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

JUDI E. THOMAS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JAMES L. SCHNEIDERMAN

November 7, 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: **GATEWAYS HOSPITAL AND MENTAL HEALTH CENTER – 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 Gateways Hospital and Mental Health Center (Gateways or Agency), which covered a sample of transactions from Fiscal Years (FY) 2010-11 and 2011-12. The Department of Mental Health (DMH) contracts with Gateways 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) contracts with Gateways to provide the Wraparound Approach Services (Wraparound) Program. The Wraparound Program provides services to children and families including prevention, support, intervention, transitional, and maintenance services.

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

DMH paid Gateways approximately $16 million on a cost-reimbursement basis for FY 2011-12. DCFS paid the Agency approximately $594,000 on a fee-for-service basis for FY 2011-12. The Agency provides services in the First Supervisorial District.

Results of Review

Gateways' treatment staff had the required qualifications, and the billings reviewed were supported. However, the Agency did not comply with other aspects of their County contracts. Specifically:

- Gateways did not conduct annual medication reviews for four of the 14 clients files reviewed, who received psychotropic medications.

  Gateways' attached response indicates that the Agency will conduct annual medication reviews of all clients who receive psychotropic medication.

- Gateways did not return $94,369 in FY 2010-11 surplus Wraparound funds to DCFS as required by the County contract.

  Gateways' response indicates that they will return the $94,639 to DCFS, and will ensure any unallowable expenses are coded correctly.

- Gateways' FY 2011-12 accounting records included $15,137 in training costs that occurred in FY 2010-11, which the DMH contract does not allow.

  After our review, Gateways corrected their accounting records by reclassifying the $15,137 as unallowable expenditures.

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

Review of Report

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

We thank Gateways 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:JLS:DC:EB

Attachment

c: William T Fujioka, Chief Executive Officer
Philip Browning, Director, Department of Children and Family Services
Dr. Marvin J. Southard, Director, Department of Mental Health
Barry S. Steinhardt, Board Chairperson, Gateways Hospital and Mental Health Center
Mara Pelsman, Chief Executive Director, Gateways Hospital and Mental Health Center
Public Information Office
Audit Committee

GATEWAYS HOSPITAL AND MENTAL HEALTH CENTER
DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2010-11 and 2011-12

BILLED SERVICES

Objective

Determine whether Gateways Hospital and Mental Health Center (Gateways or Agency) provided the services billed in accordance with their Department of Mental Health (DMH) contract.

Verification

We selected 70 billings, totaling 3,720 minutes, from 278,181 service minutes provided, and 44 days from 335 days of approved Medi-Cal billings for July and August 2011, which were the most current billings available at the time of our review (June 2012). We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 3,720 minutes and 44 days represent services provided to 30 clients.

Results

Gateways had documentation to support the billings reviewed. However, the Agency did not conduct annual medication reviews for four of the 14 clients who received psychotropic medications. The annual reviews document the clients' continued agreement to the medications, and is conducted after the initial consent is obtained.

Recommendation

1. **Gateways management ensure that medication is reviewed on an annual basis, and documented in the client's chart.**

STAFFING QUALIFICATIONS

Objective

Determine whether Gateways' treatment staff had the qualifications required to provide the contract services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 24 of 97 Gateways' treatment staff, who provided services to DMH clients during July and August 2011.

Results

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

Recommendation

None.

UNSPENT WRAPAROUND REVENUE

Objective

Determine whether Gateways placed surplus Wraparound Approach Services (Wraparound) Program funds in a reserve account for future Wraparound Program expenditures, and returned surplus funds in excess of 10% of Program expenditures to the Department of Children and Family Services (DCFS) as required by the DCFS contract.

Verification

We compared the amount DCFS paid Gateways to the Agency's Wraparound Program revenue and expenditures recorded in the Agency's accounting records for Program Year (PY) 2010-11.

Results

Gateways reported $143,599 in surplus funds in PY 2010-11, and appropriately reserved $49,230 (10% of their Program expenditures) for future Wraparound Program use. However, Gateways did not return the remaining $94,369 in surplus funds ($143,599 - $49,230) as required by their DCFS contract.

Recommendations

Gateways management:

2. **Repay $94,369 to DCFS.**

3. **Ensure that any surplus Wraparound Program funds above ten percent of expenditures are returned to DCFS.**

CASH/REVENUE

Objective

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

Verification

We interviewed Gateways' management, and reviewed their accounting records. We also reviewed the Agency's April 2012 bank reconciliations for operating and payroll bank accounts.

Results

The Agency deposited cash receipts timely, and recorded revenue properly.

Recommendation

None.

