have Informed Consent obtained as required by County contract and that proposed treatment, alternate treatment, side effects and education regarding medications is discussed and documented.

3. Ensure Court Authorization is maintained to prescribe and/or administer psychotropic medication to dependent wards of the Court.

Five Acres Corrective Action Plan:

- Five Acres will utilize a tracking system and ensure that Court Authorization is requested and updated as required by the County contract and as medications are adjusted during treatment. Internal tracking and notifications will support the psychiatrists and clinical team in ensuring appropriate authorizations are obtained in a timely manner.

Recommendations

Unspent Wraparound Revenue

4. Reserve $66,646 to ensure that funds are used to provide Wraparound Program Services in subsequent years.

5. Repay DCFS $275,956

Five Acres Corrective Action Plan:

- Five Acres began reserving excess Wraparound funds in 2008; however, the basis for calculating the reserve was flawed. Management agrees with the conclusions of the contract review. The reserve has been adjusted and Five Acres has a repayment plan with DCFS to repay the $275,956.

Cash/Revenue

Recommendation

6. Five Acres management ensure that reconciling items are resolved in a timely manner.

Five Acres Corrective Action Plan:

- The review by the auditor controller came shortly after staffing issues in the Finance Department had been resolved. The staff member responsible for the bank reconciliations had left for medical reasons and has never returned. Relative to these issues staff had to rebuild the list of outstanding checks. Management agrees with the conclusion – but asserts that it was an unusual circumstance, and reconciling items are resolved timely now.

Cost Allocation Plan

Recommendations

7. Provide documentation to support the $39,075 and reduce FY 2010-11 DMH program expenditures by the unsupported amount.

8. Provide documentation to support $5,790 and repay DCFS for the unsupported amount.

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

10. Ensure that allocation methodologies are supported by adequate documentation.

Five Acres Corrective Action Plan:

- Five Acres acknowledges that there have been documentation issues regarding certain split position employees in the past.
- Five Acres understands the issue surrounding verifying and supporting the time spent on its various contracts and makes every effort to document the time spent on each contract.
- Five Acres plans to perform a time-study during the month of May 2011. The information learned from this study will be used to support or change the allocations that are currently being used.
    1. Any changes, if they are material, will be made prior to June 30th, the close of the fiscal year. This process then will provide the basis for supporting our contract expenditures.

Payroll and Personnel

11. Provide documentation to support the $5,390 and reduce the FY 2010-11 payroll expenditures by the unsupported amount.

12. Provide documentation to support $2,277 or repay DCFS for the unsupported amount.

13 Bill payroll expenditures based on actual hours worked each day by program.

Five Acres Corrective Action Plan:

- Five Acres will do a time-study during the month of May for all staff who is allocated across multiple programs. Five Acres will have sufficient time to modify the 2010-11 costs based on the information from the time study.
- Five Acres is committed to accurately representing the allocations based on the actual time worked.
- Five Acres makes every effort to bill payroll expenditures based on actual hours, if a difference is discovered through the time-study adjustments will be processed in time for the June billings and the DMH Cost Report which is due by September 15.