LOS ANGELES COUNTY DEPARTMENT OF MENTAL HEALTH
550 S. VERMONT AVE., LOS ANGELES, CA 90020 HTTP://DMH.LACOUNTY.GOV

MARVIN J. SOUTHARD, D.S.W.
Director
ROBIN KAY, Ph.D.
Chief Deputy Director
RODERICK SHANER, M.D.
Medical Director

June 4, 2014

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012

ADOPTED
BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

32 June 4, 2014

SACHI A. HAMAI
EXECUTIVE OFFICER

Dear Supervisors:

APPROVAL TO EXTEND THE REPAYMENT OF DISALLOWED COSTS RESULTING FROM A CONTRACT COMPLIANCE REVIEW OF SAN GABRIEL CHILDREN'S CENTER, INC.
(SUPERVISORIAL DISTRICT FIVE)
(3 VOTES)

SUBJECT

Request approval to amend existing Department of Mental Health Legal Entity Agreement with San Gabriel Children's Center, Inc., to extend the repayment period for disallowed costs resulting from the Fiscal Year 2009-10, Fiscal Year 2010-11 and Fiscal Year 2011-12 Contract Compliance Reviews conducted by the County of Los Angeles Auditor-Controller.

IT IS RECOMMENDED THAT YOUR BOARD:

1. Approve and instruct the Director of Mental Health (Director), or his designee, to extend, for a period not to exceed five months, the recovery period of disallowed costs totaling $274,906 owed by San Gabriel Children's Center, Inc. (SGCC).

2. Approve and instruct the Director, or his designee, to prepare, sign, and execute an amendment, substantially similar to Attachment , to the existing Department of Mental Health (DMH) Legal Entity (LE) Agreement with SGCC extending the repayment period.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTIONS

Board approval of the recommended actions will extend the repayment period for disallowed costs resulting from the Fiscal Year (FY) 2009-10, FY 2010-11 and FY 2011-12 Contract Compliance Reviews of SGCC conducted by the County of Los Angeles Auditor-Controller (A-C). SGCC has requested an extension to repay funds over a period not to exceed five months, in

lieu of the three-month repayment period provided in the Legal Entity (LE) Agreement. DMH initiated the repayment process in September 2013 and is seeking Board approval for the completion. SGCC made one payment in September 2013 and another payment in March 2014. SGCC has indicated that the repayment of the balance of funds in one month will have an immediate adverse fiscal impact on their operations and the level and quality of mental health services provided. The requested extension of the repayment period will mitigate this impact.

Implementation of Strategic Plan Goals

The recommended Board actions support the County's Strategic Plan Goal 3, Integrated Services Delivery.

FISCAL IMPACT/FINANCING

There is no fiscal impact for this action.

The total amount of disallowed costs from the FY 2009-10, FY 2010-11 and FY 2011-12 Contract Compliance Reviews of SGCC was $274,906. DMH reduced the amount owed by the FY 2007-08 Settlement payment due to SGCC of $43,910 and SGCC has repaid $119,507. The remaining balance of $111,489 will be repaid by June 30, 2014. The total requested repayment period will not exceed five months.

If approval is not granted, the entire balance of $111,489 will be due in one monthly payment.

There is no net County cost impact associated with the recommended actions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

SGCC provides residential and outpatient mental health services to severely emotionally disturbed County consumers up to age 24 across a diverse population. The array of therapeutic mental health services includes a Day Treatment Intensive Program; individual, group and family treatment; therapeutic behavioral services; medication support, targeted case management and wraparound services.

On January 23, 2013, the Department of Mental Health (DMH) notified SGCC that findings of a Contract Compliance Review conducted by the A-C indicated disallowed costs for FY 2009-10, FY 2010-11 and FY 2011-12. Although SGCC subsequently exercised their right to appeal the report findings, the appeal was resolved with a confirmation of the original findings. SGCC affirmed its acceptance of the findings of the aforementioned Contract Compliance Review, and waived any right to further dispute either the findings of the Review or the total amount of the disallowed costs.

The LE Agreement language stipulates that the repayment period for the recovery of any amount due to the County shall not exceed three months. However, SGCC indicated that repaying the disallowed costs in installments over the allowable three months period would be a financial hardship and have an adverse impact on daily operations. To avoid this impact, DMH is requesting your Board's approval to amend the existing DMH LE Agreement with SGCC to allow monthly repayments over a period not to exceed five months. DMH initiated recoupment of funds in September 2013 while negotiating a repayment plan with SGCC and obtaining Board approval. If approval is not granted, the remaining balance will be due in one monthly payment. Such repayments have been and will be in the form of cash payments, deductions from SGCC's monthly

reimbursement of claims or a combination of both. This proposed repayment period provides sufficient time for SGCC to take actions to improve their financial condition without disruption to their current service delivery level.

