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

J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

March 12, 2008

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

FROM: J. Tyler McCauley
Auditor-Controller

SUBJECT: **CATHOLIC HEALTHCARE WEST DBA CALIFORNIA HOSPITAL MEDICAL CENTER CONTRACT REVIEW – A DEPARTMENT OF MENTAL HEALTH SERVICE PROVIDER**

We have completed a program and fiscal contract compliance review of Catholic Healthcare West dba California Hospital Medical Center (CHMC or Agency), a Department of Mental Health (DMH) service provider.

Background

DMH contracts with CHMC, a private non-profit community-based organization which provides services to clients in Service Planning Area 4. 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 First District.

Our review focused on approved Medi-Cal billings. DMH paid CHMC between $1.60 and $3.34 per minute of staff time ($96.00 to $200.40 per hour) for services. CHMC's contract was for approximately $900,000 for Fiscal Year 2006-07.

Purpose/Methodology

The purpose of the review was to determine whether CHMC complied with its contract terms and appropriately accounted for and spent DMH funds providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's

accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a selected number of the Agency's staff and clients.

Results of Review

CHMC maintained documentation to support the services outlined in the contract. The Agency completed the Assessments, Client Care Plans and Progress Notes in accordance with program requirements. The staff possessed the required qualifications to provide services and the participants interviewed stated that the services they received met their expectations.

Generally, CHMC maintained documentation to support program expenditures. However, we identified areas where the Agency could enhance internal controls over its procurement process.

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 CHMC on December 27, 2007. In their attached response, the Agency indicated the corrective actions they have taken to address the recommendations in our report.

We thank CHMC 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
Mark Meyers, Hospital President, California Hospital Medical Center
Public Information Office
Audit Committee

CONTRACT COMPLIANCE REVIEW
CATHOLIC HEALTHCARE WEST DBA CALIFORNIA HOSPITAL MEDICAL CENTER
FISCAL YEAR 2006-07

BILLED SERVICES

Objective

Determine whether Catholic Healthcare West dba California Hospital Medical Center (CHMC or Agency) provided the services billed in accordance with their contract with the Department of Mental Health (DMH).

Verification

We judgmentally selected 30 billings totaling 3,065 minutes from 59,365 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' chart for the selected billings. The 3,065 minutes represent services provided to 17 program participants.

Results

CHMC maintained documentation to support the services outlined in the County contract. In addition, the Agency completed the Client Care Plans, Assessments and Progress Notes in accordance with program requirements.

Recommendation

There are no recommendations for this section.

CLIENT VERIFICATION

Objectives

Determine whether the program clients received the services that CHMC billed DMH.

Verification

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

Results

The six 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 the Agency maintained the appropriate staffing ratios for applicable services.

We did not perform test work in this section as the Agency does not provide services that require compliance with staffing ratios.

STAFFING QUALIFICATIONS

Objective

Determine whether CHMC treatment staff possessed the required qualifications to provide the services.

Verification

We reviewed the California Board of Behavioral Sciences' website and/or the personnel files for eight (80%) of the ten CHMC treatment staff who provided services to DMH clients during May and June 2007.

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 CHMC's reported service levels varied significantly from the service levels identified in the DMH contract.

We did not perform test work in this section as CHMC's contract did not specify the required service levels by program for Fiscal Year (FY) 2006-07.

CASH / REVENUE

Objective

Determine whether cash receipts and revenue were properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed CHMC's management and reviewed the Agency's financial records. We also reviewed the Agency's June 2007 bank reconciliations for the three accounts that contain DMH program funds.

Results

CHMC properly recorded and deposited cash receipts timely. In addition, the Agency properly prepared monthly bank reconciliations.

Recommendation

There are no recommendations for this section.

EXPENDITURES/PROCUREMENT

Objective

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

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 20 non-payroll expenditure transactions charged to the DMH program during FY 2006-07, totaling $67,765.

Results

Generally, CHMC maintained documentation to support program expenditures. However, the Agency charged the DMH program $130 for a consultant that over billed the Agency.

Recommendation

1. **CHMC management repay DMH $130.**

INTERNAL CONTROLS

Objective

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

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as, procurement, payroll and personnel.

Results

CHMC can strengthen their internal controls over procurement. Specifically, the Agency did not always mark the original invoices "paid" to prevent re-use. In addition, the Agency did not always document their pre-approval of purchases.

Recommendations

CHMC management:

2. **Ensure that invoices are marked "paid" to prevent duplicate payments.**

3. **Ensure that purchases are pre-approved using a requisition or purchase order.**

FIXED ASSETS AND EQUIPMENT

Objective

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

Verification

We interviewed staff and reviewed the Agency's fixed assets and equipment listing. In addition, we performed a physical inventory of ten items.

Results

The Agency appropriately charged fixed asset and equipment costs to DMH. In addition, the Agency adequately safeguarded their fixed assets and equipment.

Recommendation

There are no recommendations for this section.

PAYROLL AND PERSONNEL

Objective

Determine whether payroll expenditures are appropriately charged to the DMH program. In addition, determine whether personnel files were maintained as required.

Verification

We traced payroll expenditures for 14 employees for the pay period ending June 23, 2007, totaling $19,465 to the payroll records and time reports. We also interviewed ten employees and reviewed the personnel files for the 14 employees.

Results

CHMC's salaries were properly documented and appropriately charged to the DMH program.

Recommendation

There are no recommendations for this section.

COST ALLOCATION PLAN

Objective

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

Verification

We reviewed the Agency's Cost Allocation Plan, interviewed management and reviewed documentation to ensure that the expenditures were properly allocated to the Agency's programs.

Results

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

Recommendation

There are no recommendations for this section.

COST REPORT

Objective

Determine whether CHMC's 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

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

Recommendation

There are no recommendations for this section.

Attachment

California Hospital Medical Center
CHW

1401 S. Grand Avenue
Los Angeles, California 90015
(213) 748-2411 Telephone

January 22, 2008

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

SUBJECT: CATHOLIC HEALTHCARE WEST DBA CALIFORNIA HOSPITAL MEDICAL CENTER CONTRACT REVIEW

We have reviewed the report prepared as a result of the monitoring review conducted the week of September 17, 2007. Our responses to the report are detailed below.

Expenditures/ Procurement

Recommendation # 1: CHMC management to repay the County $130 for undocumented expenses.

Corrective Action: CHMC will repay the County $130 for the undocumented expense related to a consultant that over billed in error. The County will receive payment of $130 by February 22, 2008.

Internal Controls

Recommendation #2: Ensure that invoices are marked "paid" to prevent duplicate payments.

Corrective Action: CHMC Accounts Payable Department has a policy in place in which original invoices are marked and dated as paid. As recommended we will more diligently enforce this procedure to prevent duplicate payments.

Recommendation #3: Ensure that purchases are pre-approved using a requisition or purchase order.

Corrective Action: CHMC has an established procurement policy. We will review this policy with California Behavioral Health Clinic

staff to ensure that purchases are pre-approved
using the CHMC requisition or purchase order.

We trust that we have responded to each of the recommendations and have proposed corrective actions that will facilitate our mutual goal. We appreciate our ongoing partnership with the L.A. County Department of Mental Health to provide high-quality mental health services to clients in Service Planning Area 4.

Should you have any questions or require additional information, please feel free to contact me at (213) 742-5893 or via email at rhume@chw.edu.

Sincerely,

Richard Hume

Richard Hume
Director of Grants and Contracts