COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN
JUDI E. THOMAS

November 4, 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

Wendy L Watanabe by Schneiderman

SUBJECT: **CHILD AND FAMILY GUIDANCE CENTER – A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES CONTRACT PROVIDER – CONTRACT COMPLIANCE REVIEW**

We have completed a contract compliance review of Child and Family Guidance Center (CFGC or Agency). Our review covered a sample of transactions from Fiscal Years (FY) 2009-10 and 2010-11. The Department of Mental Health (DMH) contracts with CFGC to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans. The Department of Children and Family Services (DCFS) also contracts with CFGC to provide Wraparound Approach Services (Wraparound) Program to children and their families, including therapy, housing, education, and social assistance.

The purpose of our review was to determine whether CFGC 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 CFGC approximately $19 million on a cost-reimbursement basis for FY 2009-10. DCFS paid CFGC approximately $648,000 on a fee-for-service basis for FY 2009-10. The Agency's headquarters is located in the Third Supervisorial District.

Results of Review

DMH Program Review

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

CFGC's attached response indicates that the Agency will provide Assessment and Client Care Plan training to all staff, and increase their oversight and supervision.

DMH and DCFS Wraparound Programs Fiscal Review

CFGC maintained adequate controls over cash, and their direct Program expenditures were generally allowable, properly documented, and accurately billed. However, CFGC charged $80,559 and $19,984 in questioned costs to the DMH and Wraparound Program, respectively, and did not return $32,257 in unspent Wraparound funds to DCFS. Specifically, CFGC:

- Allocated $69,889 to the DMH Program for shared expenditures without documentation to support the allocation methodologies.

  CFGC's attached response indicates that the Agency will re-allocate the $68,899 to the DMH Program based on timesheets to support their cost allocation.

- Charged $5,732 and $5,786 in payroll expenditures to the DMH and Wraparound Programs, respectively, without documentation to support the allocation rates used to charge payroll expenditures to the Programs.

  CFGC's attached response indicates that the Agency will reallocate the $11,518 ($5,732 + $5,786) to the DMH and Wraparound Programs based on timesheets to support their cost allocations.

- Charged DMH $1,658 for August 2010 for 100% of an employee's pay. However, the employee performs general accounting and administrative functions for the Agency, and the salary should have been allocated among all programs.

  CFGC's attached response indicates that the Agency reallocated the $1,658 in payroll expenditures among all benefited programs.

  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 Year ending April 30, 2010, CFGC's accounting records indicated that they were allowed to retain $55,945 in unspent Program funds, and should have returned $32,257 to DCFS. CFGC did not return any unspent funds to DCFS.

CFGC's attached response indicates that the Agency will repay DCFS.

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

Review of Report

We discussed the results of our review with CFGC, DMH, and DCFS. CFGC's attached response indicates that they re-allocated their administrative payroll expenditures to all benefitted programs, will re-allocate $80,417 ($68,899 + $5,732 + $5,786) to the DMH and Wraparound Programs, and return $32,257 in unspent funds to DCFS. Both departments will work with CFGC to ensure the Agency implements the recommendations in our report.

We thank CFGC 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
Phillip Browning, Interim Director, DCFS
Dr. Marvin J. Southard, Director, DMH
Sari Scheer, Board Chair, CFGC
Roy Marshall, President and CEO, CFGC
Public Information Office
Audit Committee

CHILD AND FAMILY GUIDANCE CENTER
DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES' WRAPAROUND PROGRAMS
FISCAL YEARS 2009-10 AND 2010-11

BILLED SERVICES

Objective

Determine whether Child and Family Guidance Center (CFGC or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their DMH contract.

Verification

We selected 50 billings, totaling 5,676 minutes, from 998,457 service minutes of approved Medi-Cal billings for January and February 2010, which were the most current billings available at the time of our review (September 2010). We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 5,676 minutes represent services provided to 20 program participants.

