

County of Ventura
AUDITOR-CONTROLLER
MEMORANDUM

To: William Foley, Director, Health Care Agency

Date: March 30, 2020

From: Jeffery S. Burgh

Subject: **AUDIT OF BEHAVIORAL HEALTH CONTRACTS WITH CASA PACIFICA**

We have completed our audit of Ventura County Behavioral Health ("VCBH") contracts with Casa Pacifica Centers for Children and Families ("Casa Pacifica"). Our overall audit objective was to determine whether amounts charged to the Health Care Agency ("HCA") by Casa Pacifica for mental health services contracts were appropriate for Fiscal Year ("FY") 2013-14 and FY 2014-15. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

EXECUTIVE SUMMARY

Overall, we found that the amounts charged to HCA by Casa Pacifica for mental health services contracts appeared appropriate. For example, Casa Pacifica's cost allocation plan ("CAP") methodology appeared to follow Federal guidelines. Casa Pacifica's payroll processes were supported by a system of internal control, which provided reasonable assurance that the charges were accurate. We did not identify any instances where Casa Pacifica charged costs to VCBH programs more than once.

We also found that VCBH paid Casa Pacifica invoices timely and did not pay invoices that exceeded the maximum program amount stated in the contract.

However, we identified areas where actions were needed by both Casa Pacifica and VCBH to help ensure that costs charged to mental health services contracts were appropriate. Specifically, we found that:

Casa Pacifica

- Costs charged to VCBH programs did not always appear to be allowable or could be called into question as reasonable or necessary.
- Casa Pacifica's cost allocation methodology as defined in the CAP was not always followed.
- Internal controls over payroll and other costs could be strengthened.

Behavioral Health

- Written policies and procedures were needed to monitor program expenditures more closely.

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- Periodic fiscal reviews should be performed to help ensure compliance of costs charged to programs.
- Billing procedures should be evaluated for efficiency, and chart reviews should be performed as required.

Both Casa Pacifica and VCBH management initiated corrective action to address our findings. VCBH planned to complete corrective action by March 4, 2020, and Casa Pacifica planned to complete corrective action by March 9, 2020.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

Attachment

cc: Honorable Kelly Long, Chair, Board of Supervisors
Honorable Linda Parks, Vice Chair, Board of Supervisors
Honorable Steve Bennett, Board of Supervisors
Honorable Robert O. Huber, Board of Supervisors
Honorable John C. Zaragoza, Board of Supervisors
Michael Powers, County Executive Officer
Sevet Johnson, Psy.D., Director, VCBH
Steven E. Elson, Ph.D., Chief Executive Officer, Casa Pacifica

County of Ventura
Office of the Auditor-Controller



AUDIT OF BEHAVIORAL HEALTH CONTRACTS WITH CASA PACIFICA

March 30, 2020

**Jeffery S. Burgh
Auditor-Controller**

AUDIT OF BEHAVIORAL HEALTH CONTRACTS WITH CASA PACIFICA

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AUDIT OF BEHAVIORAL HEALTH CONTRACTS WITH CASA PACIFICA

BACKGROUND

Casa Pacifica Centers for Children and Families (“Casa Pacifica”) is a 501(c)(3) nonprofit organization incorporated in 1988 to provide services for abused, neglected, and at-risk children, youth, emerging adults, and their families. Clients are referred to Casa Pacifica by County of Ventura (“County”) agencies, schools, and community-based organizations for services including residential treatment, emergency shelter care, and psychiatric/psychological treatment. Both the County’s Health Care Agency (“HCA”) Behavioral Health Department (“VCBH”) and the Human Services Agency contracted with Casa Pacifica for services during Fiscal Year (“FY”) 2013-14 and FY 2014-15.

For FY 2014-15, the largest of VCBH’s contracts with Casa Pacifica was the Early and Periodic, Screening, Diagnostic and Treatment (“EPSDT”) contract with a maximum amount of approximately \$6 million. The EPSDT contract paid for Residential, Shelter, and Nonpublic School (“NPS”) programs (collectively known as Ventura Campus programs) as well as Parent Child Interactive Therapy and Therapeutic Behavioral Services programs. Overall, the County paid Casa Pacifica approximately \$9.2 million in FY 2013-14 and \$8.1 million in FY 2014-15 for all VCBH contracts.

