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July 10, 2012

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **SHIELDS FOR FAMILIES – A DEPARTMENT OF MENTAL HEALTH AND DEPARTMENT OF CHILDREN AND FAMILY SERVICES PROVIDER – CONTRACT COMPLIANCE REVIEW – FISCAL YEARS 2010-11 AND 2011-12**

We completed a contract compliance review of SHIELDS for Families (SHIELDS or Agency). Our review covered a sample of transactions from Fiscal Years (FY) 2010-11 and 2011-12. The Department of Mental Health (DMH) contracts with SHIELDS 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) also contracts with SHIELDS to provide Family Preservation (FP) Program services. The FP Program provides services to children and families, including prevention, support, intervention, transitional, and maintenance services.

The purpose of our review was to determine whether SHIELDS 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.

At the time of our review, DMH had two cost-reimbursement contracts with SHIELDS, and paid the Agency approximately $21.2 million from July 2009 to October 2011. DCFS had three fee-for-service contracts with SHIELDS, and paid the Agency

approximately $2.5 million from July 2009 to August 2011. The Agency provides services in the Second Supervisorial District.

Results of Review

DMH Program Review

SHIELDS did not always comply with the DMH contract requirements. Specifically:

- SHIELDS billed DMH $1,173 for 738 Targeted Case Management (TCM) services that were not supported by medical necessity. In addition, the TCM goals developed by SHIELDS' staff were not individualized to the clients' needs as required by the County contract.

  SHIELDS' attached response indicates that they have agreed to repay DMH $1,173, and that they have started retraining their staff to ensure that TCM services are supported by medical necessity, and that the goals are individualized to clients' needs.

- SHIELDS did not adequately describe six (35%) of 17 DMH clients' reviewed symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorders (DSM) to support the diagnoses listed in the Assessments.

- SHIELDS did not adequately complete any of the 17 Client Care Plans reviewed in accordance with the County contract.

- SHIELDS did not document the clients' responses to questions regarding the side effects and responses to medications, and compliance with the medication regime as required by the DSM for three (60%) of the five clients who received Medication Support Services.

  SHIELDS' attached response indicates that they have started retraining their staff to ensure that they complete Assessments, Client Care Plans, and Progress Notes in accordance with the County contract. In addition, SHIELDS indicated that they will retrain their quality assurance and improvement staff to ensure they are monitoring compliance.

In addition, for all five Day Treatment Intensive (DTI) cases reviewed:

- SHIELDS did not document the once-a-month contact with the clients' families, to discuss the clients' reintegration into the community from the DTI Program, in the clients' Progress Notes as required.

- SHIELDS did not provide a description in the clients' DTI Weekly Notes of what was attempted and/or accomplished towards the clients' goals, and did not document the daily activities in which the clients participated, a description of group activities, or the times clients were in groups.

  SHIELDS' response indicates that they have started retraining their staff to ensure they document Day Treatment Weekly/Daily Summaries and Progress Notes in accordance with the County contract.

- SHIELDS did not provide the required Psychotherapy component of the DTI Program to clients.

  SHIELDS' response indicates that their Day Treatment staff have immediately started providing the Psychotherapy component of DTI to clients as needed.

DMH and DCFS Fiscal and Administrative Reviews

SHIELDS charged the DMH and DCFS Programs $51,410 in questioned costs. Specifically, SHIELDS:

- Charged the FP Program $18,579 for unsupported expenditures. SHIELDS indicated they provided furniture, such as a bed, dresser, etc., to clients. However, SHIELDS did not document in the clients' case files that the furniture provided was requested by the clients, or necessary for the FP Program's purposes/activities.

  After our review, SHIELDS provided documentation to support the $18,579 in expenditures. Specifically, SHIELDS provided copies of the clients' case notes documenting the clients' requests for furniture, and that the furniture provided was necessary for the FP Program purpose/activities.

- Charged the DMH Program $12,416 in unsupported expenditures. SHIELDS purchased $12,416 ($6,984 in FY 2009-10 and $5,432 in FY 2010-11) in amusement park and movie tickets to give to clients as incentives. However, SHIELDS did not have documentation that the incentives were given to clients (e.g., signed client receipts), or an inventory of unissued incentives.

