



**COUNTY OF SAN LUIS OBISPO
BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Auditor-Controller-Treasurer- Tax Collector	(2) MEETING DATE 12/10/2019	(3) CONTACT/PHONE Mark Maier (805) 781-4267 Kerry Bailey (805) 788-2979	
(4) SUBJECT Submittal of a compliance audit report of the Health Agency's contract with Bryan's House Recovery Home, Inc. for fiscal year 2018-19. All Districts.			
(5) RECOMMENDED ACTION It is recommended that the Board receive, review, and file the attached audit report of the Health Agency's contract with Bryan's House Recovery Home, Inc. for fiscal year 2018-19.			
(6) FUNDING SOURCE(S) N/A	(7) CURRENT YEAR FINANCIAL IMPACT \$0.00	(8) ANNUAL FINANCIAL IMPACT \$0.00	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input checked="" type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input type="checkbox"/> Board Business (Time Est. _____)			
(11) EXECUTED DOCUMENTS <input type="checkbox"/> Resolutions <input type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input checked="" type="checkbox"/> N/A			
(12) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) N/A		(13) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input type="checkbox"/> N/A	
(14) LOCATION MAP N/A	(15) BUSINESS IMPACT STATEMENT? No	(16) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date <u>9/27/2016</u> Item # <u>9</u>	
(17) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(18) SUPERVISOR DISTRICT(S) All Districts			



COUNTY OF SAN LUIS OBISPO

TO: Board of Supervisors

FROM: James W. Hamilton, CPA, Auditor-Controller-Treasurer-Tax Collector

DATE: 12/10/2019

SUBJECT: Submittal of a compliance audit report of the Health Agency's contract with Bryan's House Recovery Home, Inc. for fiscal year 2018-19. All Districts.

RECOMMENDATION

It is recommended that the Board receive, review, and file the attached audit report of the Health Agency's contract with Bryan's House Recovery Home, Inc. for fiscal year 2018-19.

DISCUSSION

For FY 2018-19, the Health Agency contracted with Bryan's House Recovery Home, Inc. (Bryan's House) to provide perinatal substance use disorder residential treatment services. Under the terms of the contract, Health Agency staff evaluate the treatment needs of potential clients and, if appropriate, refer the clients to Bryan's House for residential treatment services. Bryan's House then provides the treatment services and communicates progress to Health Agency staff. After treatment progress is sufficient, the clients leave Bryan's House and continue to coordinate treatment with the Health Agency. The FY 2018-19 contract required 12 clients be served with a maximum daily capacity of 6 clients. Bryan's House invoices the Health Agency monthly based on predetermined daily treatment and residential rates. The maximum amount of the contract was \$783,734.

The objective of our audit was to:

- Determine if the fiscal year 2018-19 budgetary amounts reported by Bryan's House, which were used to determine the bed day rate for perinatal residential services and the perinatal treatment services rate, are accurate and reasonable for services being provided.
- Determine if the residential and treatment services provided are consistent with contract specifications, including the length of stay for clients receiving residential treatment services, weekly hours of treatment services provided, type of treatment service provided, and qualifications of staff administering the treatment.
- Determine if Bryan's House internal controls related to fiscal and operational processes are sufficient to meet the program and financial reporting contract requirements.

Our results concluded that budgeted expenditures exceeded actual expenditures by \$88,482, or 11%, primarily due to overstated payroll expense amounts. In addition, not all insurance policies held met the contract's stated minimum coverage amounts, timecards were not reviewed and approved prior to payment, and not all staff met the minimum continuing education hours required annually. Details of these issues and our recommendations can be found in the attached audit report.

Our results have been discussed with the Health Agency and Health Agency staff have taken actions to improve oversight of the contractor.

OTHER AGENCY INVOLVEMENT/IMPACT

Health Agency

FINANCIAL CONSIDERATIONS

The FY 2018-19 contract with Bryan's House Recovery Home, Inc. was for \$783,734.

RESULTS

Audits of contracts improve compliance and support departmental monitoring consistent with the County's vision of a livable and well governed community.

