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DEPARTMENT OF AUDITOR-CONTROLLER

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June 20, 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: **MASADA HOMES (COUNSELING & RESEARCH ASSOCIATES, INC.) – A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES CONTRACT PROVIDER - CONTRACT COMPLIANCE REVIEW**

We have completed a review of Masada Homes, a Division of Counseling & Research Associates, Inc., (Masada or Agency). Our review was intended to determine the Agency's compliance with two separate County contracts. The Department of Mental Health (DMH) contracts with Masada to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing a treatment plan. The Department of Children and Family Services (DCFS) also contracts with Masada to provide Wraparound Approach Services (Wraparound) Program services to children and their families, including therapy, housing, education and social assistance.

The purpose of our review was to determine whether Masada 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 Masada approximately $8.3 million on a cost-reimbursement basis for Fiscal Year (FY) 2009-10. DCFS paid Masada approximately $399,000 on a fee-for-service basis for FY 2009-10. The Agency's headquarters is located in the Second Supervisorial District.

Results of Review

DMH Program Review

Masada maintained documentation to support the services billed to DMH, and the staff assigned to the DMH Program had the required qualifications. However, Masada did not complete some elements of the Assessments, Client Care Plans, Progress Notes and Informed Consents as required by the DMH contract.

Masada's attached response indicates that they will provide additional training for their staff to ensure that Assessments, Client Care Plans, Progress Notes and Informed Consents are adequately documented and completed in accordance with the County contract.

DMH and DCFS Wraparound Programs Fiscal Review

Masada maintained adequate controls over cash. However, Masada charged DMH $59,807 in questioned costs, and did not return $98,061 in unspent Wraparound funds to DCFS. Specifically, Masada:

- Allocated 100% of the depreciation expense for three vehicles, totaling $13,701, to the DMH Program, even though the vehicles were also used for non-DMH programs.

  Masada's attached response indicates that they use the vehicles to transport DMH clients to and from their school site (a non-DMH program site) to provide clients services under the DMH contract. However, Masada did not maintain vehicle logs to document that the vans were only used to transport DMH clients for the DMH Program, or document the need for three vans. Masada needs to provide documentation that the vans are only used for DMH clients and justify the need for three vans.

- Overcharged DMH by $10,404 for February 2009 salaries.

  Masada's attached response indicates that they agreed and will reduce their FY 2008-09 ost Report by $10,404.

- Retained $98,601 in unspent Wraparound Program funds that should have been returned to DCFS.

  At the end of each 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 unspent funds in excess of ten percent to DCFS. For the Program Years ending April 30, 2009 and 2010,

Masada's accounting records indicated that they were allowed to retain $66,230 in unspent Program funds, and should have returned $98,061 to DCFS.

Masada's attached response indicates that the Agency used the $98,061 in FY 2009-10. However, the County contract requires unspent Wraparound funds be settled at the end of each Program Year, and any funds in excess of ten percent of Program expenditures be returned to the County. Masada must repay DCFS the $98,061 in accordance with the County contract.

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

Review of Report

We discussed the results of our review with Masada, DMH and DCFS. Masada's attached response indicates they agree with our findings and recommendations. DMH and DCFS will ensure that Masada resolve the $59,807 in questioned cost and repay DCFS $98,061 of the unspent funds, as well as implements the recommendations in our report.

We thank Masada management for their cooperation and assistance during our 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., Acting Director, DCFS
Dr. Marvin J. Southard, Director, DMH
George Igi, Board President and Executive Director, Masada Homes
Public Information Office
Audit Committee

MASADA HOMES
DEPARTMENT OF MENTAL HEALTH PROGRAMS AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES WRAPAROUND PROGRAM
FISCAL YEARS 2008-09 AND 2009-10

BILLED SERVICES

Objective

Determine whether Masada Homes, a Division of Counseling & Research Associates, Inc., (Masada 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 3,685 minutes, from the 384,443 service minutes of approved Medi-Cal billings for January and February 2009. We also selected six billings, totaling 400 minutes, from the 385,306 service minutes of approved Medi-Cal billings for July and August 2010. We reviewed the Assessments, Client Care Plans, Progress Notes, and Informed Consents in the clients' charts for the selected billings. The 4,085 minutes represent services to 22 Program clients.

Results

Masada maintained documentation to support the billed service minutes. However, the Agency did not complete some elements of the Assessments, Client Care Plans, Progress Notes and Informed Consents as required by the DMH contract.

Assessments

Six (27%) of the 22 client Assessment forms sampled did not adequately describe the clients' symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) as required by the DMH contract. 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.

Client Care Plans

Fifteen (68%) of the 22 Client Care Plans sampled did not contain specific and/or measurable goals as required by the DMH contract.

Progress Notes

Six (17%) of the 35 Progress Notes sampled were not completed in accordance with the DMH contract. Specifically:

- Three Progress Notes for the Medication Support Services did not document the name, dosage or quantity of the medication.
- Three Progress Notes for the Medication Support Services did not indicate whether the clients were questioned about side effects, response to medication or medication compliance.