Results

CFGC maintained documentation to support the billed services, and completed the Progress Notes as required by the DMH contract. However, CFGC did not complete some elements of the Assessments and Client Care Plans as required by the DMH contract.

Assessments

Nine (45%) of the 20 client Assessment forms reviewed did not adequately describe the symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorders (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

Ten (50%) of the 20 Client Care Plans reviewed did not contain client-specific goals as required by the DMH contract.

Recommendation

1. **CFGC management ensure that Assessments and Client Care Plans are completed in accordance with the County contract.**

STAFFING QUALIFICATIONS

Objective

Determine whether CFGC's treatment staff had the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 17 of the 190 CFGC treatment staff, who provided services to DMH clients during January and February 2010.

Results

Each employee reviewed had the qualifications required to provide the services billed.

Recommendation

None.

UNSPENT WRAPAROUND PROGRAM REVENUE

CFGC's 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 the County.

For the Program Year ending April 30, 2010, CFGC's accounting records indicated that they had unspent Wraparound funds, totaling $88,202, and Program expenditures totaling $559,454. As a result, CFGC is allowed to retain $55,945 (10% of $559,454) for future Wraparound expenditures, and should have returned the remaining $32,257 ($88,202 - $55,945) to DCFS. CFGC did not reserve the $55,945 for future Wraparound Program expenditures, or return the $32,257 in excess funds to DCFS.

Subsequent to our review, CFGC reserved the $55,945 in their restricted account for future Wraparound Program use.

Recommendation

2. CFGC management repay DCFS $32,257.

CASH/REVENUE

Objective

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

Verification

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

Results

CFGC deposited cash timely, and recorded revenue properly.

Recommendation

None.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed the Agency's Cost Allocation Plan, and selected 16 shared expenses, totaling $95,376, incurred during July and August 2010, to ensure that the expenditures were allocated among the Agency's programs appropriately.

Results

CFGC's Cost Allocation Plan complies with the DMH and Wraparound contracts. However, CFGC allocated $68,899 to the DMH Program in Fiscal Year (FY) 2010-11 without payroll records or time reports to support the full-time equivalents used to allocate the expenditures.

During the contract year, DMH pays CFGC based on a negotiated rate per unit of service. However, if the Agency's Program revenue exceeds its actual costs, the Agency must repay DMH the excess revenue. The Agency reports their revenues and actual expenses in their annual Cost Report.

Recommendations

CFGC management:

3. **Provide DMH documentation to support the $68,889, and reduce their FY 2010-11 DMH Program expenditures by any unsupported amount.**

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

EXPENDITURES

Objective

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

Verification

We interviewed Agency personnel, and reviewed the accounting records and documentation for ten DMH and Wraparound non-payroll expenditures, totaling $95,798, incurred during July and August 2010.

Results

CFGC's expenditures were allowable, documented properly and billed accurately.

Recommendation

None.

FIXED ASSETS

Objective

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

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets. In addition, we reviewed $55,289 in depreciation expenses charged to DMH and the Wraparound Program.

Results

CFGC's fixed assets depreciation expenses were charged appropriately to the DMH and Wraparound Programs.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

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

Verification

We reviewed DMH and Wraparound Program-related payroll expenditures, totaling $16,361, for 11 employees for the period ending August 31, 2010, and reviewed all 11 employees' personnel files.

Results

CFGC charged the DMH $7,390 and the Wraparound Program $5,786 in questioned costs. Specifically, CFGC:

- Charged DMH and Wraparound $5,732 and $5,786, respectively, in salaries for nine employees who worked on multiple programs, without documentation to support the allocations to the programs. Specifically, CFGC used predetermined rates to charge the four employees' payroll costs, instead of actual hours worked on each program.

- Charged DMH $1,658 for 100% of an employee's payroll costs. The employee performs general accounting and administrative functions for all the Agency's programs.

