



**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

December 17, 2013

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

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **HERITAGE CLINIC AND THE COMMUNITY ASSISTANCE PROGRAM
FOR SENIORS – A DEPARTMENT OF MENTAL HEALTH SERVICE
PROVIDER – CONTRACT COMPLIANCE REVIEW**

We completed a contract compliance review of Heritage Clinic and the Community Assistance Program for Seniors (Heritage or Agency), which covered a sample of transactions from Fiscal Year (FY) 2012-13. The Department of Mental Health (DMH) contracts with Heritage to provide mental health services, including interviewing Program clients, assessing their mental health needs, and implementing treatment plans.

The purpose of our review was to determine whether Heritage provided the services outlined in its County contract and appropriately spent DMH Program funds. We also evaluated the adequacy of the Agency's financial records, internal controls, and compliance with its contract and other applicable guidelines.

DMH paid Heritage approximately \$4.3 million on a cost-reimbursement basis during FY 2012-13. Heritage provides services in the First, Fourth, and Fifth Supervisorial Districts.

Results of Review

Heritage staff had the required qualifications to provide DMH Program services, and the Agency maintained documentation to support the billings reviewed. Heritage staff also completed their Assessments and Progress Notes in accordance with the DMH contract

requirements. In addition, Heritage prepared its Cost Allocation Plan (Plan) in compliance with its County contract, and used the Plan to allocate shared costs appropriately. However, the Agency did not always develop specific objectives for DMH services, and charged \$2,434 in questioned costs. Specifically, Heritage:

- Did not develop specific objectives for the Targeted Case Management and/or the Mental Health Services in 14 (78%) of the 18 Client Care Plans reviewed.

Heritage's attached response indicates that the Agency is providing training to staff and supervisors, and will continue to monitor them.

- Charged DMH \$2,434 without adequate documentation to support that the expenditures benefited the DMH Program.

Heritage's attached response indicates that the Agency will repay DMH \$2,434 in questioned costs.

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

Review of Report

We discussed our report with Heritage and DMH. Heritage's attached response indicates that they agree with our findings and recommendations. DMH will work with Heritage management to ensure that our recommendations are implemented.

We thank Heritage management and staff 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:AB:DC:EB:sk

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Ellen Sherwood Wight, Board Chairperson, Heritage
Vatche Kelartinian, Chief Executive Officer, Heritage
Public Information Office
Audit Committee

**HERITAGE CLINIC & THE COMMUNITY ASSISTANCE PROGRAM FOR SENIORS
DEPARTMENT OF MENTAL HEALTH
CONTRACT COMPLIANCE REVIEW
FISCAL YEAR 2012-13**

BILLED SERVICES

Objective

Determine whether Heritage Clinic and the Community Assistance Program for Seniors (Heritage or Agency) provided the services billed to the Department of Mental Health (DMH) in accordance with their DMH contract.

Verification

We selected 35 (2%) of the 1,651 approved Medi-Cal billings for July and August 2012, which were the most current billings available at the time of our review (July 2013). We reviewed the Assessments, Client Care Plans, and Progress Notes in the clients' charts for the selected billings. The 35 billings represent services provided to 18 clients.

Results

Heritage maintained documentation to support the billings reviewed, and completed its Assessments and Progress Notes in accordance with its DMH contract requirements. However, Heritage did not develop specific objectives for the Targeted Case Management and/or the Mental Health Services in 14 (78%) of the 18 Client Care Plans reviewed, as required by the DMH Provider's Manual, Chapter 1, Pages 1-11. According to the DMH Provider's Manual, Client Care Plans should include clinical/case management objectives that are SMART (specific, measurable/quantifiable, achievable, realistic, and time bound).

Recommendation

- 1. Heritage Clinic and the Community Assistance Program for Seniors management ensure that Client Care Plans are completed in accordance with their Department of Mental Health contract.**

STAFFING QUALIFICATIONS

Objective

Determine whether Heritage 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 ten (36%) of the 28 Heritage treatment staff who provided services to DMH clients during July and August 2012.

