

# OFFICE OF AUDITS & ADVISORY SERVICES



## BEHAVIORAL HEALTH SERVICES – CONTRACT MONITORING AUDIT

*FINAL REPORT*

Chief of Audits: Juan R. Perez  
Audit Manager: Laura R. Flores, CIA, CFE, CGAP  
Auditor II: Ida Miclat, CPA  
Auditor I: Kotomi Johnson, CPA

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# County of San Diego

**TRACY M. SANDOVAL**  
DEPUTY CHIEF ADMINISTRATIVE OFFICER/  
AUDITOR AND CONTROLLER

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**JUAN R. PEREZ**  
CHIEF OF AUDITS

February 10, 2015

TO: Alfredo Aguirre, Deputy Director  
HHSA – Behavioral Health Services

FROM: Juan R. Perez  
Chief of Audits

## FINAL REPORT: BEHAVIORAL HEALTH SERVICES CONTRACT MONITORING AUDIT

Enclosed is our report on the Behavioral Health Services Contract Monitoring Audit. We have reviewed your response to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Ida Miclat at (858) 694-2050.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ  
Chief of Audits

AUD:IM:aps

Enclosure

c: Nick Macchione, Director, Health and Human Services Agency  
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller  
Andrew Pease, Executive Finance Director, Health and Human Services Agency

## INTRODUCTION

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<b>Audit Objective</b>	<p>The Office of Audits &amp; Advisory Services (OAAS) completed an audit of the Behavioral Health Services (BHS) Contract Monitoring. The objective of the audit was to evaluate the efficiency and effectiveness of the in-depth invoice review process.</p>
<b>Background</b>	<p>BHS contracts with outside providers to render a multitude of services to the public. These services are supported from a variety of funding streams including federal, state, and local government agencies.</p> <p>The funding used is subject to strict regulations and guidelines defining allowable costs. To ensure compliance, BHS established the In-depth Invoice Review (IIR) unit to coordinate and conduct extensive reviews of invoices for all contracts.</p> <p>The in-depth invoice review process consists of a rigorous examination and verification of specific invoice line items submitted by contractors. In-depth invoice reviews help ensuring that contractors are only compensated for allocable, allowable, reasonable, and verified costs as specified in the contract.</p> <p>The IIR unit's objective is to complete a 100% of the required in-depth invoice reviews for all paid claims, invoices, and/or cost reports over a twelve-month period.</p>
<b>Audit Scope &amp; Limitations</b>	<p>The scope of the audit included an evaluation of the in-depth invoice review process from January 20, 2014 to current.</p> <p>This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.</p>
<b>Methodology</b>	<p>OAAS performed the audit using the following methods:</p> <ul style="list-style-type: none"><li>• Reviewed policies and procedures related to in-depth invoice review, including the Agency Contract Support (ACS) Quality Assurance Report.</li><li>• Interviewed IIR's management and staff to further understand the process.</li><li>• Developed a process map to identify value added steps, non-value added steps, and possible bottlenecks in the review process.</li><li>• Evaluated the list of contracts subject to in-depth invoice review for completeness.</li></ul>

- On a sample basis, conducted specific audit procedures, such as inquiry, document inspection, reconciliation, and analysis.

## AUDIT RESULTS

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### Summary

Within the scope of the audit, OAAS identified opportunities to improve the efficiency and effectiveness of the in-depth invoice review process. Areas of concern and related recommendations are included in the body of the report.

### Finding:

#### **In-depth Invoice Review Process Needs Improvement**

OAAS identified the following key areas within the process that need improvement.

**Incomplete Schedule of Required Reviews** – A comprehensive schedule that identifies all required invoice reviews during the fiscal year has not been developed. Specifically, the IIR unit utilizes a schedule that list 368 contracts to manage and distribute the workload to staff. Each contract has more than one program that requires a separate invoice review. However, the schedule does not separately identify and account for each program subject to invoice review. According to IIR staff, each contract has an average of three programs resulting in approximately 1,200 required annual invoice reviews.

Lack of a comprehensive list of required invoice reviews hinders management's ability to properly manage and distribute the workload.

**Insufficient Strategic Workload Planning** – The IIR unit is composed of three staff, one supervisor, and a unit manager. Invoice reviews are assigned to staff based on the size of each contract, rotating assignments each year among them.

OAAS found that IIR management has not established a baseline that measures the hours needed to complete an invoice review and coordinate with available staff hours.

As a result, IIR management is unable to properly monitor the completion of reviews, set priorities, and manage resources. Further, they are unable to evaluate whether existing resources are sufficient to complete required reviews timely.

**Inefficient Procedures** – OAAS' assessment of procedures identified the following issues:

- IIR staff conducts procedures not relevant to the objective of the invoice review process such as performing Criminal Background Checks, Exclusion and Debarment, and Medi-Cal Sanctions. While ACS has also recommended that these responsibilities be reassigned, IIR staff continues to include them in the reviews.

- Inconsistent prioritization of tasks by management. Specifically, due to the extensive workload, the supervisor and the manager often conduct invoice reviews which prevent them from timely reviewing the work done by staff and finalizing reports.
- Communication issues with contractors and Contracting Officer Representatives (CORs). For instance, according to IIR staff, some contractors do not respond to the review notice timely and IIR staff does not consistently follow-up for response. There were also delays in the response from the CORs approving final reports.
- Uploading nonessential documents into the Cobblestone<sup>1</sup> system when paper copies of these documents are also maintained in a binder.

