COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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November 8, 2011

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

FROM: Wendy L. Watanabe Wendy L Watanabe
Auditor-Controller
by J Schneiderman

SUBJECT: **STAR VIEW ADOLESCENT CENTER, INC. – A DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEAR 2009-10**

We have completed a contract compliance review of Star View Adolescent Center, Inc. (SVAC or Agency), a Department of Mental Health (DMH) contract service provider. Our review covered a sample of transactions from Fiscal Year (FY) 2009-10. DMH contracts with SVAC to provide mental health services, including interviewing clients, assessing their mental health needs, and developing and implementing treatment plans. The purpose of our review was to determine whether SVAC complied with its contract terms, and appropriately accounted for and spent DMH Program funds providing the services outlined in their County contract.

DMH paid SVAC approximately $24.5 million on a cost-reimbursement basis for FY 2009-10. The Agency's offices are located in the Second and Fourth Supervisorial Districts.

Results of Review

SVAC maintained documentation to support the services billed to DMH, and staff assigned to the DMH contract had the required qualifications. However, SVAC charged DMH $121,393 in questioned costs, and did not comply with some of the County contract requirements. Specifically, SVAC:

- Charged $121,393 in FY 2009-10 to the DMH Program for expenditures paid to a related party; Star View Children and Family Services (SVCFC). The $121,393 is a 10% surcharge added to SVCFC's actual costs for administrative services to SVAC. Both SVAC and SVCFS belong to Stars Behavioral Health Group (SBHG), which has significant influence over both agencies. SBHG's board members and executive management are also the board members and/or executive management of SVAC and SVCFC. The County contract allows agencies to bill for related-party transactions only up to the lower of actual costs or fair market value.

  SVAC's attached response indicates that, although they will comply with our recommendation and will reduce their FY 2009-10 Cost Report by the $121,393, SVAC does not agree that SVCFS is a related party. The Agency indicated that SVCFS has an independent Board of Directors, who approved the agreement with SVAC. However, the County contract, and Centers for Medicare and Medicaid Services Provider Reimbursement Manual 15-1 consider an organization related when the contractor is associated or affiliated with, or has control of, or is controlled by, the organization furnishing the services, facilities, or supplies to a significant extent. Control includes any kind of control, whether or not it is legally enforceable, and however it is exercisable or exercised.

- Did not resolve reconciling items on their bank reconciliations in a timely manner. Specifically, 34 (14%) of the 242 outstanding checks, totaling $6,755, had been outstanding for more than a year.

  SVAC's attached response indicates that they now investigate and resolve all checks that are outstanding for more than a year.

- Did not document each type of treatment provided on five (25%) of the 20 Client Care Plans reviewed.

  SVAC's attached response indicates that they provided training to all staff on completing goals and interventions for each type of treatment provided in Client Care Plans.

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

Review of Report

We discussed the results of our review with SVAC and DMH. SVAC's attached response indicates that they generally agree with our findings and recommendations, except for our determination of the Agency's related-party relationship with SVCFS. DMH will work with SVAC to ensure the Agency implements the recommendations in our report.

We thank SVAC 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:sk

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Peter Zucker, President, Board of Directors, Star View Adolescent Center
Mary Jane Gross, President and CEO, Star View Adolescent Center
Public Information Office
Audit Committee

STAR VIEW ADOLESCENT CENTER, INC.
DEPARTMENT OF MENTAL HEALTH
FISCAL YEAR 2009-10

BILLED SERVICES

Objective

Determine whether Star View Adolescent Center, Inc. (SVAC or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their contract.

Verification

We selected 60 billings, totaling 4,340 minutes, from the 1,451,969 service minutes, and ten full-day billings from 1,185 service days of approved Medi-Cal billings, for January and February 2010. We also selected six Program clients, who received Psychiatric Health Facility services, and reviewed documentation to support the 161 service days from 460 service days billed to DMH. We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The sample represents services to 18 program participants.