Results

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

Recommendation

None.

CASH/REVENUE

Objective

Determine whether Heritage recorded revenue in the Agency's financial records properly, deposited cash receipts in their bank accounts timely, and that bank account reconciliations were reviewed and approved by Agency management timely.

Verification

We interviewed Heritage personnel, and reviewed the Agency's financial records and April and May 2013 bank reconciliations.

Results

Heritage recorded revenue in their financial records properly, deposited DMH payments timely, and Agency management reviewed and approved bank reconciliations timely.

Recommendation

None.

EXPENDITURES

Objective

Determine whether Heritage's Cost Allocation Plan (Plan) complied with their DMH contract, and if expenditures charged to the DMH Program were allowable, properly documented, and accurately billed.

Verification

We reviewed Heritage's Plan and its financial records for 42 non-payroll expenditures, totaling \$83,674, charged to the DMH Program from July 2011 through May 2013. We also interviewed Agency personnel.

Results

Heritage prepared its Plan in compliance with the County contract, and allocated sampled shared costs appropriately. However, Heritage charged DMH \$2,434 without adequate documentation, as required by the Auditor-Controller Contract Accounting and Administration Handbook A.3.2. Specifically, Heritage charged DMH \$2,434 for client related costs without adequate documentation, including cancelled checks, rental agreements, invoices, and clients' acknowledgement of receiving the assistance, to support that the expenditures benefited the DMH Program.

Recommendations

Heritage Clinic and the Community Assistance Program for Seniors management:

- 2. Provide documentation to support the \$2,434 or reduce the Fiscal Year 2012-13 Program expenditures, and repay the Department of Mental Health for any excess amount received.**
- 3. Ensure that Program expenditures are supported by adequate documentation.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Heritage's fixed assets and equipment purchased with DMH funds were used for the Program and adequately safeguarded.

Verification

We interviewed Heritage personnel and reviewed the Agency's fixed assets and equipment inventory list. We also performed a physical inventory of nine items purchased with DMH funds to verify the items existed and were being used for the Program.

Results

Heritage adequately safeguarded and used the items we reviewed for the Program.

Recommendation

None.

PAYROLL AND PERSONNEL

Objective

Determine whether Heritage appropriately charged payroll costs to the DMH Program, and maintained personnel files as required.

Verification

We compared the payroll costs for ten employees, totaling \$33,334 for May 2013, to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for ten Program staff.

Results

Heritage appropriately charged payroll costs to the DMH Program, and maintained personnel files as required.

Recommendation

None.

COST REPORTS

Objective

Determine whether Heritage's Fiscal Year (FY) 2011-12 Cost Reports reconciled to their financial records.

Verification

We compared Heritage's FY 2011-12 Cost Reports to their financial records.

Results

Heritage's FY 2011-12 Cost Reports reconciled to their financial records.

Recommendation

None.



The Center for Aging Resources

November 4, 2013

To: Wendy L. Watanabe
Auditor Controller

From: Vatche Kelartinian
Heritage Clinic, CEO

Heritage Clinic

447 N. El Molino Ave.
Pasadena, CA 91101
(626) 577-8480
Fax (626) 577-8978

155 N. Occidental Blvd.
Suite 243
Los Angeles, CA 90026
(213) 382-4400
Fax (213) 382-4404

1037 W. Avenue N
Suite 205
Palmdale, CA 93551
(661) 575-9365
Fax (661) 575-9502

3939 Atlantic Ave.
Suite 103
Long Beach, CA 90807
(562) 264-6001
Fax (562) 264-6006

The Community Assistance
Program for Seniors
Alzheimer's Day Care Centers

3740 E. Sierra Madre Blvd.
Pasadena, CA 91107
(626) 351-5427
Fax (626) 351-2308

520 S. Lark Ellen Ave.
West Covina, CA 91791
(626) 917-4484
Fax (626) 917-4475

Website
www.heritageclinic.org

Subject: **Heritage Clinic and CAPS – Contract Compliance Review**

Thank you for your letter dated 10/24/2013.

