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April 24, 2008

TO: Supervisor Yvonne B. Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: **SAN GABRIEL CHILDREN'S CENTER, INC. CONTRACT COMPLIANCE REVIEW – A WRAPAROUND PROGRAM AND MENTAL HEALTH SERVICES PROVIDER**

We completed a fiscal review of San Gabriel Children's Center, Inc. (SGCC or Agency), a Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) provider. We also completed a program review of SGCC's mental health services provided under contract with the Department of Mental Health (DMH).

Background

DCFS and DMH contract with SGCC, a private non-profit community-based organization to provide services to clients countywide. DCFS contracts with SGCC to operate the Wraparound Program which is a family-centered and needs-driven program providing individualized services to children and their families such as, therapy, housing, educational and social assistance. DMH contracts with SGCC to provide mental health services which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. SGCC is located in the Fifth District.

DCFS paid SGCC on a fee-for-service basis $4,184 per child, per month or approximately $149,000 for FY 2006-07. DMH paid SGCC between $2.27 and $4.23 per minute of staff time ($136.20 to $253.80 per hour) and $177.60 per day for services or approximately $1.9 million for Fiscal Year (FY) 2006-07.

Purpose/Methodology

The purpose of the fiscal review of the Wraparound Program was to determine whether SGCC appropriately accounted for and spent Wraparound Program funds in providing services to children and their families. We evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

The purpose of the program review of the mental health program services was to determine the appropriateness of the services provided based on available documentation supporting the DMH program services. This included a review of a sample of DMH billings, participant charts and personnel and payroll records. We also interviewed Agency staff and a number of clients' parents and guardians.

Results of Review

DCFS Wraparound Program – Fiscal Review

SGCC properly recorded and deposited cash receipts in a timely manner. However, SGCC charged the Wraparound program for unallowable expenditures. Specifically, SGCC charged DCFS:

- $3,036 for payroll expenditures for three employees who worked on multiple programs.
- $783 in shared costs that should have been allocated to other programs.
- $543 in late charges, NSF fees and interest fees.

In addition, SGCC has difficulty maintaining sufficient working capital to pay their bills. Specifically, SGCC's two bank accounts maintained a negative cash balance totaling $10,348 as of June 2007.

DMH Program Review

SGCC maintained documentation to support the DMH service minutes sampled. However, the Agency did not always comply with the DMH contract program requirements. Specifically:

- The Assessments that SGCC completed for 13 (69%) of 19 clients sampled did not describe the symptoms and behaviors that were consistent with the Agency's clinical diagnosis.

- SGCC did not include all the required information for seven (28%) of the 25 Progress Notes and two (20%) of the ten Weekly Summaries sampled. For example, five progress notes did not document that the clients had been questioned about side effects, response to medication and compliance with the medication regime.

The details of our review along with recommendations for corrective action are attached.

Review of Report

We discussed our report with SGCC on January 9, 2008. In their attached response, SGCC management concurred with our findings and recommendations. The Agency also indicated that subsequent to our monitoring review, SGCC continued to provide Wraparound services and maintained sufficient working capital. DCFS needs to closely monitor SGCC to ensure the Agency continues to maintain sufficient working capital to provide the required services. We notified DCFS and DMH of the results of our review.

We thank SGCC for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Patricia S. Ploehn, Director, Department of Children and Family Services
Susan Kerr, Chief Deputy Director, Department of Children and Family Services
Porfirio Rincon, President and CEO, San Gabriel Children's Center, Inc.
Public Information Office
Audit Committee

DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
SAN GABRIEL CHILDREN'S CENTER, INC.
FISCAL YEAR 2007-08

BILLED SERVICES

Objective

Determine whether San Gabriel Children's Center (SGCC or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 25 billings totaling 2,924 minutes from 73,563 service minutes and 10 billings totaling 10 full-days from 242 service days of approved Medi-Cal billings for May and June 2007. We reviewed the Assessments, Client Care Plans, Progress Notes and Weekly Summaries maintained in the clients' charts for the selected billings. The 2,924 minutes and 10 days represent services provided to 19 program participants.

Results

Overall, SGCC maintained documentation to support the service minutes and days sampled. However, SGCC did not always complete Assessments, Progress Notes and Weekly Summaries in accordance with the County contract.

Assessments

An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. SGCC did not complete Assessments in accordance with the County contract for 13 (69%) of 19 clients sampled. Specifically, the Assessments did not describe symptoms and behaviors that were consistent with the Agency's clinical diagnosis. The County contract requires the Agency to follow the Diagnostic and Statistical Manual of Mental Disorders (DSM) when diagnosing clients. The 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.

Progress Notes and Weekly Summaries

SGCC did not complete seven (28%) of the 25 Progress Notes and two (20%) of the ten Weekly Summaries in accordance with the County contract. Specifically:

- Two Progress Notes and two Weekly Summaries did not describe what the client or service staff attempted and/or accomplished towards the clients' goals.