Recommendations

CFGC management:

5. **Provide documentation to support the $5,732, or reduce their FY 2010-11 DMH program expenditures by $5,732.**

6. **Provide documentation to support $5,786, or repay DCFS for any unsupported amount.**

7. **Allocate the administrative employee's salary, including the $1,658, to all benefitted programs, and reduce the FY 2010-11 DMH payroll expenditures by the amounts allocated to non-DMH programs.**

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

9. **Ensure that shared payroll expenditures are appropriately allocated among all benefited programs.**

COST REPORT

Objective

Determine whether CFGC'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

CFGC's cost report reconciled to the Agency's accounting records.

Recommendation

None.

Sari Scheer, *Chair*
Community Advocate

Bonnie Weissman, *Vice Chair*
Kaiser Permanente

Karineh Moradian, *Treasurer*
Kaiser Permanente

Linda Drescher, *Secretary*
Travelers Services of
Southern California

Marilyn Aja
Northrop Grumman

Joyce L. Barkin
Barkin, Perren,
Schwager & Dolan, LLP

Eric M. Book
Morgan Stanley
Smith Barney

Melissa Broadwell
Matadors Community
Credit Union

Shekhar Chikhalikar, ESQ
SNC Law Office

Ramon Escobedo, Jr.
Napa Street School

Robert Garcia, Jr., ESQ
Law Offices of
Jeffrey C. McIntyre

Stephen H. Howard, Ph.D.
Clinical Psychologist

Janice Kyser
WellPoint, Inc.

Scott London
KPMG, LLP

Myles M. Mattenson, ESQ

Christine A. McClane, ESQ
Law & Mediation Offices of
Christine A. McClane

Deborah M. Neal, Ed. D.
Los Angeles Unified
School District

Benjamin Potter
Stroock & Stroock
& Lavan, LLP

Gelly Y. Valero
Lawyers Paralegal Inc.

Bill Winkelmann
Anheuser-Busch

Roy Marshall, M.P.A.
President/CEO

Jeff Adler Ph.D.
Director of Operations

Duc Tu
Director of Finance

Kathleen Welch-Torres, Ph.D.
Director of Programs

Main Address
9650 Zelzah Avenue
Northridge, CA 91325-2003
818.993.9311

310 East Palmdale Boulevard
Palmdale, CA 93550
661.265.8627

www.childguidance.org

April 6, 2011

County of Los Angeles
Department of Auditor-Controller
500 W. Temple Street, Room 525
Los Angeles, California 90012

Attn: Wendy L. Watanabe
Auditor, Controller

Re: Child and Family Guidance Center DMH/Wraparound Compliance Review

This is in reference to the report from the Auditor-Controller concerning the Child and Family Guidance Center(CFGC) Compliance Review, specifically regarding DMH and DCFS Wraparound Program Fiscal Review.

We are pleased with the generally positive outcome and minor findings on the draft report. We appreciate constructive suggestions and recommendations which will help us continue our high standard of compliance and services to our clients, children and families for almost 50 years.

We concur with the auditor's Results and Recommendations which are as follows:

Staffing Qualifications:
Each employee in our sample possessed the qualifications required to provide the services billed. No recommendations.

Expenditures:
Guidance Center's expenditures were allowable, accurately billed and supported by documentation as required. No recommendations.

Fixed Assets:
Guidance Center's fixed assets and equipment listing appropriately identified adequately safeguarded the 20 items. No recommendations.

Cost Report:
Guidance Center's Cost report reconciled to the Agency's accounting records. No recommendations.

We take exceptions on some of the findings as specified in our responses below:

FINDINGS – COST ALLOCATION:

Allocated $69,899 and $4,868 to the DMH and Wraparound Programs, respectively for shared program expenditures without documentation to support the allocation methodologies.

RESPONSE:

Data used for allocation were interim. **We revised our allocation basis based on updated data for August 2010 YTD per the Timesheets implemented February 2011 (as noted in the corrected action Plan at the end of this letter).** Hence, the original basis for the $68, 899 and $4,868 questioned costs allocation are accordingly revised and corrected with support and documentation.

