# COUNTY OF LOS ANGELES
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October 4, 2007

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **HEALTHVIEW INC. DBA HARBOR VIEW HOUSE CONTRACT COMPLIANCE REVIEW – A DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We have completed a contract compliance review of HealthView Inc. dba Harbor View House (HealthView or Agency), a Department of Mental Health (DMH) service provider.

## Background

DMH contracts with HealthView, a private non-profit community-based organization, which provides services to clients in Service Planning Area 8. Services include interviewing program clients, assessing their mental health needs and developing and implementing a treatment plan. The Agency's headquarters is located in the Fourth District.

Our review focused on approved Medi-Cal billings. HealthView provided Day Rehabilitation Program services for which DMH paid HealthView $53.88 per day for each client. DMH contracted with HealthView to provide approximately $948,000 in services for Fiscal Year 2005-06.

## Purpose/Methodology

The purpose of the review was to determine whether HealthView provided the services outlined in their contract with the County. We also evaluated whether the Agency

achieved planned service levels. Our monitoring visit included reviewing a sample of HealthView's accounting records and documentation to support the Agency's compliance with the fiscal requirements of its DMH contract. We also selected a sample of HealthView's billings, client charts, and personnel and payroll records to determine HealthView's compliance with DMH program requirements. In addition, we interviewed staff from HealthView and a sample of clients or their parents/guardians.

## Results of Review

HealthView provided the service level identified in their County contract. In addition, the clients interviewed stated that the services they received from the Agency met their expectations.

HealthView did not maintain documentation to support four (40%) of the ten expenditure transactions sampled totaling $1,880. In addition, the bank reconciliations for June 2006 contained 89 checks totaling $39,400 that were outstanding over one year and not all the totals listed on the reconciliation agreed with the Agency's accounting records.

HealthView also did not maintain a written Cost Allocation Plan and billed indirect costs to DMH based on their budget rather than actual costs as required by the County contract.

We have attached the details of our review along with recommendations for corrective action.

## Review of Report

We discussed the results of our review with HealthView on June 6, 2007. In their attached response, the Agency plans to submit their corrective action plan to DMH within 30 days of the report issuance to address our findings and recommendations.

We thank HealthView management 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.

JTM:MMO:DC

Attachment

c: William T Fujioka, Chief Executive Officer
Dr. Marvin J. Southard, Director, Department of Mental Health
Jeffrey Smith, CFO, HealthView Inc.
Public Information Office
Audit Committee

## CONTRACT COMPLIANCE REVIEW
## HEALTHVIEW INC. dba HARBOR VIEW HOUSE
## FISCAL YEAR 2005-2006

### BILLED SERVICES

**Objective**

Determine whether HealthView Inc. dba Harbor View House (HealthView or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

**Verification**

We judgmentally selected 26 full-day billings from 2,292 service days of approved Medi-Cal billings to DMH during February and March 2006. We reviewed the Weekly Summaries, Assessments and Client Care Plans maintained in the clients' charts for the selected billings. The 26 service days represent services provided to 20 program participants.

**Results**

HealthView overbilled DMH for nine (35%) of 26 service days in our sample. The amount overbilled totaled $485. Specifically:

- For eight of the 26 days reviewed, the clients attended approximately one hour of the six-hour program. The contract requires the clients attend at least three hours of the six-hour program.

- The Agency did not provide a Weekly Summary to support one of the 26 service days. The County contract requires the Agency to prepare a Weekly Summary that describes the services provided to each client during the week.

In addition, for two (8%) of the 26 days reviewed, the Weekly Summaries did not include a description of the activities that the client participated in each day during the week as required.

Assessments and Client Care Plans

HealthView did not maintain an Annual Assessment Update in the clients' charts for three (15%) of 20 clients sampled. HealthView management explained that their staff completed the Annual Assessment Updates in their computer but did not add them to the clients' charts, as required by the contract. An Assessment is a diagnostic tool used to document the clinical evaluation of each client and establish the clients' mental health treatment needs. An Annual Assessment Update verifies that services to the client continue to be necessary.

HealthView also did not obtain the client and/or parent/guardian's signature indicating their participation in the development of the Client Care Plan (Plan) for five (25%) of the 20 Plans sampled, as required by the County contract. A Plan establishes the goals and describes the planned treatment to address the issues identified in the Assessment.