For purposes of allocating costs to VCBH programs during FY 2013-14 and FY 2014-15, Casa Pacifica followed Office of Management and Budget (“OMB”) Circular A-122, *Cost Principles for Non-Profit Organizations*.¹ Casa Pacifica’s Cost Allocation Plan (“CAP”) dated September 2015 stated: “Only costs that are allowable, in accordance with the cost principles, will be allocated to benefiting programs by Casa Pacifica.”

SCOPE

Our overall audit objective was to determine whether amounts charged to HCA by Casa Pacifica for mental health services contracts were appropriate for FY 2013-14 and FY 2014-15. Specifically, we determined whether:

- Casa Pacifica’s direct and indirect costs² followed Federal cost principles and were appropriately charged to the County; and
- opportunities were available to improve contract administration and monitoring procedures to provide greater efficiency and cost savings.

Our audit procedures focused on the FY 2014-15 EPSDT contract, whereas audit procedures for FY 2013-14 charges were limited to review of the indirect administration cost allocation methodology and calculation. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

¹ OMB Circular A-122 has since been replaced with the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).

² Casa Pacifica’s CAP dated September 2015 defined direct costs as “those that can be identified specifically with a particular final cost objective” and indirect costs as “those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective.”

FINDINGS

Overall, we found that amounts charged to HCA by Casa Pacifica for mental health services contracts appeared appropriate. For example, Casa Pacifica's CAP methodology appeared to follow Federal guidelines in accordance with OMB Circular A-122. We also confirmed that Casa Pacifica's payroll processes were supported by a system of internal control, which provided reasonable assurance that the charges were accurate. We did not identify any instances where Casa Pacifica charged costs to VCBH programs more than once.

We also verified that VCBH adequately followed invoice procedures that were stated in the EPSDT contract. VCBH paid invoices timely and did not pay invoices that exceeded the maximum program amount.

However, as noted in Section I below, we identified areas where actions were needed by Casa Pacifica to ensure that costs charged to VCBH programs were allowable and consistent with the CAP methodology. We also found that certain internal controls over payroll and non-payroll charges could be strengthened to help ensure that costs charged to VCBH programs were appropriate.

Section II below identifies where VCBH contract oversight procedures could be improved and where billing processes could be more efficient. Following are details of the areas where improvements were needed. Both Casa Pacifica and VCBH management initiated corrective action during the audit as noted.

- I. **Casa Pacifica.** Costs charged to VCBH contracts by Casa Pacifica did not always appear to be appropriate or supported. Using Casa Pacifica's cost allocation spreadsheet, which summarized costs for each general ledger account number by cost center (i.e., program), we identified various costs for testing. Our tests disclosed instances of potentially unallowable and questionable costs, lack of adherence to the defined CAP, and internal control issues regarding both payroll and non-payroll costs.
 1. **Potentially Unallowable and Questionable Costs.** Direct and indirect administration costs charged to VCBH contracts by Casa Pacifica did not always appear to follow OMB Circular A-122. We analyzed selected FY 2014-15 general ledger transactions totaling \$230,026 for eight direct expense types charged to VCBH programs and \$209,412 for six indirect administration expense types allocated to County programs. We found that at least \$5,888 (3%) in direct costs and VCBH's estimated share of \$12,881 out of \$44,419 (21%) in indirect costs appeared to be unallowable or highly questionable as allowable.
 - A. **Potentially Unallowable Costs.** Certain expenses that were allocated to VCBH contracts as administration costs appeared to be unallowable according to OMB Circular A-122 as follows:
 - i. **Donor/Fund Raising Expenses.** OMB Circular A-122, Appendix B, paragraph 17 stated: "Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable." We found a total of \$1,129 in donor/fund raising expenses, including flowers and meals for donors, that were allocated to all Casa Pacifica programs as indirect administration costs. VCBH's estimated share of these costs was \$327.