ATTACHMENTS

1. FY 2018-19 Audit Report of the Health Agency's Contract with Bryan's House Recovery Home, Inc.



COUNTY OF SAN LUIS OBISPO
AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

Health Agency
Bryan's House Recovery Home, Inc.
FY 2018-19 Contract Audit

October 2019

JAMES W. HAMILTON, CPA
Auditor-Controller • Treasurer-Tax Collector



COUNTY OF SAN LUIS OBISPO

AUDITOR - CONTROLLER • TREASURER - TAX COLLECTOR

James W. Hamilton, CPA Auditor-Controller • Treasurer-Tax Collector

Lydia J. Corr, CPA Assistant Auditor-Controller • Treasurer-Tax Collector

TO: MIKE HILL, HEALTH AGENCY DIRECTOR

FROM: JAMES W. HAMILTON, CPA, AUDITOR-CONTROLLER-TREASURER-TAX COLLECTOR 

DATE: OCTOBER 30, 2019

SUBJECT: FY 2018-19 AUDIT OF THE HEALTH AGENCY'S CONTRACT WITH BRYAN'S HOUSE RECOVERY HOME, INC.

Our office recently completed an audit of the Health Agency's contract with Bryan's House Recovery Home, Inc. (Bryan's House) to provide perinatal substance use disorder residential treatment services for FY 2018-19. Our audit resulted in four findings which are detailed in the Findings and Recommendations section of this report. You are not required to issue a response to our recommendations as the audit was performed as a consulting engagement.

Purpose

The purpose of our audit was to:

1. Determine if the fiscal year 2018-19 budgetary amounts reported by Bryan's House, which were used to determine the bed day rate for perinatal residential services and the perinatal treatment services rate, are accurate and reasonable for services being provided.
2. Determine if the residential and treatment services provided are consistent with contract specifications, including the length of stay for clients receiving residential treatment services, weekly hours of treatment services provided, type of treatment service provided, and qualifications of staff administering the treatment.
3. Determine if Bryan's House internal controls related to fiscal and operational processes are sufficient to meet the program and financial reporting contract requirements.

Scope

The scope of our audit included Bryan's House perinatal substance use disorder residential treatment services for fiscal year 2018-19 as specified in the FY 2016-17 contract and subsequent contract amendments with the Health Agency.

Methodology

We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* require that the internal audit activity be independent and internal auditors be objective in performing their work. The *Standards* also require that internal auditors perform their engagements with proficiency and due professional care; that the internal audit function be subject to a program of quality assurance; and that the results of engagements are communicated.

Our procedures included comparing the FY 2018-19 approved budgeted expenditure amounts submitted by Bryan's House to the Health Agency to Bryan's House's FY 2018-19 general ledger. Further, we sampled expenditures in the general ledger and verified the payments were supported with appropriate documentation and the payments were made for the correct amount. In addition, payroll payments were traced to staff timecards, while also comparing the hourly wage paid for each job classification to the hourly wage calculated from the FY 2018-19 budget.

Bryan's House invoices the Health Agency monthly for residential and treatment services provided based on a per client daily residential and treatment rates derived from the FY 2018-19 budget. We reviewed the invoices submitted and sample tested the client admission and discharge dates stated on the invoices to the Health Agency's records of client admission and discharge dates. We also verified that Bryan's House did not exceed the maximum daily capacity of clients treated and met the minimum requirement of annual clients treated. Health Agency client records were also sampled and tested to determine if the minimum per client weekly treatment hours were met.

The residential treatment facility license for Bryan's House was validated against The California Department of Health Care Services' records and staff licenses and/or certifications were verified against the issuing authority's records. Staff's annual continuing education hours were obtained and compared to the minimum number of annual units required by the contract.

Finally, insurance policies were obtained, and the stated coverages were compared to the minimum contract requirements.

Results

We determined Bryan's House is providing the required client treatment hours and communicating client treatment progress to the Health Agency. In addition, client treatment progress is being reviewed by the Health Agency and treatment extensions are being approved by the Health Agency.

The monthly invoices sent by Bryan's House to the Health Agency are accurate in terms of residential and treatment days billed per client and the Health Agency is reviewing the invoices for billing accuracy.

The maximum daily capacity of clients treated was not exceeded and the annual minimum number of total clients treated was met.

The expenditures recorded in the general ledger were appropriate, supported by invoices, and paid for the correct amount. However, the budgeted expenditures, used to derive the daily residential and treatment rates, were overstated when compared to the actual expenditures.

