

County of San Bernardino

**Auditor-Controller/Treasurer/Tax Collector
Internal Audits Section**

Department of Behavioral Health: Inland Behavioral and Health Services Contract Audit



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SUBJECT: INLAND BEHAVIORAL & HEALTH SERVICES CONTRACT AUDIT

In compliance with the '*Right to Monitor and Audit*' clause in the signed contracts between the County of San Bernardino's Department of Behavioral Health and Inland Behavioral & Health Services (IBHS), we have completed an audit of the IBHS' contracts 11-413, 11-422, 12-363 and 12-371 for the period of July 1, 2014 through June 30, 2016. The primary objectives of the audit were to determine whether funds received from the County were expended in accordance with contracts and regulations and to determine whether claims are supported by appropriate documentation. We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors.

We identified several procedures and practices that could be improved. We have listed these areas for improvement in the Audit Findings and Recommendations section of this report.

We sent a draft report to the Department on June 15, 2017 and discussed our observations with management on June 20, 2017. The Department's responses to our recommendations are included in this report.

We would like to express our appreciation to the personnel at Inland Behavioral & Health Services who assisted and cooperated with us during this engagement.

Respectfully submitted,

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Auditor-Controller/Treasurer/Tax Collector
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By:

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Department of Behavioral Health: Inland Behavioral & Health Services Contract Audit

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Summary of Audit Results

The table below summarizes the audit findings and recommendations for this audit engagement. For further discussion, refer to the *Audit Findings and Recommendations* section of this report.

Finding No.	Findings and Recommendations	Page No.
1	<p>Cost allocation methodology is not consistent with Federal guidelines.</p> <p>We recommend that IBHS update their cost allocation methodology policies & procedures to contain more detail and to be in accordance with 2 CFR §200. There should be a fiscal year end true-up of budgeted estimates to verify all the necessary adjustments have been made and the final amount charged is accurate, allowable and properly allocated. Contract language should be revised to clarify the basis on which to apply the administrative indirect cost rate. We further recommend that IBHS increase their controls over the cost allocation worksheets by adding a secondary review and monthly reconciliation of the cost allocation worksheets to improve the reliability of the costs claimed.</p>	5
2	<p>Unallowable expenses were claimed on contracts.</p> <p>In regards to direct costs, we recommend that IBHS only bill for services rendered at locations providing services under DBH contracts and ensure that actual mileage applicable to the programs are used in the computation of the travel claim. We further recommend IBHS ensure that proper supporting documentation is maintained for all transactions claimed on DBH contracts.</p>	6
3	<p>Charges for services provided to patients were incorrectly billed.</p> <p>We recommend that IBHS assign someone to review and reconcile the SIMON clerk's data entry for accuracy. All source documents and records of changes in SIMON should be maintained for accuracy and completeness. Patient charts should also be reviewed each month to ensure all counseling sessions are properly documented.</p>	7



INLAND BEHAVIORAL & HEALTH SERVICES (IBHS)

Background

The Department of Behavioral Health (DBH) is responsible for providing mental health and substance use disorder services to county residents who are experiencing major mental illness or substance abuse issues. DBH provides mental health/substance use disorder treatment to all age groups, with a primary emphasis placed on treating children/youth who may be seriously emotionally disturbed, adults who are experiencing a serious and persistent mental illness, and individuals who are experiencing substance use disorders. DBH also provides an array of prevention and early intervention services for both mental health and substance abuse.

The DBH Alcohol and Drug Services Administration is responsible for managing a full range of Substance Use Disorder (SUD) prevention, treatment services and education programs for communities and residents of San Bernardino County. These services are provided through county-operated clinics and contracts with community based organizations with the goal of promoting prevention, intervention, recovery and resiliency for individuals and families.

Inland Behavioral & Health Services (IBHS) is contracted by DBH to provide outpatient, primary prevention and perinatal services. IBHS is a non-profit, federally certified, state licensed, community-based agency serving the Inland Empire since 1978. IBHS currently has three locations in the city of San Bernardino and one in the city of Banning. They offer many different health services including medical, dental, and mental healthcare but their two primary divisions are primary healthcare and social services.

Substance Abuse Program

Under contracts with DBH, IBHS provides both prevention and outpatient drug/alcohol treatment services for men, women, and youth. Fees are low-cost; Medi-Cal is accepted. More specifically, the center offers the following outpatient drug-free services:

- Individual and group counseling
- Substance abuse assessment and education
- Crisis intervention
- Collateral services for significant others



- Random urine drug-testing
- Case management services, including referrals to community
- Women's Narcotics Anonymous meetings on site

Locations Visited

We visited the following IBHS locations during our fieldwork:

- Inland Behavioral & Health Services 1963 North 'E' Street location
- Inland Family Community Health Center Administrative Offices 665 North 'D' Street location



Scope and Objectives

Our audit examined Inland Behavioral Health & Services contracts with the County of San Bernardino Department of Behavioral Health for the period of July 1, 2014 thru June 30, 2016.

The objectives of our audit were to:

- Determine whether funds received from the County were expended in accordance with contracts and regulations.
- Determine whether claims are supported by appropriate documentation.

Methodology

In achieving the audit objectives, the following audit procedures were performed, including but not limited to:

- Review of policies and procedures.
- Examination of original source documents and backup documentation.
- Walk-through of activity.
- Interview of IBHS personnel.



Finding 1: Cost allocation methodology is not consistent with Federal guidelines.

According to 2 CFR §200.430 charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. The CFR further states that budget estimates alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes. However, all necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

It also states under 2 CFR §200 Appendix IV that the allocation of indirect costs may be accomplished by dividing the total allowable indirect costs by an equitable distribution base.