- ii. **Advertising/Public Relations Expenses.** OMB Circular A-122, Appendix B, paragraph 1 detailed the limited circumstances under which advertising and public relations expenses are allowable. Appropriate supporting documentation is required to verify the expenses meet Federal cost guidelines. We found \$341 in advertising/public relations expenses without supporting receipts/invoices that were allocated to all Casa Pacifica programs as indirect administration costs, including VCBH's estimated allocation of \$99.
 - iii. **Additional Unsupported Expenses.** OMB Circular A-122, Appendix A, paragraph A.2.g stated that costs must: "Be adequately documented." Appropriate supporting documentation, such as itemized receipts, is required to verify that expenses meet Federal cost guidelines. We found that at least an additional \$1,195 of indirect administration costs lacking receipts in otherwise reasonable expense categories were allocated to all Casa Pacifica programs, including VCBH's estimated share of \$347.
- B. **Questionable Costs.** Certain direct and indirect administration costs charged to VCBH contracts by Casa Pacifica were of a nature or amount that might not seem reasonable or necessary to a third party. According to OMB Circular A-122, Appendix A, paragraph A.2.a: "...To be allowable under an award, costs must...Be reasonable for the performance of the award..." Paragraph A.3 further stated: "A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs." We identified the following:
- i. **Employee Welfare Expenses.** OMB Circular A-122, Appendix B, paragraph 13.a. stated: "The costs of employee information publications, health or first-aid clinics and/or infirmaries, recreational activities, employee counseling services, and any other expenses incurred in accordance with the non-profit organization's established practice or custom for the improvement of working conditions, employer-employee relations, employee morale, and employee performance are allowable." The amount/nature of the following costs that were allocated to all Casa Pacifica programs as administration costs may not be considered reasonable, especially in light of the new Uniform Guidance that removed references to "employee morale":
 - \$15,436 for an annual employee holiday party, including VCBH's estimated allocation of \$4,476.
 - \$12,013 in food for employees, including VCBH's estimated allocation of \$3,484. In addition, Casa Pacifica charged \$3,777 in direct costs for food for employees to VCBH contracts.
 - \$2,889 for coffee/break room supplies, including VCBH's estimated allocation of \$837. Casa Pacifica also charged \$2,111 in direct costs for coffee/break room supplies to VCBH contracts.
 - ii. **Board Expenses.** OMB Circular A-122, Appendix B, paragraph 2.A stated: "Costs incurred by advisory councils or committees are allowable as a direct cost where authorized by the

Federal awarding agency or as an indirect cost where allocable to Federal awards.” However, the amount/nature of portions of the total \$11,416 in board expenses may not be considered reasonable if the business purpose is not clearly stated, including:

- \$786 in flowers;
- \$6,554 in board retreat/meeting/meal expenses; and
- \$507 in trophy/plaque expense.

The expenses were allocated to all Casa Pacifica programs as administration costs, including VCBH’s estimated allocation of \$3,311.

Recommendation. Casa Pacifica should review costs charged to programs and ensure that the costs are allowable in accordance with Federal cost principles and clearly state the business purpose of the expense.

Management Action. Casa Pacifica management stated: “Casa Pacifica (a 501(c)3) not-for-profit organization) takes very seriously its commitment to the effective and compliant use of government funds to accomplish our mission of *providing hope and help for abused, neglected or at-risk children and their families*. Casa Pacifica’s Finance and Accounting organization also has undergone close to 100% turnover in staffing during the 2013-14 and 2014-15 fiscal years thereby impacting our ability to cost-effectively fully research each of the questioned expenses. However, over the years Casa Pacifica has made good progress in strengthening our system of internal controls over the allowability and allocability of costs in order to provide reasonable assurance that our contract charges are appropriate and accurate. In fact, our most recent team training was held on October 21st, 2019. Notwithstanding our commitment to having a cost-effective system of internal controls in place, it is critically important to note that our total government contracts and programs operated at a net loss of approximately \$3.3M for FY 2013-14 and \$2.3M for FY 2014-15, requiring subsidization from our many generous donors.”

2. **Cost Allocation Procedures.** Casa Pacifica’s cost allocation methodology as defined in the CAP was not always followed. Casa Pacifica’s CAP dated September 2015 stated that programs were to be allocated costs based on:

- the unique 3 digit cost center number used for each specific expense item;
- a portion of administration costs based on the number of full time equivalents (“FTE’s”) in a given cost center; and
- a portion of facility costs based on the square footage occupied by program staff.

However, we could not determine whether certain allocations to VCBH programs were appropriate because the methodology for those certain allocations were not discussed in the CAP. For example, the CAP did not explain why:

- The Ventura Campus program costs totaling \$3,057,317 were allocated among the Residential, Shelter, and NPS programs at approximately 35.28 percent, 58.59 percent, and 6.13 percent,

respectively, on a consistent basis for every general ledger account number, rather than based on the guidance above.