- Five Progress Notes did not document that the clients had been questioned about side effects, response to medication and compliance with the medication regime.

Recommendation

1. **SGCC management ensure that Assessments, Progress Notes and Weekly Summaries are completed in accordance with the County contract.**

CLIENT VERIFICATION

Objectives

Determine whether clients received the services that SGCC billed DMH.

Verification

We interviewed ten participants that the Agency billed DMH for services during May and June 2007.

Results

The ten program participants interviewed stated that the services received from the Agency met their expectations.

Recommendation

There are no recommendations for this section.

STAFFING LEVELS

Objective

Determine whether SGCC's ratios for Qualified Mental Health Professional staff to the total number of clients in its Day Rehabilitation Program do not exceed the 1:10 ratio required by the County contract.

Verification

We reviewed the client attendance sheets, staff rosters and staff timecards for five days that SGCC billed DMH for their Day Rehabilitation program in May and June 2007.

Results

SGCC met the staff ratio requirements for all five days tested.

Recommendation

There are no recommendations for this section.

STAFFING QUALIFICATIONS

Objective

Determine whether SGCC's treatment staff possessed the required qualifications to provide mental health services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for 8 (30%) of 27 SGCC's mental health treatment staff who provided services to DMH clients during March and April 2007.

Results

The Agency maintained documentation to support that each employee in our sample possessed the qualifications required to provide mental health services billed.

Recommendation

There are no recommendations for this section.

SERVICE LEVELS

Objective

Determine whether SGCC's reported service levels varied significantly from the service levels identified in the DMH contract.

We did not perform test work in this area as DMH's contract with SGCC did not specify the required service levels for Fiscal Year 2006-07.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in SGCC's records and deposited timely in the Agency's bank account. In addition, determine

whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the bank reconciliations for SGCC's two bank accounts for June 2007.

Results

SGCC properly recorded and deposited cash receipts in a timely manner. However, the Agency did not maintain sufficient working capital to pay their bills timely. Specifically, SGCC had five invoices totaling $22,668 that were past due and the bank statements for the Agency's two bank accounts reported negative cash balances totaling $10,348.

Recommendation

2. **SGCC management develop a plan to ensure that sufficient working capital is maintained so that services continue to be provided as required.**

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County's Wraparound contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 28 non-payroll Wraparound expenditure transactions billed by the Agency from October 2006 through August 2007, totaling $8,451.

Results

Generally, SGCC's Wraparound expenditures were allowable, properly documented and accurately billed to the Wraparound Program as required.

Recommendation

There are no recommendations for this section.

INTERNAL CONTROLS

Objective

Determine whether the contractor maintained sufficient internal controls over its business operations.

Verification

We interviewed Agency personnel, reviewed the Agency's policies and procedures manuals and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Overall, SGCC maintained adequate controls over the Agency's expenditures. However, SGCC did not mark "paid" on the invoices to prevent duplicate payments.

Recommendation

3. **SGCC management require that invoices or receipts are marked "paid" to prevent duplicate payments.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether SGCC's list of fixed assets and equipment purchased with Wraparound funds are used for the Wraparound Program and that the items are adequately safeguarded.

Verification

We interviewed Agency personnel and reviewed the Agency's fixed assets and equipment listing. In addition, we performed a physical inventory count and reviewed the usage of the three items purchased or leased with Wraparound funds.

Results

SGCC adequately safeguarded the three items. However, we noted in the Cost Allocation Plan section, the cost of the three items purchased with Wraparound funds were shared with the DMH Program and not allocated in compliance with their Cost Allocation Plan.

Recommendation

Refer to Recommendation #7.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the Wraparound Program. In addition, determine whether personnel files are maintained as required.

Verification

We reviewed the payroll expenditures for 12 employees totaling $17,788 for July 2007. We also reviewed the personnel files for the 12 staff assigned to the Wraparound Program.

Results

SGCC overcharged $3,036 in payroll expenditures for three employees who worked on the Wraparound Program and DMH programs in July 2007. In addition, the personnel files of two (17%) of the 12 Wraparound employees did not contain transcripts or proof of education to support the employees' qualifications as required by the County contract.

Recommendations

SGCC management:

4. **Repay DCFS $3,036 and calculate the additional amount overcharged to the Wraparound Program for the three employees during FY 2007-08 and repay DCFS.**

5. **Ensure that all required documents are maintained in the personnel files.**

COST ALLOCATION PLAN

Objective

Determine whether SGCC's Cost Allocation Plan was prepared in compliance with the County contract, and the Agency used the plan to appropriately allocate shared program expenditures.

Verification

We reviewed SGCC's Cost Allocation Plan and selected a sample of expenditures incurred from June and July 2007 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

SGCC's Cost Allocation Plan was prepared in compliance with the County contract. However, SGCC did not allocate costs in compliance with their Cost Allocation Plan and the County contract. Specifically, SGCC allocated:

- $783 in shared costs that should have been allocated to the DMH Program. The costs include computers purchased with Wraparound funds that were used for both Wraparound and DMH Programs.