FINDINGS – PAYROLL AND PERSONNEL

Charged $5,732 in FY 2010-11 for four employees' payroll expenditures who worked on multiple programs without documentation to support the allocation rate used to charge their payroll expenditures to the program. Specifically, Guidance Center used predetermined rates to charge four employees' payroll costs instead of actual hours worked on each program.

Charged the Wraparound Program $5,786 for five employees' payroll expenditures who worked in multiple programs without documentation to support the allocation rate used to charge their payroll expenditures to the program. Specifically, Guidance Center used predetermined rates to charge the five employees' payroll costs instead of actual hours worked on each program.

Charged DMH $1,658 for 100% of one employee's payroll expenditures who performs general accounting and administrative functions.

RESPONSE:

CFGC followed procedures accepted and deemed compliant in previous similar audits. The abovementioned questioned payroll costs are valid and documented payroll expenses. Actual costs of staff were traced to and supported by payroll records. Staff work on a daily basis based on initial time assignments approved by the Directors/Supervisors. Cost allocation is based on final and actual activity of the respective staff as reflected in the timesheets and the Personnel Activity/Salary allocation worksheets.

The above are in accordance with OMB Circular A-122 – Cost Principles for Non-Profit Organizations: Support of salaries and wages, Section 2(a) "The report must be

signed by the individual employee or by a responsible supervisory official having first hand knowledge of the activity performed by the employee, that the distribution of activity represents a **reasonable** estimate of the actual work performed by the employee during the periods covered by the reports."

The Center is in compliance that the "Expenditures shall be supported by properly executed payroll, time records, invoices, vouchers, or other official documentation evidencing in proper detail the nature and propriety of the charges".

Notwithstanding the above, we appreciate the Auditor Controllers suggestions and we will continue to stay in compliance and ensure that all payroll costs are based on actual hours and all shared expenditures are appropriately allocated among all benefited programs.

As of February 2011, we have implemented the use of new timesheets to record actual hours spent by individual employees to various Cost-Centers. This timesheets were applied retroactively from the beginning of the year and changes in the financial report were effected accordingly.

UNSPENT WRAPAROUND REVENUE

FINDINGS:

For the program year ending April 30, 2010, the Guidance Center's unspent Wraparound funds totaled $88,202 and program expenditures totaled $559,454. As a result, Guidance Center is allowed to reserve $55,945 (10% of $559,454) for future Wraparound use and is required to return the $32,257 ($88,202 - $55,945) in excess funds to DCFS as required by the County contract. Subsequent to our review, Guidance Center reserved the $55,945 in their restricted account for future Wraparound program use.

RESPONSE:

The Guidance Center was able to effectively control and monitor costs while delivering quality Wraparound services resulting in the surplus. However, we will comply with the Auditor-Controller to return the excess funds in accordance with the Wraparound contract. We have reserved the $55,945 in our restricted account for future Wraparound program use.

RECAP OF RECOMMENDATIONS AND RESPONSE:

1. Guidance Center management ensures that Assessments and Client Care Plans are completed in accordance with the County contract.

See attached response and corrective action.

2. Guidance Center management repay DCFS $32,257.

CFGC will repay DCFS $32,257, upon receipt of verified billing.

3. Provide documentation to support the $68,899 and reduce their FY 2010-11 DMH Program expenditures by the unsupported amount.

The $68,899 costs are valid, allowable expenses. This will be re-allocated based on timesheets supporting cost allocations implemented effective February 2011. Documentation and supporting details will be provided on or before the annual DMH FY 10-11Cost Report closing.

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

CFGC will ensure that allocation methodologies are supported by adequate documentation, primarily by the timesheets showing actual time distribution by cost-center and using these as support for cost allocation.