  SHIELDS' response indicates that they will reduce their FY 2009-10 DMH Cost Report by $6,984, and the FY 2010-11 DMH Cost Report by $5,432.

- Charged the DMH Program $16,875 in unallowable payroll expenditures. Specifically, SHIELDS charged two employees' pay to the DMH Program when the Agency's Mental Health Services Act Technology (Act) Program ran out of funds. The Act fund is a separate funding source, and the Agency should not have charged the DMH Program for expenditures related to the Act.

SHIELDS provided documentation that they had credited the DMH Program $16,875 for the unallowable payroll expenditures.

- Inappropriately included $3,540 in FY 2011-12 consultant expenditures in their FY 2010-11 administrative indirect cost pool ($3,300 for DMH and $240 for FP).

  SHIELDS' response indicates they will reduce their FY 2010-11 DMH Cost Report by $3,300 and repay DCFS FP $240.

To summarize, SHIELDS has resolved the $51,410 in questioned costs as follows: SHELDS provided documentation to support $18,579 in questioned costs; agreed to reduce their Cost Reports by $15,716 ($12,416 + $3,300); reduced their DMH payroll expenditures by $16,875; and agreed to repay $240. Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with SHIELDS, DMH, and DCFS. SHIELDS' attached response indicates they agree with our findings and recommendations.

We thank SHIELDS management and staff 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:JS:DC:EB:yp

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, DMH
Philip Browning, Director, DCFS
Kathryn S. Icenhower, Ph.D, Executive Director, SHIELDS for Families
Gerald Phillips, Board Chairperson, SHIELDS for Families
Public Information Office
Audit Committee

SHIELDS FOR FAMILIES
DEPARTMENT OF MENTAL HEALTH AND FAMILY PRESERVATION PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2010-11 AND 2011-12

BILLED SERVICES

Objective

Determine whether SHIELDS for Families (SHIELDS or Agency) provided the services billed in accordance with their Department of Mental Health (DMH) contract.

Verification

We selected 20 billings, totaling 2,410 minutes from 875,077 service minutes of approved Medi-Cal billings from March and April 2011, which were the most current billings available at the time of our review (December 2011). We also selected five of the 246 Day Treatment Intensive (DTI) days.

We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 2,410 minutes represent services provided to 17 clients, and the five DTI days represent services to five of the 17 clients.

Results

SHIELDS did not always comply with the DMH contract requirements. Specifically, SHIELDS:

- Did not adequately support 738 (31%) of the 2,410 Targeted Case Management (TCM) minutes reviewed. The TCM minutes reviewed were not supported by medical necessity, and the TCM goals were not individualized to clients' needs as required by the County contract. The unsupported TCM minutes totaled $1,173.

- Did not adequately describe six (35%) of 17 DMH clients' reviewed symptoms and behaviors consistent with the Diagnostic and Statistical Manual of Mental Disorder (DSM) to support the diagnoses listed in the Assessments. DSM is a handbook published by the American Psychiatric Association for mental health professionals, which lists different categories of mental disorders, and the criteria for diagnosing them.

- Did not adequately complete the Client Care Plans in accordance with the County Contract. Specifically, 11 Targeted Case Management (TCM) and five Mental Health Client Plans had goals that were not specific to the individual clients as required. In addition, nine TCM Client Plans did not relate to the client's Diagnosis or Assessment. The Client Care Plans establish goals and interventions that address the client's Mental Health conditions identified in the client's Assessment. A Client Care Plan is required for all the Medi-Cal services each client receives treatment, and must document specific, measurable, attainable, realistic, time-bound goals.

- Did not document the required clients' responses to questions regarding the side effects and responses to medications, and compliance with the medication regime for three (60%) of the five clients who received Medication Support services.

In addition, for all five (100%) Day Treatment Intensive (DTI) cases reviewed, SHIELDS did not:

- Document the required once-a-month contacts with the clients' families to discuss the clients' reintegration into the community from the DTI Program in the clients' Progress Notes.

- Provide a description in the clients' DTI Weekly Notes of what was attempted and/or accomplished towards the clients' goals, and did not document the daily activities in which the clients participated, or the group activities, or the times clients were in groups in the Daily Notes as required.

