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**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

OFFICE OF COUNTY INVESTIGATIONS
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August 18, 2021

TO: Barbara Ferrer, Ph.D., M.P.H., M.Ed., Director
Department of Public Health

FROM: Robert G. Campbell, Chief
Office of County Investigations

SUBJECT: **IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW
#2018-14884**

NUMBER OF RECOMMENDATIONS
PRIORITY 1 1 CORRECTIVE ACTION REQUIRED WITHIN 90 DAYS
PRIORITY 2 1 CORRECTIVE ACTION REQUIRED WITHIN 120 DAYS
PRIORITY 3 0 CORRECTIVE ACTION REQUIRED WITHIN 180 DAYS

During a limited review of a Department of Public Health (DPH or Department) Substance Abuse Prevention and Control contracted service provider, we noted areas where DPH management can strengthen its oversight of contracted services. Please see Attachment I, Table of Findings and Recommendations for Corrective Action, for details of our observations and recommendations.

Review of Report

We discussed our findings and recommendations with DPH management. The Department's response (Attachment II) indicates general agreement with our findings and recommendations.

We thank DPH management and staff for their cooperation and assistance during our review. If you have any questions please contact me at (213) 893-0058, or rcampbell@auditor.lacounty.gov, or your staff may contact Cristina del Rosario at (213) 893-0868, or cdelrosario@auditor.lacounty.gov.

RGC:GH:CDR

Attachments

c: Arlene Barrera, Auditor-Controller
Audit Committee
Audit Division

REPORT #OR-2018-14884

LOS ANGELES COUNTY AUDITOR-CONTROLLER

Attachment I
Page 1 of 2

Peter Hughes
ASSISTANT AUDITOR-CONTROLLER

Robert G. Campbell
DIVISION CHIEF

Office of County Investigations

Report #IOR-2018-14884

DEPARTMENT OF PUBLIC HEALTH IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14884

BACKGROUND

The Department of Public Health (DPH or Department) Substance Abuse Prevention and Control (SAPC) Division contracts with over 150 community-based organizations totaling approximately \$400 million per year, delivering a full spectrum of prevention, treatment, and recovery support services to reduce the impact of substance use, abuse, and addiction in Los Angeles County. During a limited review of one such DPH SAPC-contracted service provider, we noted areas where DPH can strengthen its oversight of all contracted service providers.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION

	ISSUE	RECOMMENDATION
1	<p>Direct Client and Service Verification – Although we did not identify any examples of fraudulent billings, SAPC can further strengthen its contract monitoring procedures to prevent and/or detect contractor billings for clients who did not receive services, and/or who are not eligible for services, by clarifying existing practices and guidance to explicitly include contacting a sample of both active and discharged patients.</p> <p>During our limited review, we noted SAPC's current contract monitoring procedures for service providers of Drug Medi-Cal and Substance Use Disorder treatment programs may include in-person client interviews for a sample of clients during field audits at the contract program auditor's discretion. However, this verification may not capture potentially fictitious clients and/or potentially fraudulent billings submitted in prior periods.</p> <p>Impact: Increased risk that contract fraud and improper billings can occur and/or go undetected, resulting in County overpayments and/or losses.</p>	<p>Priority 1 - DPH management, in consultation with their Health Insurance Portability and Accountability Act Privacy Officer and County Counsel, clarify current monitoring procedures to ensure that they include direct client and service verification to obtain assurance that clients exist, are eligible, and received the services specified in the contract billing paid by the County. Verification should be made on a routine basis for a representative sample of service recipients from all contracted service providers, and should occur via a channel independent of the contractor (i.e., the contractor should not serve as an intermediary for distributing a survey to clients or returning client responses to the Department).</p> <p>Department Response: Agree Implementation Date: July 1, 2021</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.

TABLE OF FINDINGS AND RECOMMENDATIONS FOR CORRECTIVE ACTION	
ISSUE	RECOMMENDATION
<p>2 Cost Report Requirements – We noted that DPH SAPC does not require providers to submit timely certification of detailed program expenses (e.g., cost report). DPH management explained that the State delayed the release of its updated Fiscal Year (FY) 2017-18 cost report forms and instructions for Drug Medi-Cal (DMC) providers. During that period, DPH did not require providers to submit an interim cost report to certify program expenses for the applicable contract periods. Therefore, DPH did not have any certification of program expenses to which providers could be audited or otherwise held accountable.</p> <p>DPH is responsible per their program contracts for requiring providers to submit actual expenditures via a cost report in a timely manner (e.g., 45 or 60 days) following each fiscal year end, to determine the final amounts due to/from the providers. In addition, DPH has a fiduciary responsibility to properly manage the use of government resources, and the cost report helps facilitate that responsibility.</p> <p>The State released its updated cost report in January 2020 for use beginning FY 2017-18. DPH SAPC indicated that they have settled FY 2017-18 costs with its DMC providers as of March 15, 2021 and are in the process of settling FY 2018-19 and 2019-20 with DMC and non-DMC providers.</p> <p>Impact: Increased risk of providers inappropriately charging unallowable costs to DPH programs resulting in County overpayments and/or losses, and an overall lack of accountability for contractor expenditures.</p>	<p>Priority 2 - DPH management develop and implement a process to require that all contracted service providers submit periodic and timely reports of their costs to deliver County program services, regardless of whether or not the funding entity (e.g., the State) has released official cost report forms.</p> <p>Department Response: Agree Implementation Date: December 1, 2021</p>