Results

SVAC had documentation to support the service minutes and days reviewed, and completed the Assessments and Progress Notes as required by the DMH contract. However, five (21%) of 24 Client Care Plans did not always contain the objectives for each type of treatment provided. Specifically, four Targeted Case Management and one Medication Support objectives were not developed.

Recommendation

1. **SVAC management ensure the Client Care Plan objectives are completed for each of type of treatment provided.**

STAFFING LEVELS

Objective

Determine whether SVAC maintained the required staff to client ratio of 1:8 in its Day Treatment Intensive Program, and the required staffing levels for the Psychiatric Health Facility.

Verification

We reviewed the client attendance sheets, staff rosters, and staff timecards for five Day Treatment days and five Psychiatric Health Facility days in January and February 2010.

Results

SVAC met the required staffing levels for the ten days reviewed.

Recommendation

None.

STAFF QUALIFICATIONS

Objective

Determine whether SVAC 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 19 of the 299 Star View treatment staff, who provided services to DMH clients during January and February 2010.

Results

All 19 employees reviewed had the qualifications required to provide the services billed.

Recommendation

None.

CASH/REVENUE

Objective

Determine whether the Agency deposited cash receipts timely, and recorded revenue in the Agency's records properly.

Verification

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

Results

SVAC deposited cash timely and recorded revenue properly. However, the Agency did not resolve reconciling items on their bank reconciliations in a timely manner. Specifically, 34 (14%) of the 242 outstanding checks, totaling $6,755, had been outstanding for more than a year.

Recommendation

2. **SVAC management resolve reconciling items on their bank reconciliations timely.**

COST ALLOCATION PLAN

Objective

Determine whether SVAC's Cost Allocation Plan was prepared in compliance with the County contract, and used to allocate shared expenses appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, and selected 18 shared expenses, totaling $293,200, incurred between January and June 2010, to ensure that the expenses were allocated among the Agency's programs appropriately.

Results

SVAC prepared their Cost Allocation Plan in compliance with the County contract. However, the Agency charged $121,393, in Fiscal Year (FY) 2009-10, to the DMH Program for expenditures paid to a related party; Star View Children and Family Services (SVCFC). The $121,393 was a 10% surcharge added to SVCFC's actual costs for services to SVAC. Both SVAC and SVCFS belong to Stars Behavioral Health Group (SBHG), which has significant influence over both agencies. SBHG's board members and executive management are also the board members and/or executive management of both SVAC and SVCFC. The County contract allows agencies to bill for related-party transactions only up to the lower of actual costs or fair market value.

Recommendations

SVAC management:

3. **Revise the FY 2009-10 Cost Report to reduce the reported DMH program expenditures by $121,393, and repay DMH for the excess amount received.**

4. **Ensure that SVAC only charges DMH actual cost for services provided by SVCFS.**

EXPENDITURES

Objective

Determine whether the expenditures charged to DMH were allowable under SVAC's County contract, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed financial records and documentation for two expenditures, totaling $9,696, that were charged to DMH during May and June 2010.

Results

SVAC's expenditures were allowable, properly documented, and billed accurately, as required.

Recommendation

None.

FIXED ASSETS

Objective

Determine whether fixed asset depreciation expenses charged to the DMH contract were allowable, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets and equipment inventory listing. In addition, we reviewed the depreciation expense charged to the DMH Program, totaling $2,132, during June 2010.

Results

SVAC properly calculated, documented, and billed its depreciation expense for the items reviewed.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced payroll expenditures, totaling $31,879, for ten employees to the payroll records for the pay period ending June 30, 2010, and reviewed ten employees' personnel files.

Results

SVAC appropriately charged the payroll expenditures reviewed to DMH. In addition, the Agency maintained the personnel files as required.

Recommendation

None.

COST REPORT

Objective

Determine whether SVAC'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

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

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations from our prior monitoring review.

Verification

We verified whether SVAC had implemented the outstanding recommendations from our July 26, 2004 monitoring report.

Results

Our prior monitoring report contained three recommendations, and SVAC had implemented all three recommendations.

