COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
ACTING AUDITOR-CONTROLLER

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
MARIA M. OMS

December 11, 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: **GATEWAYS HOSPITAL AND MENTAL HEALTH CENTER CONTRACT COMPLIANCE REVIEW – A WRAPAROUND PROGRAM AND MENTAL HEALTH SERVICE PROVIDER**

We completed a fiscal and program review of Gateways Hospital and Mental Health Center (Gateways 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 the Department of Mental Health (DMH) to provide mental health services.

Background

Under the Wraparound Program, Gateways, a private non-profit community-based organization, provides individualized services to children and their families such as therapy, housing, educational and social assistance. Under the contract with DMH, Gateways provides mental health services which include interviewing program participants, assessing their mental health needs, and developing and implementing a treatment plan. Gateways is located in the First District.

DCFS paid Gateways on a fee-for-service basis $4,184 per child, per month less placement costs or approximately $217,000 for Fiscal Year (FY) 2006-07. DMH paid Gateways on a cost reimbursement basis between $1.17 and $3.19 per minute of staff time ($70.20 to $191.40 per hour). Gateways' contract with DMH was for approximately $13.4 million in FY 2006-07 and $15.1 million in FY 2007-08.

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 the Agency's billings, participant charts and personnel and payroll records. We also interviewed a number of the Agency's staff and clients.

The purpose of the fiscal review of the Wraparound Program and mental health services was to determine whether Gateways appropriately accounted for and spent Wraparound and DMH funds in providing the services outlined in their County contracts. 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

Gateways staff assigned to the County contract possessed the required qualifications to provide services to participants. However, Gateways did not complete some elements of the Assessments, Client Care Plans and Progress Notes in accordance with the County contract. Specifically:

- The Assessments for six (38%) of 16 clients reviewed did not describe symptoms and behaviors that were consistent with the Agency's clinical diagnoses.

- The Client Care Plans for nine (56%) of 16 clients reviewed contained goals that were not observable and/or quantifiable.

- Fourteen (28%) of 50 Progress Notes reviewed did not sufficiently describe the services provided to the clients.

Wraparound and DMH Fiscal Review

Gateways maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner and the Agency's FY 2006-07 DMH Cost Report reconciled to the Agency's accounting records. Generally, Gateways' expenditures for the Wraparound and DMH programs were allowable, properly documented and accurately billed. However, Gateways charged DMH $22,432 for expenditures that were not allowable. Specifically, Gateways:

- Charged DMH $1,390 for entertaining vocational workshop vendors. The County contract does not allow Gateways to bill DMH for entertainment costs.

- Allocated $21,042 to DMH for broker's commissions and repair fees included in the sale of property. These costs should have been offset by proceeds from the sale and should not have been allocated to DMH.

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

Review of Report

We discussed our report with Gateways on August 20, 2008. In their attached response, Gateways management concurred with our findings and recommendations. We also notified DCFS and DMH of the results of our review.

We thank Gateways 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:sk

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
Barry Steinhardt, President, Board of Directors, Gateways Hospital and Mental Health Center
Mara Pelsman, CEO, Gateways Hospital and Mental Health Center
Public Information Office
Audit Committee

DEPARTMENT OF MENTAL HEALTH AND WRAPAROUND PROGRAMS
GATEWAYS HOSPITAL AND MENTAL HEALTH CENTER
FISCAL YEAR 2006-07 AND 2007-08

BILLED SERVICES

Objective

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

Verification

We judgmentally selected 50 billings totaling 7,564 minutes from 147,182 service minutes of approved Medi-Cal billings for May and June 2007. We reviewed the Assessments, Client Care Plans and Progress Notes maintained in the clients' charts for the selected billings. The 7,564 minutes represent services provided to 16 program participants.

Results

Gateways maintained documentation to support the service minutes reviewed. However, Gateways did not complete some elements of the Assessments, Client Care Plans and Progress Notes in accordance with the County contract.

Assessments

The Assessments for six (38%) of 16 clients reviewed did not describe symptoms and behaviors that were consistent with the Agency's clinical diagnoses. 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 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 orders and the criteria for diagnosing them.

Client Care Plans

The Client Care Plans that Gateways completed for nine (56%) of the 16 clients reviewed did not contain all of the required information. Specifically:

- Nine Client Care Plans contained goals that were not observable and/or quantifiable.

- Three Client Care Plans did not contain goals and planned interventions for each service billed.

The number of incomplete Client Care Plans noted above exceeded the overall number of insufficiently documented Client Care Plans because some of the Client Care Plans contained more than one deficiency.

Progress Notes

Gateways did not complete 14 (28%) of the 50 Progress Notes reviewed in accordance with the County Contract. Specifically:

- Eight Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the clients' goals.

- Six Progress Notes for services billed for Targeted Case Management did not describe linkage, consultation or placement services.

Recommendation

1. **Gateways management ensure that Assessments, Client Care Plans and Progress Notes 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 program services that required staffing ratios.

STAFF QUALIFICATIONS

Objective

Determine whether Gateways' 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 19 (86%) of 22 treatment staff who provided services to DMH clients during May and June 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 Gateways 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 Gateways did not specify the required service levels.

CASH/REVENUE

Objective

Determine whether cash receipts and revenues are properly recorded in Gateways' 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 bank reconciliations for September 2007.

Results

Gateways 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 DMH and the Department of Children and Family Services (DCFS) Wraparound Approach Services (Wraparound) program 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 18 Wraparound expenditures totaling $15,951 and 33 DMH expenditures totaling $170,962 for July 2006 through September 2007.