- Provide the required Psychotherapy component of the DTI Program to clients.

The number of Client Care Plan exceptions exceeds the total number of Care Plans reviewed because some Plans had multiple exceptions.

Recommendations

SHIELDS management:

1. **Repay DMH $1,173.**

2. **Ensure that medical necessity is supported by appropriate diagnosis and service in the clients' records.**

3. **Ensure that Assessments, Client Care Plans, Day Treatment Weekly/Daily Summaries, and Progress Notes are completed in accordance with the County contract.**

4. **Provide the Psychotherapy component of the Day Treatment Intensive Program to clients as required.**

STAFFING RATIOS

Objective

Determine whether the Agency maintained the ratio of 1:8 staff to clients in their DTI Program, as required by California Code of Regulations Title 9, Section 1840.350.

Verification

We reviewed staff timecards, attendance sheets, and client sign-in sheets for five days in March and April 2011.

Results

SHIELDS maintained the required staff to client ratio.

Recommendation

None

STAFFING QUALIFICATIONS

Objective

Determine whether SHIELDS treatment staff had the required qualifications to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website, and/or the personnel files, for 11 SHIELDS treatment staff who provided services to DMH clients during March and April 2011.

Results

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

Recommendation

None

CASH/REVENUE

Objective

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

Verification

We interviewed SHIELDS' management, and reviewed their accounting records. We also reviewed the Agency's October 2011 activity for three bank accounts.

Results

SHIELDS deposited cash receipts timely, and recorded revenue properly.

Recommendation

None

COST ALLOCATION PLAN

Objective

Determine whether SHIELDS prepared its Cost Allocation Plan in compliance with the County contract, and used the Plan to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management, and reviewed three shared expenditures incurred from June 2011 to October 2011, totaling $13,928, to ensure that the expenditures were appropriately allocated to the DMH and Family Preservation (FP) Programs.

Results

SHIELDS' Cost Allocation Plan was prepared in compliance with the County contract, and the Agency followed the Plan to appropriately allocate shared expenditures. However, SHIELDS inappropriately included $3,540 in FY 2011-12 consultant expenditures in their FY 2010-11 administrative indirect cost pool ($3,300 for DMH and $240 for FP).

Recommendations

SHIELDS management:

5. **Reduce the DMH FY 2010-11 Cost Report by $3,300 for unallowable expenditures, and repay DMH for any excess amount received or provide additional supporting documentation.**

6. **Reduce FY 2010-11 DCFS FP Program expenditures by $240 for unallowable expenditures, and repay DCFS FP for any excess amount received or provide additional supporting documentation.**

7. **Ensure only allowable expenditures are charged to the County Programs.**

EXPENDITURES

Objective

Determine whether expenditures charged to the County Programs were allowable under the County contracts, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed accounting records and documentation to support 48 expenditure expenditures billed to the DMH and DCFS FP Programs between June 2010 and October 2011, totaling $693,794.

Results

SHIELDS generally maintained adequate documentation to support their expenditures. However, SHIELDS charged the DMH and FP Programs $30,995 in questioned costs ($12,416 for DMH and $18,579 for FP Programs). Specifically, SHIELDS:

- Purchased furniture, such as a bed, dresser, etc., for FP clients, totaling $18,579. However, SHIELDS did not document that the furniture was requested by the clients, or necessary for the FP Program purposes/activities in the clients' case files.

- Purchased $12,416 ($6,984 in FY 2009-10 and $5,432 in FY2010-11) in amusement park and movie tickets to give DMH clients as incentives. However, SHIELDS did not have documentation that they issued the incentives to clients (e.g., signed client receipts), or an inventory of unissued incentives. Specifically, SHIELDS management did not know how many tickets were issued during each fiscal year, or how many tickets were remaining at the time of our review.

After our review, SHIELDS provided documentation to support the furniture purchased.