Informed Consents

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 Masada did not have Informed Consent forms for two (13%) of the 15 clients who received treatment with psychotropic medication.

Recommendations

Masada management:

1. **Ensure that Assessments, Client Care Plans and Progress Notes are adequately documented and completed in accordance with the DMH contract.**
2. **Ensure that they have Informed Consents in the clients' charts before treating clients with psychotropic medications.**

STAFFING QUALIFICATIONS

Objective

Determine whether Masada's treatment staff have the qualifications required to provide the services.

Verification

We reviewed the California State Board of Behavioral Sciences' website and/or the personnel files for ten of the 110 Masada treatment staff who provided services to DMH clients during January and February 2009.

Results

Each employee in our sample had the qualifications required to provide the services billed.

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

Masada's Wraparound Approach Services Program (Wraparound) contract with the 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 expenditures. Any funds in excess of ten percent must be returned to the Department of Children and Family Services (DCFS).

For the Program Year ending April 30, 2008, Masada's accounting records indicated they had unspent Wraparound funds, totaling $120,709, and Program expenditures totaling $278,710. As a result, Masada was allowed to retain $27,871 (10% of $278,710) for future Wraparound expenditures, and should have returned the remaining $92,838 ($120,709 - $27,871) to DCFS.

In addition, for the Program Year ending April 30, 2009, Masada's accounting records indicated they had unspent Wraparound funds totaling $43,582, and Program expenditures totaling $383,587. As a result, Masada was allowed to retain $38,359 (10% of $383,587) for future Wraparound expenditures, and should have returned the remaining $5,223 ($43,582 - $38,359) to DCFS. However, Masada did not return the excess funds to DCFS.

Recommendations

Masada management:

3. **Place the $66,230 ($27,871 + $38,359) in a reserve account to ensure that the funds are used to provide Wraparound Program services in subsequent years.**

4. **Repay DCFS $98,061 ($92,838 + $5,223) in excess funds.**

CASH/REVENUE

Objective

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

Verification

We interviewed Masada's management, and reviewed the Agency's financial records. We also reviewed four bank reconciliations for September 2010.

Results

Masada had adequate controls to ensure that revenue and cash were recorded properly and deposited timely.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether Masada's Cost Allocation Plan was prepared in compliance with the Wraparound and DMH contracts, and used to allocate shared Program expenses appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, and selected five shared expenses, totaling $487,344, incurred during Fiscal Year (FY) 2007-08, and four shared expenses, totaling $379,852, in FY 2009-10, to ensure that expenses were allocated among the Agency's programs appropriately.

Results

Masada's Cost Allocation Plan was prepared in compliance with the Wraparound and DMH contracts, and the shared expenses sampled from FY 2007-08 were allocated to the programs appropriately. However, for FY 2009-10, Masada allocated 100% of the depreciation expense for three vans, totaling $13,701, to the DMH Program, even though non-DMH programs also used the vans.

Masada indicated that they use the vans to transport DMH clients to and from their school site (a non-DMH Program site), to provide the clients services under the DMH contract. However, Masada did not maintain vehicle logs to document the vans were only used to transport DMH clients for the DMH Program, or document the need for three vans. Masada needs to provide documentation to support charging DMH for the vehicles or reduce their DMH Program expenses.

DMH pays Masada 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 revenue. The Agency reports their revenue and actual expenses on their annual Cost Report.

Recommendations

Masada management:

5. **Provide documentation to support vehicle depreciation expense, or re-allocate $13,701 to all benefited programs, and reduce the FY 2009-10 Cost Report by the amount allocated to non-DMH programs.**

6. **Ensure that shared costs are appropriately allocated among all benefited programs in accordance with the Cost Allocation Plan.**

EXPENDITURES

Objective

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

Verification

We interviewed Agency personnel, and reviewed financial records and documentation to support five Wraparound expenditures, totaling $3,311, and 14 DMH expenditures, totaling $94,044, between July 2008 and March 2009. In addition, we reviewed two DMH expenditures, totaling $6,491, in September 2010.

Results

Masada's Program expenditures were allowable, documented properly and billed accurately to the DMH and Wraparound Programs.

Recommendation

None.

FIXED ASSETS

Objective

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

Verification

We interviewed Agency personnel and reviewed the Agency's financial records for its fixed assets. In addition, we reviewed the depreciation expense of $108,274 charged to the DMH and Wraparound Programs in FY 2009-10.

Results

Masada's depreciation expense was properly documented, except for the vans discussed in the Cost Allocation Plan section of this report.

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 $35,425, for 15 employees for February 2009, and reviewed personnel files for the 15 employees. We also traced expenditures in payroll records, totaling $396,169, for the DMH Program, and $21,629 for the Wraparound Program, to the accounting records for September 2010. In addition, we traced DMH-related payroll expenditures, totaling $575,549, to the payroll records for September 2010.

Results

Masada maintained personnel files as required and their payroll expenditures were appropriately charged to the Wraparound Program. However, Masada overcharged DMH $10,404, for salaries during February 2009. Specifically, their accounting records exceeded the payroll records by $10,404.