Recommendation

None.

Star View Adolescent Center
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April 6, 2011

Wendy L. Watanabe
Audit Controller
County of Los Angeles
Department of Auditor-Controller
Kenneth Hahn Hall of Administration
500 West Temple Street, Room 525
Los Angeles, California, 90012-3873

Dear Ms. Watanabe,

Attached you will find the Plan of Corrections for your fiscal compliance review of Star View Adolescent Center (SVAC).

We have taken appropriate action, implemented changes to our procedures, and provided trainings to these changes as you recommended in your draft report. Please include our response in the distribution of your report.

Please feel free to contact me if you require further information or have any further questions.

Respectfully,

John Weller, MBA
Vice President of Finance and CFO
Star View Adolescent Center, Inc.
510-635-9705 ext. 204

Finance Plan of Correction
Auditor-Controller Draft report on Star View Adolescent Center
March 2011

BILLED SERVICES

Result
SVAC maintained documentation to support the service minutes and days reviewed. However, the Agency did not complete the Client Care Plans in accordance with the county contract for 5 (21%) of 24 clients sampled. Specifically, five charts did not contain Client Care Plans for each type of treatment provided. .

Recommendation
1. *SVAC management ensures Client Care Plans are completed for each type of treatment provided.*

Corrective Action
A training was held with all supervisors on December 2, 2010 to go over the requirement of a separate goal and interventions for each service type provided. Supervisors were directed to return to their teams and do the following:

- Provide a training to all team members on this topic during the month of December
- Audit all intakes and annual reviews to insure separate goals appear as required for the services planned.

In addition, a re-training was held for the assessment team staff the week of December 6th to remind them of the requirement that they include separate goals and interventions for each service type. The assessment team supervisor audits 100% of all intake charts to insure this is being done correctly.

CASH/REVENUE

Result
SVAC properly recorded and deposited cash receipts timely. However, the Agency did not resolve reconciling items on their bank reconciliations in a timely manner. Specifically, 34 (14%) of the 242 outstanding checks totaling $6.755 were outstanding more than a year.

Recommendation
2. *SVAC management resolve reconciling items on their bank reconciliations timely.*

Corrective Action
The recommendation has been implemented. We now investigate and resolve all outstanding checks which are beyond one year of the issue date.

COST ALLOCATION PLAN

Result
SVAC prepared their Cost Allocation Plan in compliance with the County contract. However, the Agency over allocated $121,393 in FY 09-10 to the DMH program for the expenditures paid to a related party, Star View Children & Family Services. Specifically, SVAC indicated that the $121,393 represented a 10% surcharge added to SVCFS actual costs. Both SVAC and SVCFS belong to Stars Behavioral Health Group which has a significant influence over them. SBHG's board members and executive management are also the board members and/or executive management of SVAC and SVCFS. The County contract allows agencies charge related party transactions only up to the lower of actual costs or fair market value.

Recommendations
SVAC management:

3. *Revise the FY 09-10 Cost Report to reduce the reported program expenditures by $121,393 and repay DMH for an excess amount received.*
4. *Ensure that only actual program costs are charged to the DMH program.*

Corrective Action
The not-for-profit SVCFS is not a related party to SBHG or SVAC. SVCFS has an independent Board of Directors and this independent Board approved the agreement that is being questioned for the Community Treatment Facility (CTF) for dietary, clinical, building and housekeeping services that are allocated between the programs that comprise Star View Adolescent Center in Torrance (CTF, Psychiatric Health Facility (PHF), non-public school and outpatient mental health services). One SBHG executive manager serves on the SVCFS board but abstains from voting on any financial matters concerning SBHG or SVAC. While we are firm in our view that SVCFS is not a related party to SBHG and SVAC, we will comply with the recommendation to limit the charge to allocated costs. Furthermore, we will revise our Cost Report for FY 09-10 to back out the charge in excess of cost. We will not need to repay DMH because at this time the County owes us considerably more than the amount of the adjustment.