- The non-VCBH Ventura SELPA (Special Education Local Plan Area) program, which was not assigned a 3 digit cost center number, was allocated costs totaling \$56,734 from the VCBH cost centers for Mental Health Services and Medication Support.

Recommendation. Casa Pacifica should ensure that the CAP includes sufficient information for allocating costs. Each program should be assigned a unique 3 digit cost center number for employees to charge time to, as stated in the CAP. Moreover, support for allocated costs should be maintained in a manner that costs can be differentiated between programs.

Management Action. Casa Pacifica management stated: “Casa Pacifica (a 501(c)3) not-for-profit organization) takes very seriously its commitment to the effective and compliant use of government funds to accomplish our mission of *providing hope and help for abused, neglected or at-risk children and their families*. Casa Pacifica’s Finance and Accounting organization also has undergone close to 100% turnover in staffing during the 2013-14 and 2014-15 fiscal years thereby impacting our ability to cost-effectively fully research each of the questioned expenses. However, over the years Casa Pacifica has made good progress in strengthening our system of internal controls over the allowability and allocability of costs in order to provide reasonable assurance that our contract charges are appropriate and accurate. In fact, our most recent team training was held on October 21st, 2019. Notwithstanding our commitment to having a cost-effective system of internal controls in place, it is critically important to note that our total government contracts and programs operated at a net loss of approximately \$3.3M for FY 2013-14 and \$2.3M for FY 2014-15, requiring subsidization from our many generous donors.”

3. **Payroll Procedures.** Payroll procedures were in need of improvement to provide better oversight and support for costs charged to VCBH programs.

- A. **Timesheet Approval.** Casa Pacifica’s procedures for supervisor approval of timesheets were not always followed. The Casa Pacifica Employee Handbook stated: “Following the end of the pay period, your timesheet will be approved by your Supervisor, and verified by Payroll.” Two out of three timesheets reviewed for one employee were approved by a supervisor prior to the last day the employee worked, rather than following the end of the pay period. An employee could have reported time worked on the timesheet and then not worked the reported hours, or the hours could have been reported incorrectly.

Recommendation. Casa Pacifica management should follow the guidelines in the Employee Handbook consistently to ensure that supervisors approve timesheets after the reporting period has passed.

Management Action. Casa Pacifica management stated:

“Currently, a bi-weekly email notification is sent to all supervisors reminding them of their obligation to approve their employee timesheets following the end of the pay period. Effective immediately, in addition a biweekly listing will be sent to all supervisors (after payroll processing) identifying the percentage of approved timecards by employee and supervisor. The Director

who has oversight for that program will be responsible for obtaining approval documentation before the next payroll.

“Casa Pacifica maintains time records for all hours worked in accordance with applicable federal and state wage and hour laws. Human Resources provides ongoing educational and training to its supervisors on rest/meal periods, and supervisor responsibilities. Payroll provides new hire training and on-going hands on trainings to both employees and supervisors.

“In conclusion, Casa Pacifica reminds employees of their timekeeping obligations and employees are required to sign off on their timesheet and certify all recorded hours of work are accurate and have been allocated to the appropriate department codes.

“Non-exempt timesheet attestation:

Confirm ×

I certify that I have accurately reported all time worked and that time recorded to departments/projects is a true record of work performed for the benefit of such department(s)/project(s). I understand that off-the-clock work is not permitted. I acknowledge that I have been provided an uninterrupted 30 minute meal period by the end of my fifth work hour (excluding campus direct care employees where my lunch hour is paid and I eat with the children). I further acknowledge that I have been provided a 10 minute rest period for each four hours worked. I will inform human resources if I am discouraged or impeded from taking a meal or rest break by my supervisor or anyone else.

CANCEL OK

“Exempt timesheet attestation:

Confirm ×

I verify that I have accurately reported all time worked and that time recorded to departments/projects is a true record of work performed for the benefit of such department(s)/project(s).

CANCEL OK

- B. **Support for Payroll Costs.** Payroll costs charged to VCBH programs were not always supported with documented rationale for the direct charges. For three pay periods chosen for review, one administrative employee’s time was regularly split between three programs for the

days worked. Each program was charged on the same day of the week during all three pay periods if the employee worked each day that week. However, Casa Pacifica management could not locate support for why the percentages of the employee's salary and benefits were charged to programs for the pay periods we reviewed.