Recommendations

SHIELDS management:

8. **Reduce the DMH FY 2009-10 Cost Report by $6,984 and the FY 2010-11 Cost Report by $5,432 for unsupported expenditures, and repay DMH for any excess amount received or provide additional supporting documents.**

9. **Maintain adequate documentation to support the Program expenditures.**

10. **Conduct regular inventory of incentives, and ensure accurate and complete inventory records are maintained.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether the Agency's fixed assets and equipment purchased with County funds were used for the appropriate Programs, and were safeguarded. In addition, determine whether fixed asset depreciation expenses charged to the DMH and FP Programs were allowable under the County contract, documented properly, and billed accurately.

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets inventory listing. We also performed an inventory, and reviewed the usage of ten items purchased with County funds.

Results

SHIELDS used the equipment and fixed assets purchased with County funds for the DMH and FP Programs, and the assets were safeguarded. In addition, the depreciation expenses charged to the DMH and FP Programs were allowable, documented properly, and billed accurately.

Recommendation

None

PAYROLL AND PERSONNEL

Objective

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

Verification

We traced the payroll expenditures for 15 employees, totaling $70,526, for October 2011 to the Agency's payroll records and time reports. We also reviewed employees' personnel files.

Results

SHIELDS maintained their personnel files as required by the County contracts. However, SHIELDS charged the DMH Program $16,875 in unallowable payroll expenditures. Specifically, SHIELDS charged two employees' payroll expenditures to the DMH Program when the Agency's Mental Health Services Act Technology (Act) Program ran out of funds. The Act fund is a separate funding source, and the Agency should not have charged the DMH Program for expenditures related to the Act.

After our review, SHIELDS provided documentation that they had credited the DMH Program $16,875 for the unallowable payroll expenditures.

Recommendation

11. SHIELDS management ensure only program-related expenditures are charged to the County Programs.

COST REPORT

Objective

Determine whether SHIELDS' 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

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

Recommendation

None

Kathryn Icenhower, PhD Executive Director | Xylina Bean, MD Board President | Gerald Phillips Board Chair | Kerry English, MD Board Vice Chair
Norma Mtume, MA Associate Director PBG | Sara Tienda, MSW Assistant Director | Charlene Smith, MA Child Development Director | Darnell Bell, MA Research & Training Director

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April 5, 2012

Wendy L. Watanabe, Auditor-Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071
Attention: Yoon Park, CPA

RE: Corrective Action Plan

Dear Ms. Park,

Please find attached the SHIELDS for Families' Corrective Action Plan in response to the Auditor Controller Site Visit conducted November 16th - December 21, 2011 for DMH and DCFS services provided by SHIELDS for Fiscal Years 2009-2010, 2010-2011 and 2011-2012. All corrective actions in response to the recommendations made have been implemented as of the date of this submission.

Thank you again for all your work and the assistance you provided to our staff. Please contact me with any questions or if you need any additional information.

Sincerely,

Kathryn Icenhower, PhD, LCSW
Executive Director

Attachments

c: Norma Mtume
Katherine Erickson
Danita Henderson

SHIELDS for Families, Inc.

**Corrective Action Plan
For Contract Compliance Review Dated
11/16/2011 – 12/21/2011**

**Submitted
April 5, 2012**

SHIELDS For Families is submitting this Corrective Action Plan (CAP) in response to the Auditor Controller Site Visit conducted November 16th - December 21, 2011. This review covered both DMH services and DCFS services provided by SHIELDS for Families for Fiscal Years 2009-2010, 2010-2011 and 2011-2012. The CAP is in response to the recommendations listed in Pages 2-8 in the report review. All corrective actions in response to the recommendations made have been implemented as of the date of this submission. Following is a list of the areas reviewed, specific recommendations, and the agency response.

BILLED SERVICES

Recommendation 1: Repay DMH $1,173.

Agency Response: SHIELDS for Families, will repay DMH $ 1,173 for the Targeted Case Management Services which were found to be unsupported by Medical Necessity.

Recommendation 2: Ensure that medical necessity is supported by appropriate diagnosis and service.

Agency Response: SHIELDS has initiated re-training of all staff to ensure that medical necessity is supported by appropriate diagnosis and service. Training will be provided on an on-going basis to ensure that staff are in compliance with this recommendation. In addition, SHIELDS is re-training our quality assurance and improvement staff to ascertain they are monitoring compliance.

Recommendation 3: Ensure that Assessments, Client Care Plans, Day Treatment Weekly/Daily Summaries and Progress Notes are completed in accordance with the County Contract.