### Recommendations

**HealthView management:**

1. **Repay DMH $485 for amounts overbilled.**

2. **Ensure that the Agency only bills DMH for service days in which the clients participated at least 50% of the total duration of the Day Rehabilitation Program.**

3. **Maintain sufficient documentation in the case files to support its compliance with contract requirements for the services billed to DMH.**

4. **Ensure that Assessments and Client Care Plans are completed in accordance with the County contract.**

## CLIENT VERIFICATION

### Objectives

Determine whether the program participants received the services that HealthView billed DMH.

### Verification

We interviewed nine participants that the Agency billed DMH for services during the months of February and March 2006.

### Results

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

### Recommendation

**There are no recommendations for this section.**

## STAFFING LEVELS

### Objective

Determine whether HealthView's ratios for Qualified Mental Health Professional (QMHP) 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 selected ten days that HealthView billed DMH for its Day Rehabilitation Program and reviewed the client attendance sheets, staff rosters and staff timecards for April and May 2006.

### Results

HealthView did not maintain documentation to support their compliance with the staffing ratio requirements for eight (80%) of the ten days. The average staffing ratio for the eight days was one staff to 12 clients. Management explained that qualified volunteer staff also provided services for the Day Rehabilitation Program. However, the Agency did not require the staff to complete timecards or sign the staff log.

#### Recommendation

5. **HealthView management maintain documentation to support its compliance with the staffing ratio requirements of the Day Rehabilitation Program.**

## STAFFING QUALIFICATIONS

### Objective

Determine whether HealthView's treatment staff possessed the required qualifications to provide the services.

### Verification

We reviewed the California Board of Behavioral Sciences' website and/or the Agency's personnel files for seven of 13 treatment staff.

### Results

Each employee in our sample possessed the qualifications required to deliver the services billed.

### Recommendation

**There are no recommendations for this section.**

## SERVICE LEVELS

### Objective

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

### Verification

We obtained HealthView's FY 2005-06 Cost Report submitted to DMH and compared the dollar amount and billed units of service to the contracted units of service identified in the contract for the same period.

### Results

HealthView provided the service levels outlined in the County Contract.

### Recommendation

**There are no recommendations for this section.**

## CASH/REVENUE

### Objective

Determine whether cash receipts and revenue are properly recorded in the Agency's financial records and deposited timely in their bank account. Determine whether there are adequate controls over cash.

### Verification

We interviewed HealthView's management and reviewed the Agency's records. We also reviewed the Agency's June 2006 bank reconciliations for their "General" and "Payroll" accounts.

### Results

HealthView properly recorded and deposited cash receipts timely. HealthView also completed bank account reconciliations timely. However, the bank account reconciliations contained the following deficiencies:

- The bank reconciliation for the "General" account contained 70 checks totaling $33,446 that were outstanding over one year.

- The bank reconciliation for the "Payroll" account contained 19 checks totaling $5,980 that were outstanding over one year.

- The preparer and the reviewer did not sign the bank reconciliations for the "General" and "Payroll" accounts.

- The general ledger balance on the June 2006 bank reconciliation for the "General" account was less than the amount indicated in the Agency's accounting records by $153,809.

- The general ledger balance on the June 2006 bank reconciliation for the "Payroll" account exceeded the amount indicated in the Agency's accounting records by $269,616.

Management indicated that the general ledger balance did not reconcile to the Agency's accounting records because the bookkeeper retroactively posted some transactions after the June 2006 reconciliation was completed. The contract requires the Agency to record all financial transactions chronologically.

**Recommendations**

**HealthView management:**

6. **Ensure that reconciling items are cleared from the bank reconciliations in a timely manner.**

7. **Ensure that bank reconciliations are signed by the preparer and reviewed and approved by a manager that does not have cash handling responsibilities.**

8. **Ensure that all financial transactions are recorded chronologically in the Agency's accounting records.**

## EXPENDITURES

**Objective**

Determine whether the program expenditures were allowable under the County contract, properly documented and accurately billed.

## Verification

We reviewed HealthView's accounting records and supporting documentation for 10 expenditures that HealthView charged the DMH program. The expenditures sampled totaled $6,710 (2%) of $310,545 recorded in the Agency's accounting records as DMH program expenditures for FY 2005-06.

