COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

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December 10, 2008

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

FROM: Wendy L. Watanabe
Acting Auditor-Controller

SUBJECT: **THE VILLAGE FAMILY SERVICES CONTRACT REVIEW – A DEPARTMENT OF CHILDREN AND FAMILY SERVICES AND MENTAL HEALTH SERVICE PROVIDER**

We completed a fiscal and program review of The Village Family Services (Village or Agency) to determine the Agency's compliance with two separate County contracts. The Agency contracts with the Department of Children and Family Services (DCFS) to operate the Wraparound Approach Services (Wraparound) Program and Department of Mental Health (DMH) to provide mental health services.

Background

Under the Wraparound Program, the Agency provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with DMH, the Agency provides mental health services which include interviewing program participants, assessing their mental health needs and developing and implementing a treatment plan. Village is located in the Third District.

DCFS paid Village on a fee-for-service basis $4,184 per child, per month less placement costs or approximately $693,000 for Fiscal Year (FY) 2006-07. DMH paid Village on a cost reimbursement basis between $1.75 and $4.22 per minute of staff time ($105 to $253.20 per hour). Village's contract with DMH was for approximately $1.2 million in FY 2006-07.

Purpose/Methodology

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

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

Results of Review

DMH Program Review

Village staff assigned to the County contract possessed the required qualifications to provide services to participants. Village also maintained documentation to support the service minutes billed and completed Client Care Plans and Progress Notes in compliance with the County contract. However, Village did not complete some elements of the Assessments in accordance with the County contract. Specifically, the Assessments for eight (23%) of 35 clients reviewed did not describe symptoms and behaviors to support the Agency's clinical diagnosis.

DMH and Wraparound Programs Fiscal Review

Village's expenditures were allowable, properly documented and accurately billed to DMH and DCFS. Village also maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, the Agency did not maintain a complete listing of fixed assets and equipment including the acquisition cost and purchase date for each item.

At the end of a program year, the Agency is allowed to retain unspent Wraparound funds up to ten percent of their program expenditures and return any funds in excess of ten percent to the County. For FY 2006-07, Village's unspent revenue totaled $181,461 and program expenditures totaled $511,565. As a result, Village should have reserved a maximum of $51,157 (10% of $511,565) for future Wraparound expenditures and returned the rest of the unspent funds or $130,304 to DCFS. We recommended that Village establish a reserve account for the $51,157, ensure that the funds are used for future Wraparound expenditures and repay DCFS $130,304.

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

Review of Report

We discussed our report with the Agency, DMH and DCFS on August 27, 2008. In their attached response, Village management requested DCFS to allow the Agency to retain the $130,304 as the restricted funds for future Wraparound Program use. However, DCFS management indicated that they will require the Agency to return the $130,304.

We thank Village 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: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
Ted Myers, Chief Deputy Director, Department of Children and Family Services
Susan Kerr, Senior Deputy Director, Department of Children and Family Services
Cesar Biggeri, President, Board of Directors, The Village Family Services
Hugo C. Villa, Chief Executive Officer, The Village Family Services
Public Information Office
Audit Committee

DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
THE VILLAGE FAMILY SERVICES
FISCAL YEAR 2007-08

BILLED SERVICES

Objective

Determine whether The Village Family Services (Village or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 35 billings totaling 5,387 minutes from 59,533 service minutes of approved Medi-Cal billings for October and November 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 5,387 minutes represent services provided to 35 program participants.

Results

Village maintained documentation to support the service minutes reviewed and completed Client Care Plans and Progress Notes in compliance with the County contract. However, Village did not complete some elements of the Assessments in accordance with the County contract. Specifically, the Assessments for eight (23%) of 35 clients reviewed did not describe symptoms and behaviors to support the Agency's clinical diagnosis. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the client's mental health treatment needs. The County contract requires Agencies 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 disorder and the criteria for diagnosing them.

Recommendation

1. **Village management ensure that Assessments are completed in accordance with the County contract.**

STAFFING LEVELS

Objective

Determine whether the Agency maintained the appropriate staffing ratios for applicable services.

We did not review this section as the Agency did not provide services that required staffing ratios.

STAFFING QUALIFICATIONS

Objective

Determine whether Village 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 14 (70%) of the 20 Village treatment staff who provided services to DMH clients during October and November 2007.

Results

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

Recommendation

There are no recommendations for this section.

SERVICE LEVELS

Objective

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

We did not review this section as DMH's contract with Village did not specify the required service levels for Fiscal Year (FY) 2006-07.

PRIOR YEARS UNSPENT WRAPAROUND REVENUE

Village's FY 2006-07 contract with the Department of Children and Family Services (DCFS) allowed the Agency to retain unspent revenue funds up to ten percent of their program expenditures. The Agency is required to place the excess funds in a reserve account for future Wraparound expenditures. Any funds in excess of ten percent are required to be returned to the County.

For FY 2006-07, Village reported unspent revenue totaling $181,461 and program expenditures totaling $511,565. As a result, Village should have reserved $51,157 (10% of $511,565) for future Wraparound expenditures to ensure that the funds were

used for the Wraparound Program. Village also needs to repay DCFS $130,304 ($181,461 - $51,157) as required by the County contract.