Below, please find our responses to the results and the recommendations listed in that review.

The Auditor Controller's review found that:

1. Result:

"Heritage did not develop specific objectives for the Targeted Case Management and/or the Mental Health Services in 14 (78%) of the 18 Client Care Plans reviewed, as required by the DMH Provider's Manual, Chapter 1, Page 1-11. According to the DMH Provider's Manual, Client Care Plans should include clinical/case management objectives that are SMART (specific, measurable/ quantifiable, achievable, realistic and time bound).

Recommendation #1:

"Heritage management ensure that Client Care Plans are completed in accordance with their DMH contract.

Response #1:

Heritage Clinic has already initiated training of the Clinical staff and clinical supervisors to address this finding. We are, and will continue to, train and monitor staff in the guidelines of DMH's Provider Manual regarding SMART mental health services and targeted case management objectives. In addition, Heritage would like to invite the Clinical Auditors to visit Heritage and provide a staff training regarding clinical documentation, with particular emphasis on determining and writing Care Plan objectives.

2. Result:

Heritage prepared its plan in compliance with the County contract, and used the Plan to allocate its shared costs appropriately. However, Heritage charged DMH \$2,434 without adequate documentation, as required by Auditor – Controller Contract Accounting and Administration Handbook A3.2. Specifically, Heritage charged DMH \$2,434 for client related costs without adequate documentation,



The Center for Aging Resources

including cancelled checks, rental agreements, invoices, and client acknowledgement of receiving the assistance, to support that the expenditures benefited the DMH Program.

Heritage Clinic

4-17 N. El Molino Ave.
Pasadena, CA 91101
(626) 577 - 8480
Fax (626) 577- 8978

155 N. Occidental Blvd.
Suite 243
Los Angeles, CA 90026
(213) 382-4400
Fax (213) 382-4494

1037 W. Avenue N
Suite 205
Palmdale, CA 93551
(661) 575-9365
Fax (661) 575-9502

3939 Atlantic Ave.
Suite 103
Long Beach, CA 90807
(562) 264-6001
Fax (562) 264-6006

The Community Assistance
Program for Seniors
Alzheimer's Day Care Centers

3740 E. Sierra Madre Blvd.
Pasadena, CA 91107
(626) 351-5427
Fax (626) 351-2308

520 S. Lark Ellen Ave.
West Covina, CA 91791
(626) 917-4484
Fax (626) 917-4475

Website
www.heritageclinic.org

Recommendations #2:

Provide documents to support the \$2,434 or reduce the FY 2013-2014 program expenditure, and repay DMH for any excess amount received.

Response #2:

Heritage Clinic has already closed the accounting books for FY 2012-2013, finished the outside audit and filed the cost report with DMH, thus the expenses could not be reduced any longer. We accept to pay back the \$2,434.

Recommendation #3:

Ensure that program expenditures are supported by adequate documentation.

Response #3:

- i) Two of these expenditures were rent payments for clients. The lease agreements were between clients and the landlords and not between Heritage and the landlords. At the time, since Heritage was not the lease holder in both cases, we thought that it wasn't necessary to have a copy of the lease agreement between the clients and their landlords. We only made sure that we got a receipt from the landlord each month. From now on, Heritage will make sure to have on file, the lease agreements between the clients and their landlords. In addition a client acknowledgment will be obtained every month.
- ii) The other two expenditures, one was a past due medication bill and one was a past due bill for a television that a client had purchased. In both cases, Heritage had obtained a receipt for paying the bills for the clients from the firms, but it didn't have the original invoices that the firms had given to the clients a while ago. In the future, Heritage will make sure to get the original invoice before it pays the past due bills. If an original invoice is not possible to be obtained, Heritage will refuse to pay past due bills.

Thank you and please let me know if I can be of any further assistance.

Yours truly,

Vatche Kelartinian, MBA

Heritage Clinic, CEO.