## Results

HealthView did not maintain documentation to support four (40%) of the 10 transactions sampled. The undocumented transactions totaled $1,880. In addition, we identified the following internal control weaknesses:

- HealthView paid the expenditures in our sample without matching the requisition, original invoice and receiving documents.
- HealthView did not mark the original invoice "paid" to prevent duplicate payment.
- HealthView management did not pre-approve four (40%) of the 10 expenditures reviewed totaling $3,038.

### Recommendations

**HealthView management:**

9. **Maintain original invoices/receipts to support program expenditures.**
10. **Repay DMH $1,880 for undocumented expenditures.**
11. **Ensure that prior to payment the accounts payable staff performs a three-way match of the requisition, original invoice and documentation to support the receipt of goods/services.**
12. **Require that invoices or receipts are marked "paid" to prevent duplicate payments.**
13. **Ensure that expenditures are pre-approved by management using a requisition.**

# FIXED ASSETS AND EQUIPMENT

## Objective

Determine whether fixed assets and equipment charged to DMH exist, are used for the mental health program and are adequately safeguarded.

## Verification

We interviewed staff and reviewed the Agency's list of fixed assets and equipment. The Agency billed $19,022 to DMH for fixed assets and equipment costs for FY 2005-06.

## Results

The fixed assets/equipment listing used by the Agency did not identify the assigned individual and the program(s) where the assets were used. In addition, the Agency did not conduct an annual fixed asset/equipment inventory. HealthView charged DMH based on allocating a portion of the Agency's total fixed asset costs rather than charge based on costs associated with the assets used by the DMH program.

### Recommendations

**HealthView management:**

14. **Maintain a listing of the Agency's fixed assets and equipment including the assigned individual, the item description, a serial number or unique identifier, acquisition cost, source of funding, and the program where the asset is used. Also, perform an annual inventory.**

15. **Allocate future fixed asset and equipment costs to DMH based on the benefit received by the program.**

## COST REPORT / COST ALLOCATION PLAN

## Objective

Determine whether HealthView's Cost Report appropriately identifies program costs including direct and indirect costs. In addition, determine whether HealthView'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 interviewed management and reviewed the Agency's FY 2005-06 Cost Report and accounting records.

## Results

HealthView did not maintain a written Cost Allocation Plan to allocate indirect costs. Agency management explained that they allocated indirect costs based on their budgeted costs. However, the County contract required the Agency to allocate indirect costs based on actual costs.

HealthView did not report administrative costs appropriately on the Cost Report submitted to DMH. The Agency did not separate administrative and direct program costs on the Cost Report. As a result, the Agency understated its administrative costs. The Agency needs to develop a detailed Cost Allocation Plan that appropriately allocations indirect program expenditures.

**Recommendations**

**HealthView management:**

16. **Develop a detailed Cost Allocation Plan that appropriately allocates indirect program expenditures.**

17. **Allocate shared costs to each program on a monthly basis in accordance with the detailed Cost Allocation Plan.**

18. **Complete the Cost Report to DMH in accordance with contract requirements.**

19. **Review FY 2004-05 and 2005-06 costs charged to the DMH program and ensure that all costs were appropriately allocated. Submit a revised Cost Report to DMH if there are any discrepancies.**

**Attachment**

July 23, 2007

J. Tyler McCauley, Auditor – Controller
County of Los Angeles Department of Auditor – Controller
Kenneth Hahn Hall of Administration
500 W. Temple Street, Room 525
Los Angeles, CA 90012-2706

RE: Healthview, Inc. dba HarborView House –
Contract Compliance Review for fiscal year 2005-2006

Dear J. Tyler McCauley,

This letter is in response to the Contract Compliance Review for Healthview, Inc. dba, Harbor View House. We have reviewed and discussed the report and it's recommendations with the field auditors. All necessary changes and recommendations to the program and Harbor View House policies will be outlined in our Plan of Correction. This will be submitted to the Department of Mental Health within 30 days.

We do wish to thank the auditors for their professionalism while conducting the audit of our program.

Sincerely,

Jeffrey M. Smith, CFO
HealthView, Inc.

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*Harbor View House • HealthView Home Health • HealthView at Home • HealthView Adult Day Health Care • HealthView-Pine Villa*