Recommendations

Village management:

2. **Place the $51,157 in a reserve account and ensure that the funds are used for future Wraparound expenditures.**

3. **Repay DCFS $130,304.**

4. **Ensure unspent Wraparound funds are reserved and repaid as required by the County contract.**

CASH/REVENUE

Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in the Agency's bank account and 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 January 2008 bank reconciliations for Village's two bank accounts.

Results

Village maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Objective

Determine whether Wraparound and DMH Programs related expenditures are allowable under their County contracts, properly documented and accurately billed.

Verification

We interviewed Agency personnel and reviewed financial records and documentation for 17 Wraparound expenditures totaling $18,766 and 20 DMH expenditures totaling $27,483 for July 2006 through December 2007.

Results

Village's expenditures were allowable, properly documented and accurately billed.

Recommendation

There are no recommendations for this section.

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Village's fixed assets and equipment purchased with Wraparound and DMH funds are used for the Wraparound and DMH Programs and that the assets 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 of 10 Wraparound and 12 DMH items purchased with program funds.

Results

Village adequately safeguarded the 22 items. However, the Agency did not maintain a complete fixed assets and equipment listing. For example, the listing did not include the acquisition cost and purchase date for each item.

Recommendation

5. **Village management maintain a complete and accurate listing of fixed assets and equipment including the acquisition cost and purchase date.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures were appropriately charged to the Wraparound and DMH Programs and whether personnel files are maintained as required.

Verification

We reviewed the Wraparound payroll expenditures totaling $11,670 for eight employees and DMH payroll expenditures totaling $10,163 for six employees for February 2008. We also reviewed the personnel files for the 14 employees assigned to the Wraparound and DMH Programs.

Results

Village appropriately charged payroll expenditures to the Wraparound and DMH Programs and the personnel files reviewed were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether Village'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 Village's Cost Allocation Plan and selected expenditures incurred in December 2007 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

Village's Cost Allocation Plan was prepared in compliance with County contract and the costs were appropriately allocated.

Recommendation

There are no recommendations for this section.

DMH COST REPORT

Objective

Determine whether Village's DMH FY 2006-07 Cost Report reconciles to the Agency's financial records.

Verification

We interviewed management and traced the Agency's DMH FY 2006-07 Cost Report to the Agency's accounting records.

Results

Village's DMH FY 2006-07 Cost Report reconciled to the Agency's accounting records.

Recommendation

There are no recommendations for this section.

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 the outstanding recommendations from the FY 2006-07 monitoring review were implemented. The report was issued on August 23, 2007.

Results

The prior year's monitoring report contained three recommendations. Village implemented all three recommendations.

Recommendation

There are no recommendations for this section.

August 27, 2008

To Supervisor Yvonne B Burke, Chair
Supervisor Gloria Molina
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
Supervisor Michael D Antonovich

From: Hugo C Villa, CEO
The Village Family Services

RE Response to The Village Family Services Wraparound and Mental Health Contract fiscal review report

Dear Supervisors:

We would like to thank the Auditor-Controller's office and their staff, Susan Kim, Princess Nelson, Brenda Klotz, Elisette Munoz and Sukda Day for their professional manner and sensitive approach during the comprehensive fiscal and program review of our Wraparound and Mental Health programs. The Village Family Services has been serving the community of the San Fernando Valley and greater Los Angeles for over ten years and we hope to continue our partnership with Los Angeles County for many more years to come. The Village Family Services is committed to providing the best possible quality of services to our children and families.

The Village Family Services (agency) has reviewed and concurred with the recommendations on the above referenced report.

The following corrective action plan has been implemented:

Recommendation:

1. The Village management ensure that Assessments are completed in accordance with the County contract.

Response:

We would like to note that while our assessments could be more detailed and specific to better support the clinical diagnoses, The Village did describe symptoms in the elements of the Assessment. We have already conducted training emphasizing the necessity to be more specific when describing symptoms and behaviors as outlined in the Diagnostic and Statistical Manual of Mental Disorders (DSM) and will continue to conduct trainings for new hires and refresher trainings as needed. Additionally, the Quality Assurance (QA) Department will review each assessment to ensure specificity and compliance with County contract and the DSM.

2. Place the $51,157 in a reserve account and ensure that the funds are used for future Wraparound expenditures.

Response:

The Village management will place $51,157 in a reserve account for the Wraparound program

3. Repay DCFS $130,304.

Response:

We request that DCFS will not ask for repayment. The Village management will utilize the unspent funds on provide Wraparound services in subsequent years Since this was our first year of operations the cost was unusually low. At the present time we will keep the money in a restricted account for Wraparound program support.

4. The Village management maintain a complete and accurate listing of fixed assets and equipment including acquisition cost, purchase date.

Response:

The Village management maintains a complete list of fixed assets that includes the location of the item, description, an internal identification number and the program funding source. The Village will revise the list to include date of purchase and acquisition cost.

The Village Family Services, its Directors and management team appreciate the hard work of the audit team during this fiscal review. If you should have any questions, please do not hesitate to contact me at 818-755-8786 ext 105

Respectfully,

Hugo C. Villa, LMFT
CEO

Cc: Irma Seilicovich, LMFT
COO
Wendy L. Watanabe
Acting Auditor-Controller