- $543 in late charges, NSF fees and interest fees to the Wraparound Program that are not allowable expenditures.

Recommendations

SGCC management:

6. **Repay DCFS $1,326 and calculate the additional NSF fees charged to the Wraparound Program during the other months and repay DCFS.**

7. **Ensure that indirect costs are allocated according to the Cost Allocation Plan and the County contract.**

San Gabriel Children's Center, Inc.

January 29, 2008

Mr. J. Tyler McCauley
Auditor Controller
County of Los Angeles
Department of Auditor-Controller
500 West Temple St., Room 525
Los Angeles, CA 90012-2706

Re: San Gabriel Children's Center, Inc. Contract Compliance Review
Department of Mental Health Services Review for 2006/2007
Wraparound Approach Services Fiscal Review for 2006/2007

Dear Mr. McCauley:

We have received your 2006/2007 review of San Gabriel Children's Center, Inc. (SGCC) Department of Mental Health Services program. We would like to first commend your auditing staff for their efficient and cooperative manner in which they conducted the audit.

The following will outline our response and corrective action plan to their findings.

Billed Services

Recommendation

1. SGCC management ensure that Assessments, Progress Notes and Weekly Summaries are completed in accordance with the County contract.

Response/Corrective Action Plan

SGCC management will provide on-going training and review to ensure that the clinical and behavioral interventions that are utilized during client interactions are related to the client's treatment goals and specifically documented in support of said goals.

As of January 16, 2008 the Medication Support billing notes reflect the recommendations given. Three additional prompt boxes reflecting side effects, response to medication and medication compliance have been added to the electronic note in the EXYM system and are currently being used.

San Gabriel Children's Center
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While it is commonly agreed that the symptoms and the nature of childhood Bipolar disorders are often similar to other possible DSM IV diagnosis and can be vastly different from the classic symptoms experienced by adults with the disorder, SGCC recognizes that appropriate and contract compliant documentation must depict the cyclical nature of the disorder and adequately describe how the specific symptoms are manifested in our clients. SGCC will provide further training for the clinical staff to ensure that future assessments are properly documented in support of the agreed upon diagnosis.

Weekly Internal Quality Improvement Committee meetings to discuss progress made by supervisors in identifying additional training areas and needs.

Future trainings will include: Supervisor and Clinical staff training on Diagnosis, CCCP and Progress Notes/Weekly Summaries, Documentation of Services and Clinical Records.

The Quality Assurance Director will meet monthly with the Clinical Director and the appropriate Program staff to conduct reviews of the recommended areas to ensure the compliance with the county contract standards.

Cash/Revenue

Recommendation

2. SGCC management develop a plan to ensure that sufficient working capital is maintained so that services continue to be provided as required.

Response/Corrective Action Plan

San Gabriel Children's Center and its Board of Directors are committed to our Wraparound Program's success and expansion. Although during the first year of the program, there were cash flow concerns, the agency has been diligent in providing services to our clients. Subsequent to this reporting period, the Wraparound Program continues to provide services and has maintained sufficient working capital.

Internal Controls

Recommendation

3. SGCC management require that invoices or receipts are marked "paid" to prevent duplicate payments.

Response/Corrective Action Plan

San Gabriel Children's Center, Inc. now requires all invoices/receipts to be marked "paid" to prevent duplicate payments.

Payroll and Personnel

Recommendations

4. Repay DCFS $3,036 and calculate the additional amount overcharged to Wraparound Program for the three employees during the other months and repay DCFS.

Response/Corrective Action Plan

San Gabriel Children's Center, Inc. has reviewed the three employees labor allocations and has adjusted the costs overcharged to the Wraparound Program. Procedures have been instituted to ensure that all payroll costs related to Wraparound staff are allocated upon date of hire.

5. Ensure that all required documents are maintained in the personnel files.

Response/Corrective Action Plan

San Gabriel Children's Center, Inc. is in the process of reviewing all Wraparound personnel files to ensure that transcripts and/or proof of education are included and adequately support the existing job description.

Cost Allocation Plan

Recommendations

6. Repay DCFS $1,326 and calculate the additional NSF fees charged to the Wraparound Program during the other months and repay DCFS.

Response/Corrective Action Plan

San Gabriel Children's Center, Inc. has reviewed the shared costs of DCFS Wraparound Program and Department of Mental Health Program as well as the NSF and interest fees. SGCC has adjusted the costs overcharged to the Wraparound Program. Procedures have been instituted to ensure that all shared costs are allocated properly and that only contractually approved costs are charged to the Wraparound Program.

7. Ensure that indirect costs are allocated according the Cost Allocation Plan.

Response/Corrective Action Plan

Procedures have been instituted to ensure that all shared costs are allocated properly and that only contractually approved costs are charged to the Wraparound Program.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Porfirio "Pete" Rincon
President / C.E.O.

PR:bn