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.



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July 12, 2021

TO: Robert G. Campbell, Chief
Office of County Investigations

FROM: Megan McClaire, M.S.P.H.
Chief Deputy Director

MM ML

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER'S FINDINGS AND
RECOMMENDED CORRECTIVE ACTIONS – REPORT #2018-14884**

The Department has reviewed the Auditor-Controller's Improvement Opportunities Noted During Limited Review #2018-14884 report and agrees with the findings and recommendations. Attached is the Department's plan of corrective actions.

If you have any questions, please contact me at (213) 288-8156.

MM:pn

Attachment

**DEPARTMENT OF PUBLIC HEALTH
IMPROVEMENT OPPORTUNITIES NOTED DURING LIMITED REVIEW #2018-14884
DEPARTMENT ACTION PLAN/RESPONSE**

ISSUE 1: DIRECT CLIENT AND SERVICE VERIFICATION

A-C Recommendation	DPH management, in consultation with their HIPAA privacy officer and County Counsel, clarify current monitoring procedures to ensure that they include direct client and service verification to obtain assurance that clients exist, are eligible, and received the services specified in the contract billing paid by the County. Verification should be made on a routine basis for a representative sample of service recipients from all contracted service providers, and should occur via a channel independent of the contractor (i.e., the contractor should not serve as an intermediary for distributing a survey to clients or returning client responses to the Department).
Priority	PRIORITY 1
Agree/Disagree	Agree
Department Action Plan¹	Department of Public Health – Substance Abuse Prevention and Control, as part of its commitment to ensure high quality services and program integrity, revised its Master Audit Plan (MAP) to include a variety of compliance activities designed to verify the delivery of services. These activities include, but are not limited to, eligibility verifications, a representative number of chart and billing reviews based on the number of provider location(s) and services provided, and patient interviews. The MAP has been revised to specifically mandate that patient interviews must include active and discharged patients to increase the value and information provided by patient interviews. The MAP also includes processes to ensure that the data used to selected patients and that actual patient interviews occur independent of the provider. These changes to the MAP highlights SAPC's commitment to high quality services, program integrity, and its commitment to identify and prevent fraud, waste, and abuse.
Planned Implementation Date	July 1, 2021
Additional Information (optional)²	

¹ In this section the Department should only describe the efforts they plan to take to implement the recommendation. Any other information should be included in the Additional Information section below.

² In this section the Department can provide any background or clarifying information they believe is necessary.

ISSUE 2: COST REPORT REQUIREMENTS	
A-C Recommendation	DPH management develop and implement a process to require that all contracted service providers submit periodic and timely reports of their costs to deliver County program services, regardless of whether or not the funding entity (e.g., the State) has released official cost report forms.
Priority	PRIORITY 2
Agree/Disagree	Agree
Department Action Plan ¹	<p>SAPC agrees that cost settlements are important processes to ensure quality care, accountability, and limit unnecessary financial exposure. In response, SAPC established an Interim Cost Settlement process for FY 2017-2018 with all contracted providers which was implemented in March 2021, as described below:</p> <ul style="list-style-type: none"> • SAPC reviewed cost reports from its provider network and prepared revised cost reports to remove questioned costs due to A-C audits disallowances and adjust approved units of service for denied claims. • SAPC compared allowable costs to the year-to-date amount paid to determine the final amounts due to/from its providers. • SAPC prepared letters and invoices for FY 2017-2018 DMC cost settlements. <p>DHCS recently released the FY 2018-2019 Cost Report Forms and Instructions on May 12, 2021. SAPC will ensure the cost reports for FY 2018-2019 are completed by the DHCS deadline of May 1, 2022.</p> <p>Additionally, DPH will develop a policy/procedure that requires all contracted providers to submit their cost reports in a timely manner, regardless of whether DHCS' Cost Report Form is available.</p>
Planned Implementation Date	December 1, 2021
Additional Information (optional) ²	

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² In this section the Department can provide any background or clarifying information they believe is necessary.