SGCC has provided DMH with comprehensive financial plans to support the repayment schedule and DMH has verified the reasonableness of the plan's assumptions and projections. There will also be a moratorium on the expansion of current programs, implementation of any new programs, and cash flow advances for SGCC during the repayment period.

The attached amendment format (Attachment) has been approved as to form by County Counsel.

IMPACT ON CURRENT SERVICES (OR PROJECTS)

The extension of the repayment period will mitigate an immediate adverse impact on SGCC and its funds, thus avoiding a potential change in the level and quality of services being provided to clients.

Respectfully submitted,

MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

MJS:MM:RK:kn

Enclosures

c: Chief Executive Officer
County Counsel
Auditor-Controller
Executive Officer, Board of Supervisors
Chairperson, Mental Health Commission

CONTRACT NO. MH121071

AMENDMENT NO. 1

THIS AMENDMENT is made and entered into this ____ day of _____, 2014, by and between the COUNTY OF LOS ANGELES (hereafter "County") and San Gabriel Children's Center, Inc. (hereafter "Contractor").

WHEREAS, County and Contractor have entered into a written Agreement, dated January 7, 2014, identified as County Agreement No. MH121071, (hereafter "Agreement"); and

WHEREAS, the County of Los Angeles Auditor-Controller (A-C) conducted contract compliance reviews for Fiscal Years 2009-10, 2010-11 and 2011-12; and

WHEREAS, on January 23, 2013, the Department of Mental Health (DMH) notified the Contractor that findings of a Contract Compliance Review conducted by the A-C indicated disallowed costs for Fiscal Years 2009-10, 2010-11 and 2011-12: and

WHEREAS, for Fiscal Year (FY) 2013-14 only, County and Contractor intend to amend Agreement only as described hereunder; and

WHEREAS, the total amount of disallowed costs from the Contract Compliance Review conducted by the A-C is $111,489. The amount of total disallowed costs in the amount of $111,489 is due in full by June 30, 2014; and

WHEREAS, In consideration for this Amendment to the original written Agreement, Contractor shall affirm its acceptance of the findings of the aforementioned Contract Compliance Review, and waive any right to dispute either the findings of the Review or the total amount of the disallowed costs; and

WHEREAS, Contractor shall repay Contractor's Debt to County by June 30, 2014. Contractor shall pay its debt to County by check, in the total amount of one hundred eleven thousand and four hundred eighty nine dollars ($111,489) at the rate of thirty seven thousand and one hundred sixty three ($37,163) per month; and

WHEREAS, for FY 2013-14, this Amendment shall not result in a change to the Maximum Contract Amount.

NOW, THEREFORE, County and Contractor agree that Agreement shall be amended only as follows:

1. For FY 2013-14 only, the Contractor will reimburse the County for disallowed costs per the Contract Compliance Review conducted by A-C for FYs 2009-10, 2010-11 and 2011-12.
2. Contractor hereby affirms its acceptance of the findings of the aforementioned Contract Compliance Review, and hereby waives any right to dispute either the findings of the Review or the total amount of the disallowed costs.
3. The Contractor will reimburse the County the total disallowed costs in the amount of $111,498 by June 30, 2014.
4. Contractor shall provide services in accordance with Contractor's FY 2012-13 Negotiation Package for this Agreement and any addenda thereto approved in writing by the County's Director of Mental Health or his designee.
5. Except as provided in this Amendment, all other terms and conditions of the Agreement shall remain in full force and effect.

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IN WITNESS WHEREOF, the Board of Supervisors of the County of Los Angeles has caused this Amendment to be subscribed by County's Director of Mental Health or his designee, and Contractor has caused this Amendment to be subscribed on its behalf by its duly authorized officer, on the day, month, and year first above written.

COUNTY OF LOS ANGELES

By _____
MARVIN J. SOUTHARD, D.S.W.
Director of Mental Health

San Gabriel Children's Center, Inc.
CONTRACTOR

By _____

Name Porfirio "Pete" Rincon

Title President/CEO
(AFFIX CORPORATE SEAL HERE)

APPROVED AS TO FORM:
OFFICE OF THE COUNTY COUNSEL

APPROVED AS TO CONTRACT ADMINISTRATION:

DEPARTMENT OF MENTAL HEALTH

By _____
Chief, Contracts Development
and Administration Division

alm:Amd Settlement Agreement – FY 2013-14