5. Provide documentation to support the $5,732 or reduce their FY 2010-11 program expenditures by $5,732.

The $5,732 costs are valid payroll expenses. This will be re-allocated based on timesheets supporting cost allocations implemented effective February 2011. Documentations and supporting details will be provided on or before the annual DMH FY 10-11 Cost Report closing.

6. Provide documentation to support $5,786 or repay DCFS for unsupported amount.

The $5,786 costs are valid payroll expenses. This will be re-allocated based on timesheets supporting cost allocations implemented effective February 2011. Supporting details and documentations will be provided on or before the annual DMH FY 10-11 Cost Report closing.

7. Allocate the administrative employee's salary including the $1,658 to all benefited programs and reduce the FY 2010-11 payroll expenditures by the amounts allocated to non-DMH programs.

We have re-allocated the administrative employee's including the $1,658 to all benefited programs and adjusted the FY 10-11 payroll expenditures by the amounts.

CORRECTIVE PLAN OF ACTION

Starting February 2011, CFGC has developed and implemented new timesheets, which are designed to fully comply with the Auditor-Controller requirements, specifically to capture actual time spent by individual staff for every program and for given period.

We will use the new timesheets going forward. For cost allocation and support for the Fiscal Year 2010-11, we will use the timesheets, establish percentages and apply the time allocations retroactively to the beginning of the Fiscal Year (July 2010 to the present). Such methodology (per agreed-upon procedure by Susan Kim, Auditor-Controller Principal Accountant and JP Pentecostes, CFGC Finance Manager) will be consistent with the recommendations for more acceptable salary cost distribution and cost allocation.

Retroactive revisions are in progress and supporting details will be provided after closing of the annual FY 10-11 Cost Report.

Sincerely,

Jose JP Pentecostes
Fiscal Manager

Duc Tu
Finance Director

Auditor-Controller Audit 2010 – Clinical Part
Response and Corrective Action Plan
Child and Family Guidance Center DMH/Wraparound Compliance Review

Findings:

1. The assessments did not adequately describe the symptoms and behaviors to support the diagnosis.
2. The CCCPs did not contain specific and measurable objectives.

Identified Barriers:

A. A number of clinicians fail to understand the importance of fully documenting the DSM IV diagnostic criteria in support of their diagnosis, the requirement of establishment Medical Necessity, and/or the EPSDT documentation regulations

B. Insufficient oversight and supervision related to the assessment documentation and the clinical loop

C. Focus of trainings on EBP resulted in limited time allocated to QA/QI trainings and ongoing flow of QA information and communication loop during regular staff meetings (or other designated times); pressure of productivity.

Corrective Action Plan:

- Assessment and CCCP training to all staff – with focus on ongoing and documented (use of staff attendance signing sheets) follow-up by supervisors/designees during staff meetings, supervision hours, etc.
- Identify our "offenders/outliers" through review of documentation and provide them with extra attention, coaching and oversight. The loop of feedback and corrective action needs to be tracked.
- Training materials and documentation aids available on our intranet: there is a link to the LAC DMH sponsored CCCP training and LAC DMH driven Assessment Training in PPoint for staff use. There are examples of acceptable CCCP objectives – to be utilized by supervisors and staff.
- Allocate time and create structure on a regular basis in each program to address consistently QA/QI issues, convey new information, facilitate related discussions, and help staff develop/improve Clinical Expertise in Writing (documentation, compliance, clinical loop, consistency of diagnosis, and appropriate level of care). These meetings are a part of the mandatory QI Plan (may be built-into existing staff meetings), and must be QUAC and /or QI Director driven to ensure the consistency and accuracy of information conveyed across the programs.
- Establish/reinforce a higher level of oversight, supervision and review of documentation in order to identify the challenges and address them early "in real time" for clinical excellence. EBP documentation presents some EPSDT risks that need to be monitored. Review routinely a sample of assessments and CCCPs and bring them for discussions in staff meetings.

Signatures:

Alex Agnieszka Medina, LCSW
Director of Quality Improvement

Kathleen Welch-Torres, Ph.D.
Director of Programs