Results

Generally, Gateways' expenditures for both programs were allowable, properly documented and accurately billed. However, Gateways charged DMH $1,390 for entertaining vocational workshop vendors. The County contract does not allow Gateways to bill DMH for entertainment costs.

Recommendations

Gateways management:

2. **Repay DMH $1,390.**

3. **Ensure that DMH funds are only used for allowable program expenditures.**

FIXED ASSETS AND EQUIPMENT

Objective

Determine whether Gateways' 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 nine Wraparound and ten DMH items.

Results

Gateways did not maintain a complete fixed asset and equipment listing. The listing did not include seven (37%) of the 19 items observed. In addition, the items on the listing did not include the description, serial number, acquisition cost, purchase date and funding source. The Agency also did not perform an annual inventory of their fixed assets and equipment.

Recommendations

Gateways management:

4. **Maintain a complete and accurate listing of fixed assets and equipment including the description, serial number, acquisition cost, purchase date and funding source.**

5. **Perform an annual physical inventory of their fixed assets and equipment.**

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 Wraparound payroll expenditures totaling $8,273 for seven employees and DMH payroll expenditures totaling $24,217 for 16 employees for October 2007. We also reviewed the personnel files for the 23 staff assigned to the Wraparound and DMH programs.

Results

Gateways' payroll expenditures were appropriately charged to both programs and personnel files were properly maintained.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

Determine whether Gateways' 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 Gateways' Cost Allocation Plan and selected sample expenditures from FY 2006-07 to ensure that the expenditures were appropriately allocated to the Agency's programs.

Results

Gateways' Cost Allocation Plan was prepared in compliance with the County contract and the costs were generally allocated appropriately. However, Gateways allocated $21,042 to DMH for brokers' commissions and repair fees included in the sale of property. These costs should have been offset by proceeds from the sale and should not have been allocated to DMH.

Recommendations

6. Gateways management repay DMH $21,042.

DMH COST REPORT

Objective

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

Verification

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

Results

Gateways' Cost Report reconciled to the Agency's accounting records.

Recommendation

There are no recommendations for this section.

GATEWAYS HOSPITAL
AND MENTAL HEALTH CENTER

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

September 23, 2008

Ms. Wendy L. Watanabe
Acting 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 19, 2008, DRAFT report. Specific to the recommendation numbers 2 and 6, we gratefully request that these dollar amounts be removed from our original filed 2006-2007 Cost Report Expense, as this cost report has not yet been through the final review stages.

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

Sincerely,

Mara Pelsman
Chief Executive Officer

Enclosure

cc: Jeff Emery, CFO

Corrective Action Plan (Revised September 23, 2008)

BILLED SERVICES

Assessments

- The Assessments for six (38%) of 16 Clients reviewed did not describe symptoms or behaviors that were consistent with the Agency's clinical diagnoses.

  Gateways management will ensure that assessments are completed appropriately and thoroughly to include symptoms and behaviors consistent with the agency's clinical DSM diagnoses of each client assessed. All adult initial assessment will be reviewed and cosigned by direct supervisor to ensure that that they are completed in accordance with County contract requirements.

Client Care Plans

- The Client Care Plans for nine (56%) of 16 clients reviewed contained goals that were not observable and/or quantifiable. Three Client Care Plans did not contain goals and planned interventions for each service billed.

  Gateways management will ensure that all Client Care Plans contain goals that are observable and/or quantifiable and that all services that are billed for contain goals and appropriate planned intervention through training and supervision. Through our new billing and documentation system "Clinitrack" we will cosign all CCCP's to ensure accuracy in accordance with County contract requirements.

Progress Notes

- Fourteen (28%) of 50 Progress Notes reviewed did not sufficiently describe the services provided. Eight Progress Notes did not describe what the clients or service staff attempted and/or accomplished towards the client's goals. Six Progress Notes for services billed for Targeted Case Management did not describe linkage, consultation, or placement services.

  Gateways management will ensure that all progress notes document the appropriate service specific to each service code billed through continued training and supervision. This will be assisted by our new billing and documentation system "Clinitrak" that will require co signatures for documented

services. This system will also track client CCCP goals and outline client or staff attempts or accomplishments toward the client's intended goals.

Gateways management will also attempt to clarify Assessment, Client Care Plans, and Progress Notes questions regarding County contract compliance through consultation with County DMH liaisons.

EXPENDITURES/PROCUREMENT

- Gateways charged DMH $1,390 for entertaining vocational workshop vendors

This line item in the General Ledger has been tagged has an unallowable cost and will no longer be included as an expense in the Cost Report

FIXED ASSETS AND EQUIPMENT

- Gateways did not maintain a complete fixed asset equipment listing. The listing did not include seven (37%) of the 19 items observed. In addition, the items on the listing did not include the description, serial number, acquisition cost, purchase date and funding source. The agency also did not perform an annual inventory of their fixed assets and equipment.

Gateways will include all items listed in recommendation four on its fixed asset list. In addition I have asked the Purchasing clerk and the IT consultant to include all serial and or tag numbers on the invoices so the proper funding source can be identified. Other improvements will include listing the location of items by an office number rather than an employee name and recommendation number five, perform an annual physical inventory will be implemented as well.

COST ALLOCATION PLAN

- Gateways allocated $21,042 to DMH for broker's commissions and repair fees included in the sale of property.

Gateways Hospital will continue to use its current cost allocation plan to comply with the county contract, however to rectify issues similar to the above Gateways Hospital has created a new cost center for unallowable costs. In the past if an item was unallowable it was flagged and then put into an unallowable category at the time the cost report was prepared. Subsequently the above item was missed because it was put into a general admin category. The new practice will put the item directly into an unallowable cost center at the time the expense is incurred not several months later when the cost report is prepared.