COST ALLOCATION PLAN

Objective

Determine whether the Agency prepared its Cost Allocation Plan (Plan) in compliance with the DMH and Wraparound contracts, and used the Plan to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Plan, and reviewed eight shared expenditures, totaling $27,070, that were charged to the County programs between October 2010 and April 2011, to ensure that the expenditures were appropriately allocated to the DMH and Wraparound Programs.

Results

Gateways allocated shared expenditures appropriately in compliance with the Cost Allocation Plan and the County contracts.

Recommendation

None.

EXPENDITURES

Objective

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

Verification

We interviewed Agency personnel, and reviewed the accounting records, and documentation for 33 non-payroll expenditures, totaling $123,980, charged to the DMH and Wraparound Programs between July 2010 and April 2012 (23 DMH expenditures, totaling $109,256, and ten Wraparound expenditures, totaling $14,724).

Results

Gateways' non-payroll expenditures charged to the DMH and Wraparound Programs were supported with adequate documentation. However, Gateways' Fiscal Year (FY) 2011-12 accounting records included $15,137 in training costs that were incurred in FY 2010-11, which is unallowable per the DMH contract. After our review, Gateways corrected their accounting records by reclassifying the $15,137 as unallowable expenditures.

Recommendations

Gateways management:

4. **Ensure that the $15,137 is not reported in the DMH FY 2011-12 Cost Report.**

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

FIXED ASSETS/EQUIPMENT

Objective

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

Verification

We interviewed Agency personnel, and reviewed the Agency's fixed assets/equipment inventory listing and depreciation schedule. In addition, we reviewed $14,453 in depreciation expense charged to the DMH and Wraparound Programs in FY 2010-11.

Results

Gateways' depreciation expenses charged to the DMH and DCFS Programs were allowable, documented properly, and billed accurately.

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 $123,043, for 25 employees incurred in April 2012, and reviewed personnel files for all 25 employees.

Results

Gateways charged their payroll expenditures to the DMH and Wraparound Programs appropriately, and maintained personnel files as required.

Recommendation

None.

COST REPORT

Objective

Determine whether Gateways' 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, which was the most current Cost Report at the time our fieldwork (June 2012), to the Agency's accounting records.

Results

Gateways' total expenditures reported on their DMH Cost Report reconciled to their accounting records.

Recommendation

None.

PRIOR YEAR FOLLOW-UP

Objective

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

Verification

We verified whether Gateways had implemented the outstanding recommendations from our December 11, 2008 monitoring report.

Results

Our prior monitoring report contained six recommendations, and Gateways had implemented all six recommendations.

Recommendation

None.

GATEWAYS HOSPITAL
AND MENTAL HEALTH CENTER

1891 Effie Street
Los Angeles, CA 90026
Phone 323. 644. 2000
Fax 323. 666.1417

September 24, 2012

Ms. Wendy L. Watanabe
Auditor Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-2706

RE: Gateways Hospital & Mental Health Center's Contract Compliance Review
Wraparound Program and Mental Health Services Provider

Dear Wendy:

Gateways Hospital accepts the findings and recommendations of the September 14, 2012 DRAFT report.

Our Corrective Action Plan is attached. Please feel free to contact me at (323) 644-2000, extension 274, Jeff Emery, CFO at extension 216 or Phil Wong, QI Director at extension 222.

Sincerely,

Mara Pels

Mara Pelsman
Chief Executive Officer

Enclosure

cc: Jeff Emery
Phil Wong

Corrective Action Plan

BILLED SERVICES

- Gateways Supported the sampled billings with the minimum level of documentation to substantiate the billings. However the Agency did not conduct annual medication review for four of the fourteen clients who received treatment with psychotropic medication. The annual reviews document the clients' agreement to a proposed course of treatment based upon receiving clear, understandable information about the treatments potential benefits of risks.

  Gateways' treatment staff will conduct an annual medication review of all of our patients/clients that receive treatment with psychotropic medication. Gateways management will ensure that annual medication review will be conducted on all patients/clients on an annual basis and is documented in the clients' chart as it will be reported to Medical Record Committee quarterly.

UNSPENT WRAPAROUND REVENUE

- Gateways reported $143,599 in surplus funds in PY 2010-2011 and reserved $49,230 (10% of their program expenditures) for future Wraparound program use. However, Gateways did not return $94,369 as required by their DCFS contract.

  Gateways will return the $94,639 to DCFS per its contract obligation.

EXPENDITURES

- Gateways non-payroll expenditures charged to DMH and Wraparound Programs were supported with adequate documentation. However Gateways FY 2011-12 accounting records included $15,137 in FY 2010-11 training costs, which was not allowed by the DMH contract. After our review, Gateways corrected their accounting records by reclassifying the $15,137 as unallowable expenditures.

  Gateways management will ensure that any unallowable expenses are coded correctly. The CFO or the Controller will continue to review all invoices to ensure all coding errors are caught prior to processing the invoice.