During our audit, the following conditions were identified:

- IBHS does not have written procedures detailing their cost allocation methodology.
- Direct salaries and benefits are allocated among the programs based on an estimated percentage of time spent on the program without a review after-the-fact to make adjustments to actuals.
- IBHS is not applying their indirect cost rate to an equitable distribution base. Instead, they are applying it on an agency wide basis causing the amount of indirect costs to exceed 15% of direct costs.
- IBHS's cost allocation data is contained within excel worksheets which are maintained and reviewed by only one person. Multiple inconsistencies such as incomplete fields and plugged numbers were found throughout these worksheets. In addition, there were time periods which had been deleted and partially reconstructed.

The contracts between IBHS and DBH allow a rate of up to 15% of administrative indirect costs. However, the contract language does not specify the basis on which to apply the indirect cost rate.

Allocating direct costs based on estimates without a true-up at end of year can lead to charging inaccurate costs and overcharging indirect costs. Having inconsistent cost allocation worksheets and no secondary review reduces the reliability of the data reported and can lead to untraceable, unreliable and inaccurate data.



Recommendation:

We recommend that DBH work with IBHS to update their cost allocation methodology policies & procedures to contain more detail and to be in accordance with 2 CFR §200. There should be a fiscal year end true-up of budgeted estimates to verify all the necessary adjustments have been made and the final amount charged is accurate, allowable and properly allocated. Contract language should be revised to clarify the basis on which to apply the administrative indirect cost rate. We further recommend that IBHS increase their controls over the cost allocation worksheets by adding a secondary review and monthly reconciliation of the cost allocation worksheets to improve the reliability of the costs claimed.

Management's Response:

The Department of Behavioral Health (DBH) acknowledges the findings reported in the audit of Inland Behavioral Health Services (IBHS). On August 9, 2017, DBH met with IBHS to discuss the findings. As a result, DBH is currently assisting IBHS to develop a Corrective Action Plan to address IBHS's cost allocation finding.

Auditor's Response:

We anticipate the Department's actions will correct the deficiencies noted in the finding.

Finding 2: Unallowable expenses were claimed on contracts.

According to 2 CFR §200.405 - Allocable Costs: (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost: (1) Is incurred specifically for the Federal award; (2) Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and (3) Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

During our review of 80 transactions, the following conditions were noted:

- Two invoices for medical waste disposal were billed for services rendered at a location that did not provide services under the DBH contracts;



- Two travel claims contained mileage to a location that did not provide services under the DBH contract; and
- Support for three of the expenses could not be located.

Expenses that are inappropriately allocated to programs based off of services received at other locations will result in over billing. Transactions that do not have supporting documentation cannot be verified as expenses chargeable or assignable to that Federal program.

Recommendation:

In regards to direct costs, we recommend that IBHS only bill for services rendered at locations providing services under DBH contracts and ensure that actual mileage applicable to the programs are used in the computation of the travel claim. We further recommend IBHS ensure that proper supporting documentation is maintained for all transactions claimed on DBH contracts.

Management's Response:

The Department of Behavioral Health (DBH) acknowledges the findings reported in the audit of Inland Behavioral Health Services (IBHS). On August 9, 2017, DBH met with IBHS to discuss the findings. As a result, DBH is currently assisting IBHS to develop a Corrective Action Plan to address IBHS's unallowable expense finding.

Auditor's Response:

We anticipate the Department's actions will correct the deficiencies noted in the finding.

Finding 3: Charges for services provided to patients were incorrectly billed.

According to the Drug and Alcohol Services contracts between IBHS and DBH, "Contractor shall take reasonable precaution to ensure that the coding of health care claims and billing for the same are prepared and submitted in an accurate and timely manner and are consistent with Federal, State and County laws and regulations as well as DBH's policies and/or agreements with third party payers."

The contracts also state that "Contractor shall bill only for those eligible services actually rendered which are also fully documented. When such services are coded, Contractor shall use only correct billing codes that accurately describe the services provided."



For contracts 11-413 and 12-371, we selected four months and reviewed all the claims for billing, supporting documentation and patient charts. We found the following conditions:

- 33 service related overbillings containing incidents of double billing;
- 70 services that were not billed for;
- Missing source documentation for services provided;
- Incorrect billing codes, staff numbers and reporting unit numbers were entered into San Bernardino Information Management Online Network (SIMON); and
- Counselor did not document an individual counseling session in client's personal chart.

All of the billing data is entered into SIMON by one person with no reconciliation or secondary review. When an error or correction is made in SIMON the supporting documentation or evidence often did not exist.

With only one SIMON clerk and no oversight over the data entered into SIMON, the billing information produced can be inaccurate or unreliable. When no supporting documentation exists, amounts billed cannot be verified as allowable.

Recommendation:

We recommend that IBHS assign someone to review and reconcile the SIMON clerk's data entry for accuracy. All source documents and records of changes in SIMON should be maintained for accuracy and completeness. Patient charts should also be reviewed each month to ensure all counseling sessions are properly documented.

Management's Response:

The Department of Behavioral Health (DBH) acknowledges the findings reported in the audit of Inland Behavioral Health Services (IBHS). On August 9, 2017, DBH met with IBHS to discuss the findings. As a result, IBHS has made the following changes to address the incorrect patient billing finding:

1. IBHS has assigned a designated staff clerk to double check biller entries.
2. IBHS biller are required to use ruler and different pen colors to separate the type of services to minimize billing code errors.
3. PCN program managers signing off the DPRS will check to make sure there are no duplicates.
4. IBHS will keep all deleted/correct services documents.



Auditor's Response:

The Department's planned actions will correct the deficiencies noted in the finding.