Recommendation

7. **Masada management reduce the FY 2008-09 Cost Report by $10,404 and repay DMH for any excess amounts received.**

COST REPORT

Objective

Determine whether Masada's FY 2009-10 DMH Cost Report reconciled to the Agency's accounting records.

Verification

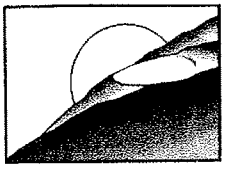
We traced the Agency's FY 2009-10 DMH Cost Report to the Agency's accounting records.

Results

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

Recommendation

None.



MASADA HOMES

... building a foundation

A Division of Counseling & Research Associates

April 6, 2011

Wendy L. Watanabe, Auditor-Controller
County of Los Angeles Department of Auditor-Controller
Kenneth Hahn Hall of Administration, Room 525
Los Angeles, CA 90012-3873

RE: Program and Fiscal Monitoring Review for Fiscal Years 2008-2009 and 2009-2010

Dear Ms. Watanabe,

This letter is in response to the program and fiscal monitoring review findings for Counseling & Research Associates, Inc., dba Masada Homes' Wraparound and DMH Programs for Fiscal Years 2008-2009 and 2009-2010. We appreciate the opportunity to respond to your department's findings, and we have outlined our corrective action plan for each recommendation below:

BILLED SERVICES

Recommendations:

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

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

Agency's Reponse:

1. The six Progress Notes that the reviewer found to be inadequate were all Medication Support notes. Three of the deficiencies were due to the psychiatrists' failure to list the name, dosage and quantity of the medication within the body of the note, and the other three problematic notes lacked a discussion about side effects, response to medication and medication compliance. Our psychiatrists will attend a "Common Findings" training presented by Sukeda Day, LCSW, of the Auditor-Controller's office, to address her findings. Additionally, Masada's Quality Improvement Coordinator has already provided our psychiatrists with additional training about the necessary elements to be contained in Medication Support progress notes, and she and her staff will continue to review Medication Support notes to ensure ongoing compliance.

Ph: (310) 715-2020 ▪ FAX (310) 327-4723
130 W. Victoria St., Gardena, CA 90248

The reviewer identified six instances in which the client's symptoms and behaviors were not adequately described to support the diagnosis. It was also determined that many of our treatment goals were not sufficiently specific and/or quantifiable. Masada's Program Directors, Coordinators, Clinical Supervisors and Quality Improvement personnel will attend Ms. Day's "Common Findings" training. Subsequent to Ms. Day's training, our Quality Improvement clinicians will provide intensive, ongoing trainings and chart reviews to ensure that DMH standards are consistently met. Clinical Supervisors will continue to review all Assessments and Client Care Plans, and will ensure that all diagnoses are sufficiently supported, and that all goals and objectives in the Client Care Plans are specific and measurable.

2. Masada's psychiatrists and psychiatric assistants have received additional training on the process of documenting informed consent in client charts. Masada's Quality Improvement staff will review the charts of each client receiving psychotropic medication to ensure that informed consent is documented in the client's chart.

UNSPENT WRAPAROUND REVENUE

Recommendations:

3. Reserve $66,230 ($27,871 + $38,359) to ensure that the funds are used to provide Wraparound Program services in subsequent years.

4. Repay DCFS $98,061 ($92,838 + $5,223).

Agency's Response:

3. In the future, Masada will reserve the proper amount of unspent revenue to ensure the funds are used to provide Wraparound Program services in subsequent years.

4. Masada used the $98,061 on Wraparound Program services in 2009-2010 as is evident by the fact that Wraparound expenditures were greater than Wraparound revenue by more than $98,061 during that fiscal year.

COST ALLOCATION PLAN

Recommendations:

5. Re-allocate $13,701 to all benefited programs and reduce the FY 2009-10 Cost Report by the amount allocated to the non-DMH program.

6. Ensure that shared costs are appropriately allocated among all benefited programs in accordance with the Cost Allocation Plan.

Agency's Response:

5. Masada Homes owns and operates vans for the express and only purpose of transporting DMH clients to and from their Los Angeles County Office of Education (LACOE) school site, which is co-located with Masada's mental health program. The vans are garaged on site at Masada at night and are used exclusively for this transportation. A roster of students transported was provided to DMH auditors. The LACOE school these clients attend is not funded under a Masada contract. Masada transports these students to and from the school solely for the purpose of evaluating and servicing them within Masada's DMH contract. As 93% of the students serviced were serviced within the DMH contract, and the other 7% were evaluated for services but did not meet criteria, 100% of the van depreciation expense, or $13,701, was charged to the DMH contract.

6. In the future, Masada Homes will ensure that shared costs are appropriately allocated among all benefited programs in accordance with the Cost Allocation Plan.

PAYROLL AND PERSONNEL

Recommendation:

7. Masada management reduce the FY 2008-09 Cost Report by $10,404 and repay DMH for any excess amounts received.

Agency's Response:

7. Masada will reduce the FY 2008-09 Cost Report by $10,404 and repay DMH for any excess amounts received.

If you have any questions regarding this Corrective Plan, please feel free to contact me.

Sincerely,

George K. Igi, LCSW
Executive Director
Masada Homes