The identified areas of improvement described above have contributed to the increased delay in the completion of the required in-depth invoice reviews.

Policy BHS-01-15-203 requires BHS to annually plan for 100% completion of in-depth invoice reviews of all contractors for all payment types over a twelve-month period. IIR completed 60% of the required reviews for fiscal year 2013-14.

**Recommendation:**

To increase the effectiveness and efficiency of in-depth invoice reviews, IIR unit should:

1. Develop a comprehensive schedule that clearly identifies the total number of required annual reviews including prior year reviews that were not completed.
2. Conduct an analysis of the current workload and develop a baseline that determines the number of hours needed to complete a review. Based on this analysis, distribute the work considering available staff hours and determine whether the level of staff is sufficient to comply with Policy BHS-01-15-203 requirements.
3. Re-evaluate and streamline the in-depth invoice review procedures including:
  - a. Focus procedures on significant invoice data and reassign unrelated activities.
  - b. Prioritize management's tasks and responsibilities to allow timely supervisory review of the work conducted by staff.
  - c. Enhance communication with contractors and CORs by ensuring that follow-up is conducted timely.

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<sup>1</sup> Cobblestone is a web-based system monitored by ACS to assure quality control of Contract Management Database for all Health and Human Services Agency contracts.

- d. Determine essential documents to be uploaded into Cobblestone and consider diminishing paper documents by organizing documentation on the shared drive to save time and resources.

Office of Audits & Advisory Services

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## **DEPARTMENT'S RESPONSE**



# County of San Diego

**NICK MACCHIONE, FACHE**  
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**ALFREDO AGUIRRE, LCSW**  
DEPUTY DIRECTOR

February 6, 2015

RECEIVED

TO: Juan R. Perez  
Chief of Audits

FEB 09 2015

OFFICE OF AUDITS &  
ADVISORY SERVICES

FROM: Patty Kay Danon, Interim Director of Operations  
HHSA – Behavioral Health Services

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: BEHAVIORAL HEALTH SERVICES (BHS) – CONTRACT MONITORING AUDIT (A14-024)

**Finding 1:** Incomplete Schedule of Required Reviews

**OAAS Recommendation:** Develop a comprehensive schedule that clearly identifies the total number of required annual reviews including prior year reviews that were not completed.

**Action Plan:**

BHS agrees with the recommendation. The Schedule of Required Reviews for FY 14-15 has been updated to include the total number of invoices needing to be reviewed within each contract. This provides management with a more accurate picture of the workload in order to properly assign reviews among staff across the fiscal year. With the addition of staff to the unit, there should not be any reviews from the prior fiscal year to carry forward.

**Planned Completion Date:** June 30, 2015

**Finding 2:** Insufficient Strategic Workload Planning

**OAAS Recommendation:** Conduct an analysis of the current workload and develop a baseline that determines the number of hours needed to complete a review. Based on this analysis, distribute the work considering available staff hours and determine whether the level of staff is sufficient to comply with Policy BHS-01-15-203 requirements.

**Action Plan:**

BHS agrees with the recommendation. BHS has added three staff (two AAlls and one AAlll) to the In-Depth Invoice Review (IIR) unit in order to meet the required September 30<sup>th</sup> deadline. BHS will conduct an analysis to determine the feasibility of using the

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number of hours needed to complete a review as the basis to distribute the work in coordination with available staff hours.

**Planned Completion Date:** June 30, 2015

**Finding 3:** Insufficient Procedures

**OAAS Recommendation:** Re-evaluate and streamline the in-depth invoice review procedures including:

- a. Focus procedures on significant invoice data and reassign unrelated activities.
- b. Prioritize management's tasks and responsibilities to allow timely supervisory review of the work conducted by staff.
- c. Enhance communication with contractors and CORs by ensuring that follow-up is conducted timely.
- d. Determine essential documents to be uploaded into CobbleStone and consider diminishing paper documents by organizing documentation on the shared drive to save time and resources.

**Action Plan:**

- a. BHS agrees with the recommendation. BHS will reassign non-invoice related activities (Criminal Background Checks, Exclusion, Debarment, and Medi-Cal Sanctions, and False Claims Act training).
- b. BHS agrees with the recommendation. With the current increase in staffing, IIR supervisors and manager will focus on reviewing the work conducted by staff and on finalizing reports.
- c. BHS agrees with the recommendation. BHS will develop and implement procedures for consistent follow-up for responses from contractors and CORs.
- d. BHS agrees with the recommendation. With feedback from ACS, BHS will determine the essential documents that need to be uploaded into CobbleStone.

**Planned Completion Date:** June 30, 2015

**Contact Information for Implementation:** Patti Groulx, Revenue & Budget Manager

If you have any questions, please contact me at (858) 636-3535.



PATTY KAY DANON, Interim Director of Operations  
Behavioral Health Services Division

- c: Nick Macchione, Director, Health and Human Services Agency  
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Alfredo Aguirre, Director, BHS Division  
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