Recommendation. Without proper support of direct payroll charges, administrative employees should be indirectly charged through the cost allocation plan.

Management Action. Casa Pacifica management stated: "Casa Pacifica (a 501(c)3 not-for-profit organization) takes very seriously its commitment to the effective and compliant use of government funds to accomplish our mission of *providing hope and help for abused, neglected or at-risk children and their families*. Casa Pacifica's Finance and Accounting organization also has undergone close to 100% turnover in staffing during the 2013-14 and 2014-15 fiscal years thereby impacting our ability to cost-effectively fully research each of the questioned expenses. However, over the years Casa Pacifica has made good progress in strengthening our system of internal controls over the allowability and allocability of costs in order to provide reasonable assurance that our contract charges are appropriate and accurate. In fact, our most recent team training was held on October 21st, 2019. Notwithstanding our commitment to having a cost-effective system of internal controls in place, it is critically important to note that our total government contracts and programs operated at a net loss of approximately \$3.3M for FY 2013-14 and \$2.3M for FY 2014-15, requiring subsidization from our many generous donors."

4. **Non-Payroll Cost Controls.** Controls over non-payroll costs were in need of improvement to help ensure that costs charged to VCBH programs were appropriate. In addition to the costs analyzed in Finding I(1) above, we selected 32 non-payroll costs (i.e., 15 direct and 17 indirect administration) that were charged to VCBH programs to review other types of cost controls. We identified instances where non-payroll costs were not appropriately authorized or classified/coded.

A. **Management Approval.** Costs were not always approved by an appropriate level of management before invoice payments were processed. During the audit, we identified nine (53%) indirect costs that did not appear to have sufficient authorization by a suitable level of management. Moreover, the method of approving costs was not consistent; for example, credit card payments were sometimes accompanied by a signed expense report and other times not. Many of the invoices did include initials of the employee that entered the cost in the accounting system. However, without appropriate management authorization, costs may not be appropriate to be charged to programs.

Recommendation. Casa Pacifica management should develop a consistent management approval system for costs.

Management Action. Casa Pacifica management stated: "Casa Pacifica (a 501(c)3 not-for-profit organization) takes very seriously its commitment to the effective and compliant use of government funds to accomplish our mission of *providing hope and help for abused, neglected or at-risk children and their families*. Casa Pacifica's Finance and Accounting organization also has undergone close to 100% turnover in staffing during the 2013-14 and 2014-15 fiscal years thereby impacting our ability to cost-effectively fully research each of the questioned expenses. However, over the years Casa Pacifica has made good progress in strengthening our system of

internal controls over the allowability and allocability of costs in order to provide reasonable assurance that our contract charges are appropriate and accurate. In fact, our most recent team training was held on October 21st, 2019. Notwithstanding our commitment to having a cost-effective system of internal controls in place, it is critically important to note that our total government contracts and programs operated at a net loss of approximately \$3.3M for FY 2013-14 and \$2.3M for FY 2014-15, requiring subsidization from our many generous donors."

- B. **Misclassified and Miscoded Costs.** Casa Pacifica did not always classify and code costs accurately. Out of 15 direct costs we reviewed that appeared to be charged to VCBH programs, 2 (13%) appeared to be misclassified or miscoded. One car rental cost appeared to be misclassified as program supplies rather than travel expense. Also, one recruiting invoice included handwritten notes directing that the cost be charged to two different programs; however, the cost was charged to only one VCBH program.

Recommendation. Casa Pacifica should classify costs according to Federal guidelines for nonprofit organizations and record the accurate information on accounting records.

Management Action. Casa Pacifica management stated: "Casa Pacifica (a 501(c)3) not-for-profit organization) takes very seriously its commitment to the effective and compliant use of government funds to accomplish our mission of *providing hope and help for abused, neglected or at-risk children and their families*. Casa Pacifica's Finance and Accounting organization also has undergone close to 100% turnover in staffing during the 2013-14 and 2014-15 fiscal years thereby impacting our ability to cost-effectively fully research each of the questioned expenses. However, over the years Casa Pacifica has made good progress in strengthening our system of internal controls over the allowability and allocability of costs in order to provide reasonable assurance that our contract charges are appropriate and accurate. In fact, our most recent team training was held on October 21st, 2019. Notwithstanding our commitment to having a cost-effective system of internal controls in place, it is critically important to note that our total government contracts and programs operated at a net loss of approximately \$3.3M for FY 2013-14 and \$2.3M for FY 2014-15, requiring subsidization from our many generous donors."