While Bryan's House staff complete a timecard to indicate their hours worked, and the hours paid to the staff are aligned with the timecards, timecards were not reviewed and approved prior to being paid.

The facility's residential treatment license and all staff licenses and/or certifications are valid. However, not all staff met the required annual continuing education hours.

Finally, not all insurance policies maintained met the minimum coverage requirements.

Details on the exceptions can be found in the Findings & Recommendations section below.

Findings & Recommendations

1. Budgeted Expenditures Exceed Actual Expenditures

Total budgeted expenditures of \$792,134 exceeded actual expenditures by \$88,482, or 11%, and were primarily attributable to overstated budgeted payroll amounts. FY 2018-19 Contract Amendment No. 3 Section 1 (a) specifies all payments under the contract must directly support services specified in the contract. Actual salary costs were less than budgeted amounts due to:

- The Licensed Therapists actual costs were less than budgeted costs because one of the two therapists started work six months into the contract year but was budgeted for twelve months.
- Changes to staffing coverage schedules reduced overtime salary costs for the Specialist and Weekend Staff employees.
- The budget included anticipated wage increases for staff, however, only two staff members received wage increases in FY 2018-19, and the remaining increases took place after June 30, 2019.

- The Peer Support and Transportation positions both had staff members separate from employment in FY 2018-19 and the positions remained vacant as of June 30, 2019.
- Worker's compensation costs were overestimated based on FY 2017-18 actual costs and anticipated FY 2018-19 increases.

Due to the overstated budgeted expenditures, the Health Agency overpaid for actual services provided by \$88,482.

Recommendation

We recommend future residential and treatment services rates be calculated from prior year actual expenditures. In addition, we recommend the Health Agency require Bryan's House to submit a comparison of budgeted expenditures to actual expenditures quarterly.

2. Insufficient Insurance Coverage

The insurance coverage maintained for sexual misconduct liability and automobile liability did not meet the FY 2016-17 contract requirements.

- The sexual misconduct liability coverage was for \$25,000 per claim and \$50,000 in aggregate, both less than the contract requirement of \$2,000,000 for both per claim and in aggregate.
- The automobile liability coverage maintained was for "scheduled autos" and not "any auto."

Bryan's House had provided the contract to their insurance agent to obtain the correct coverage. However, the insurance agent did not obtain the contract required minimum coverage, and Bryan's House did not verify the coverage purchased met the minimum contract requirements. Insufficient insurance coverage increases the risk of financial loss to the County.

Recommendation

We recommend Bryan's House update their insurance policies to meet the contract requirements and the Health Agency request them annually.

3. Timecards Not Approved

Timecards are not documented as approved by a supervisor or manager to indicate the hours worked by the employee were accurate. The FY 2016-17 Bryan's House contract requires adherence to the Auditor-Controller Contract Accounting and Administration Handbook. Section B, 3.1 of the Handbook requires all timecards be signed by the employee's supervisor to certify the accuracy of the reported time. Bryan's House was unaware of the requirement to

have timecards reviewed and approved. When timecards are not reviewed by a supervisor the risk of staff overstating their hours worked increases and could result in excess expense being charged to the County.

Recommendation

We recommend all timecards be signed by the employee's supervisor to indicate they have been reviewed for accuracy of hours worked.

4. Continuing Education Hours Not Met

Of the ten staff members reviewed, three did not obtain the minimum required continuing education hours. The FY 2016-17 Bryan's House contract requires a minimum of six continuing education units be completed annually by each paid and unpaid staff person of Bryan's House. However, Bryan's House did not maintain a centralized record of their staffs' continuing education hours and a periodic review was not completed to ensure staff meet the minimum required continuing education hours. Setting a standard which requires staff to obtain continuing education units helps ensures staff members maintain and improve their professional competence. When this standard is not adhered to clients may receive a substandard level of care, which could reduce the probability of successful treatment.

Recommendation

We recommend Bryan's House establish a log to track each staff members continuing education hours obtained. In addition, we recommend the log be submitted to the Health Agency annually.

We appreciate the courteous attitude of your staff and the cooperation we received during our audit.

Cc: Sandy Wortley, Executive Director, Bryan's House Recovery Home, Inc.