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May 22, 2020

TO: Jonathan E. Sherin, M.D., Ph.D., Director
Department of Mental Health

FROM: Mike Pirolo, Chief 
Audit Division

SUBJECT: **DEPARTMENT OF MENTAL HEALTH – IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (CASE #2017-13348) - FIRST AND FINAL FOLLOW-UP REVIEW**

We have completed a follow-up review of the Department of Mental Health (DMH or Department) Improvement Opportunities Noted During Limited Review dated March 27, 2019 (Case #2017-13348). As summarized in Table 1, the Department fully implemented two recommendations to enhance their contractor invoice review process and improve the quality of their internal audits and compliance reviews.

Table 1 - Results of First and Final Follow-up Review

| PRIORITY RANKINGS | TOTAL RECOS | OUTSTANDING RECOMMENDATIONS | | |
|-------------------|-------------|-----------------------------|-----------------------|-----------------|
| | | FULLY IMPLEMENTED | PARTIALLY IMPLEMENTED | NOT IMPLEMENTED |
| PRIORITY 1 | 1 | 1 | 0 | 0 |
| PRIORITY 2 | 1 | 1 | 0 | 0 |
| PRIORITY 3 | 0 | 0 | 0 | 0 |
| TOTAL | 2 | 2 | 0 | 0 |
| | | | | 0 |

Attachment I details our review and the Department’s corrective actions.

We thank DMH management and staff for their cooperation and assistance during our review. If you have any questions please call me at (213) 253-0100.

AB:PH:MP:ZP:mh

Attachment (Report #K20CP)

c: Arlene Barrera, Auditor-Controller
Audit Committee
Office of Countywide Investigations

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Mike Pirola
DIVISION CHIEF

AUDIT DIVISION

Report #K20CP

DEPARTMENT OF MENTAL HEALTH – IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW (CASE #2017-13348) – FIRST AND FINAL FOLLOW-UP REVIEW

| | RECOMMENDATION | A-C COMMENTS |
|---|---|---|
| 1 | <p>Priority 1 - Department of Mental Health (DMH or Department) management implement procedures and controls to ensure that service provider billings are routinely reviewed, on at least a sample basis, for client eligibility and compliance with contract terms and provisions, and develop a process to timely withhold and/or terminate payment for ineligible, improper, or questioned claims.</p> <p>Original Issue/Impact: DMH processed and paid invoices in excess of \$700,000 to a contractor for services to clients who were ineligible per the terms of the service provider’s contract. DMH needed to strengthen its processes for reviewing service provider billings to ensure service recipients were eligible and billings complied with contract requirements. This weakness increases the risk for additional County overpayments and/or resources being diverted from eligible clients.</p> | <p>Recommendation Status: Implemented</p> <p>We confirmed DMH management implemented a process to routinely review service provider billings and timely withhold/terminate payment for improper claims by reviewing their updated invoice procedures and workflow chart, which include steps for subject matter experts to review claims for appropriateness prior to payment approval. We also confirmed staff are following procedures by reviewing documentation from a recently completed provider request review.</p> |
| 2 | <p>Priority 2 - DMH Compliance, Privacy, and Audit Services Bureau develop and implement a comprehensive Quality Assurance (QA) program to ensure that findings and recommendations resulting from its internal audits and compliance reviews are accurate, adequately documented, and train internal audit and compliance staff on the QA program.</p> <p>DMH should reference industry standards and processes, such as those promulgated by the Institute of Internal Auditors in developing its QA program. The Department should also ensure that staff responsible for performing audits and compliance reviews have the necessary education, training, knowledge, skills, and abilities to carry out their assigned duties.</p> <p>Original Issue/Impact: DMH needed to improve their quality assurance process over internal audit and compliance activities to ensure findings are accurate and well documented in accordance with</p> | <p>Recommendation Status: Implemented</p> <p>We confirmed DMH management implemented a process to ensure findings and recommendations from their internal audits and compliance reviews are adequately documented and supported by evaluating compliance review documentation from their internal program tracking database. We also confirmed DMH management provided staff with internal audit and compliance training by reviewing their training sign-in sheets and materials. .</p> |

Priority Ranking: Recommendations are ranked from Priority 1 to 3 based on the potential seriousness and likelihood of negative impact on the Agency’s operations if corrective action is not taken.

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| industry standards of due professional care. This weakness increases the risk DMH staff may inaccurately and/or inadequately document audit findings, which could impair management's ability to make informed decisions about significant matters involving contracts, service delivery, and finances. | |
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We conducted our review in conformance with the International Standards for the Professional Practice of Internal Auditing. For more information on our auditing process, including recommendation priority rankings, the follow-up process, and management's responsibility for internal controls, visit auditor.lacounty.gov/audit-process-information.