- II. **Behavioral Health.** VCBH oversight procedures were not always efficient and effective to help ensure that Casa Pacifica's costs charged to VCBH programs were appropriate.

1. **Policies and Procedures.** VCBH could establish written policies and procedures to monitor Casa Pacifica program expenditures more closely. By the end of FY 2014-15, Casa Pacifica's costs exceeded the maximum contract amount for the Shelter program by \$424,996, while contract maximums for the Residential and NPS programs were underutilized.³ Although Behavioral Health analyzed the causes of the cost overrun at the end of the fiscal year, monthly invoices indicated the potential for the overrun was apparent months before. Except for the first month of the fiscal year, all monthly invoices included units of service for prior months, which accounted for 69 percent of all units of service during the year. Had VCBH analyzed the program budgets more closely, the concern could have been addressed with Casa Pacifica during the year to help avoid the cost overrun.

³ Important to note is that VCBH did not pay Casa Pacifica more than the maximum program amount stated in the contract although Casa Pacifica's costs exceeded what was agreed to in the contract. Subsequently, in July 2016, the County's Board of Supervisors authorized a contract amendment that resulted in payment to Casa Pacifica of the \$424,996 cost overrun.

Recommendation. VCBH should develop and follow written policies and procedures for monitoring program expenditures that will better manage program budgets. VCBH could work with Casa Pacifica to develop a method for monitoring program expenditures throughout the year so that an unforeseen cost settlement at the end of the fiscal year does not occur.

Management Action. VCBH management stated: “VCBH implemented a contract change for the FY18-19 contract which included quarterly interim cost settlements. This new clause in the contract has allowed for VCBH to not only monitor payments made to Casa Pacifica based on their interim unit rate, but also the actual costs to provide services. This clause states: ‘CONTRACTOR shall submit quarterly interim cost settlement reports by the 30th of the following month ending each quarter, in the format directed by COUNTY.’ Changes in services, costs, and census can now be reviewed and discussed once the quarterly settlement amounts have been computed rather than waiting until the cost report has been received after the year has ended.”

2. **Fiscal Monitoring.** VCBH could improve contract monitoring by performing periodic fiscal reviews of costs charged to programs by Casa Pacifica. The EPSDT contract stated, “COUNTY may, in its sole discretion, perform periodic fiscal and/or program review(s) of CONTRACTOR’S records that relate to this Agreement, and if the results of such review(s) require corrective action, CONTRACTOR shall submit a plan of correction no later than thirty (30) days after receiving the findings of such review(s).” VCBH management explained that if a cost was questioned, Casa Pacifica has provided documentation for the cost. However, regular fiscal reviews that include evaluation of whether costs are supported by adequate documentation would help ensure that Casa Pacifica’s expenditures are reasonable, supported, and follow OMB guidelines.

Recommendation. For allocated costs (i.e., costs shared between various programs), VCBH should consider partnering with the County’s Human Services Agency (“HSA”) to leverage fiscal reviews that HSA may be performing. If coordination of fiscal monitoring is not feasible for the two agencies, VCBH should still perform periodic monitoring of costs to ensure adequate documentation exists and program costs are appropriate.

Management Action. VCBH management stated: “VCBH will ask for copies of HSA’s fiscal reviews for the programs that have joint contracts. VCBH does rely on the Single Audit report that Casa Pacifica provides annually. In addition to the Single Audit, an accountant from VCBH Fiscal accompanies the Contracts department on site reviews. The site reviews are scheduled every few years and typically review one program. VCBH is in the process of implementing provider desk reviews where periodic requests for detailed back-up are requested and reviewed. The desk audits have been focused on non Medi-Cal programs but the plan is to expand to cover all programs.”