Agency Response: SHIELDS has initiated re-training of all staff to ensure that Assessments, Client Care Plans, Day Treatment Weekly/Daily Summaries and

Progress Notes are completed in accordance with the County Contract. This has included the following:

a. Re-training of all staff to ensure that the DSM IV diagnosis accurately reflects the symptoms listed in each Assessment.
b. Training on utilizing SMART goals for case management services listed on the Client Care Plan.
c. Re-training of our psychiatrist to ensure that each psychiatric service note must contain documentation that the client has been informed about potential side effects, both positive and negative responses to medication and client's compliance to the prescribed medication regime as per the most recent updated DMH Provider Manual published in 2009.
d. Day Treatment staff have implemented a new weekly/daily treatment note which summarizes all of the information consistent with DMH/Medi-Cal requirements and audit recommendations. (*As noted in our Audit Exit Interview, while we do not disagree with the recommendations made, this is the first time that it has been brought to our attention that our Day Treatment forms and protocols were in non-compliance, despite prior audits and certifications by both DMH and the State EPSDT.)*

Training will be provided on an on-going basis to ensure that staff are in compliance with this recommendation. In addition, SHIELDS is re-training our quality assurance and improvement staff to ascertain they are monitoring compliance.

Recommendation 4: Provide the Psychotherapy component of the Day Treatment Intensive Program to clients as needed.

Agency Response: The Day Treatment staff have immediately implemented the provision of the Psychotherapy component to clients as need indicates.

STAFFING RATIOS

No recommendations noted.

STAFFING QUALIFICATIONS

No recommendations noted.

CASH/REVENUE

No recommendations noted.

COST ALLOCATION PLAN

Recommendation 5: Reduce the DMH FY 2010-11 Cost Report by $3,300 for unallowable expenditures and repay DMH for any excess amount received or provide additional supporting documentation.

Agency Response: The unallowed expenditure of $3,300 will be removed from the expense total reported in the FY 2010-11 DMH Cost Report when it is prepared and submitted. The Cost Report for this period has not been requested by DMH.

Recommendation 6: Reduce FY 2010-11 DCFS FP Program expenditures by $240 for unallowable expenditures and repay DCFS FP for any excess amount received *or provide additional supporting documentation.*

Agency Response: SHIELDS mailed a check to DCFS on April 4, 2012 to repay $240 identified as unallowable expenditures. A copy of the check is included as an attachment.

Recommendation 7: Ensure only allowable expenditures are charged to the County Programs.

Agency Response: SHIELDS will make every effort to ensure that only allowable expenditures are charged to the County, as well as all programs.

EXPENDITURES

Recommendation 8: Reduce the DMH FY 2009-10 Cost Report by $6,984 and the FY 2010-11 Cost Report by $5,432 for unsupported expenditures and repay DMH for any excess amount received or provide additional supporting documents.

Agency Response: SHIELDS has revised and reduced the FY 2009-10 Cost Report by $6,984. The revision was submitted to DMH on April 4, 2012. Copies of the relevant pages indicating the expense reduction are included as an attachment. To date, the Cost Report for 2010-11 has not been requested by DMH. However, when it is prepared, it will reflect the disallowed amount of $5,432 for unsupported expenditures. Both of these adjustments will be settled through the cost report reconciliation process which has not been completed by DMH due to delays by the State.

Recommendation 9: Maintain adequate documentation to support the program expenditures.

Agency Response: SHIELDS for Families has a system in place for properly documenting program expenditures and will ensure that expenses are accurately recorded in the accounting records.

Recommendation 10: Conduct regular inventory of assests and ensure accurate and complete inventory records are maintained.

Agency Response: SHIELDS for Families has implemented a system for conducting a bi-annual physical inventory of assets, at which time inventory records will be updated.

FIXED ASSETS AND EQUIPMENT

No recommendations noted.

PAYROLL AND PERSONNEL

Recommendation 11: SHIELDS management ensure only program related expenditures are charged to the County Programs.

Agency Response: SHIELDS for Families will make every effort to ensure that only program-related expenses are charged to the County , as well as all programs.

COST REPORT

No recommendations noted.