3. **Billing Efficiency.** Billing processes could be more efficient if VCBH allowed Casa Pacifica to transmit billing data and invoices electronically to VCBH. Currently, Casa Pacifica enters data into Casa Pacifica’s own Netsmart myAvatar account, then manually reenters the data into VCBH’s Netsmart myAvatar account for billing purposes. VCBH staff runs reports out of VCBH’s myAvatar system on a monthly basis and emails the reports to Casa Pacifica. Casa Pacifica then verifies that all eligible units of service have been entered into VCBH’s myAvatar account and makes adjustments manually in both systems as necessary. Casa Pacifica must then mail hard copies of invoices back to VCBH. This communication back and forth takes more time and is more prone to error than if a system interface transmitted Casa Pacifica’s billing data to VCBH.

Recommendation. VCBH should consult with the County's Information Technology Services Department to enable Casa Pacifica to transmit billing data and invoices electronically to VCBH.

Management Action. VCBH management stated: "The Electronic Health Record (EHR) Team will continue to research potential solutions to the issues described above. This is not the first time this request has been brought to our attention. In February 2015 a similar request to provide an import mechanism to allow client charge data to be loaded into the Avatar Cal-PM environment was made by Casa Pacifica. This request was ultimately turned down by the VCBH Executive Management Team due to the insufficiencies of vendor solutions available at that time. Specifically, a vendor import feature was found to exist. However, the import feature did not perform the data validation processes included in the manual input process. Nor was there a means to efficiently rollback data entered incorrectly, or which contained errors. As a result of these deficiencies, the VCBH management team elected not to pursue this option further at that time. As 5 years have now passed since this subject was last considered, it would be timely to consult with the Avatar vendor, Netsmart, to determine if new functionality or other options have been added to the product. A project to collaborate with the EHR vendor, Netsmart, to determine current tools which may now exist to support this operation, or vendor consulting development which could address this area in a custom manner will be planned. This project will be added to the project initiatives for the coming fiscal year. Regarding the Auditor recommendation for consulting with the County of Ventura Information Technology Services Department to enable Casa Pacifica to transmit billing data and invoices electronically to VCBH, please be advised that the VCBH Cal-PM Avatar system is a proprietary system which does not allow outside data to be imported into its environment through any means other than those provided by the vendor, Netsmart. Any role assigned to the County of Ventura Information Technology Services Department would be limited to the minor duties involved with the potential modification of fire-wall rules to allow Casa Pacifica data files to be forwarded to VCBH for loading into the Avatar environment."

4. **Chart Reviews.** The number of monthly chart reviews performed was not always in compliance with VCBH's "Utilization Review for VCBH Contractors" policy. Utilization reviews are conducted to ensure that services provided are medically necessary and appropriate, and that the documentation is in compliance with State and Federal standards. The Utilization Review policy stated: "VCBH Utilization Review staff will conduct reviews on a random sample of at least 5% (minimum of two) of all charts of clients open and receiving services at each Contractor site per month."⁴ We reviewed system-generated reports for 3 months that listed the number of chart reviews to be completed for 10 Casa Pacifica programs. While the policy required at least two charts to be reviewed for each program, the reports listed only one chart review to be completed for 9 out of 10 Casa Pacifica programs. VCBH management asserted that staff usually review a minimum of two charts even when the report identifies that only one chart review is needed. However, our tests of actual chart reviews performed for three programs disclosed that only one chart was reviewed per program.

Recommendation. VCBH should follow the Utilization Review procedures and review at least the minimum number of charts required monthly per program. VCBH should also correct the system-generated report to calculate the appropriate number of reviews to complete per program.

⁴ We clarified with VCBH that the term "site" as used in the policy is the same as a "program".

Management Action. VCBH management stated: “The UR reviewers *did* review 5% of all listed un-duplicated consumers. However, because of the low total number of clients in some of these small programs, instead of reviewing a minimum of 2 charts per our current policy, which would have equaled much more than 5%, the reviewers only reviewed 1 chart per program. We are in the process of revising our policy to require review of at least 5% (minimum of one) of all charts.”

AUDITOR’S EVALUATION OF MANAGEMENT ACTION

We noted the Casa Pacifica management also stated: “We will be reviewing this report in detail at a future staff meeting to ensure that our corrective actions are firmly in place and included in our revised desk procedures and policies.”

We believe that both Casa Pacifica and VCBH management actions taken or planned were responsive to the audit findings. VCBH planned to complete corrective action by March 4, 2020, and Casa Pacifica planned to complete corrective action by March 9, 2020.