AUDIT DEPARTMENT

Audit Report

Drug Court Administration: Choices Group Inc. Vendor Agreement

June 2012

Angela M. Darragh, CPA, CISA, CFE
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Angela M. Darragh, CPA, CFE, CISA, Director

June 22, 2012

Mr. Don Burnette
Clark County Manager
500 South Grand Central Parkway, 6th Floor
Las Vegas, Nevada 89106

Dear Mr. Burnette:

This report presents our conclusions, findings, and recommendations resulting from our audit of the County's drug court contract agreement with Choices Group Inc. (Choices Group). Drug court administrators approve over $3 million in payments to Choices Group annually under the drug court contract. In return, Choices Group provides substance abuse and mental health counseling, drug testing, and support services to one of the County's at-risk populations: adults and juveniles ordered into out-patient substance abuse treatment by the drug courts.

Because of the size of annual spending and at-risk nature of the population served, we evaluated whether (1) drug court administration internal control is suitably designed to detect errors in drug court contract invoicing, (2) the current HIPAA Business Associate Agreement is required for the drug court contract, (3) Choices Group submitted supported invoices for billable services and other allowable expenses, (4) Choices Group maintained appropriate licensing and certification to demonstrate contract compliance and adherence to professional standards, and (5) Choices Group adhered to insurance requirements outlined in the contract.

We found that Drug Court Administrators do not suitably verify monthly invoices and contract criteria for appropriate billable expenses is vague, placing financial resources, reputation, and good will at risk. The HIPAA business associate agreement attached to the contract should be removed because it is not necessary. We also found that Choices Group submitted supported invoices, maintained appropriate licensing and certification, and complied with insurance requirements outlined in the contract.

A draft report was provided to the Court Executive Officer and the Executive Director at Choices Group. Their responses are included. We appreciate the cooperation and assistance provided by staff.

Sincerely,

/s/ Angela M. Darragh

Angela M. Darragh, CPA
Audit Director

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BACKGROUND

Choices Group Incorporated (Choices Group) is Clark County's principal partner serving one of the county's highest-risk populations: adults and juveniles ordered into out-patient substance abuse treatment by the courts. Choices Group provides substance abuse and mental health counseling, drug testing, and support services. In the first five months of fiscal year (FY) 2012 alone, Choices Group provided over 62,000 billable units of individual counseling, testing, or support services to persons in court ordered treatment.

The significant majority of services that Choices Group provides are governed by a single contract, the "drug court contract," which outlines services and pricing for persons ordered into treatment by the drug courts. The contract was approved in 2004, has been extended twice, and is currently set to expire on June 30, 2013. Appendix 1 outlines the six drug court programs that refer cases to Choices Group under the drug court contract.

From July through November of FY 2012, $1.43 of $1.46 million in total business with Choices Group (98%) was paid under the drug court contract. Of this amount, Choices Group invoiced $838,000 for billable client services, and just under $595,000 for allowable operating expenses. On average, Choices Group has invoiced almost $3.4 million in total services annually since FY 2007. Just as with FY 2012, total business in prior years was dominated by services provided under the drug court contract.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of our audit were to determine whether:

- Court administration internal control is suitably designed to detect errors in drug court contract invoicing.
- Services and expenses invoiced by Choices Group were properly supported and in accordance with the drug court contract.
- Choices Group maintained appropriate treatment staff and program licensing and certification to demonstrate contract compliance and adherence to professional standards.
- Choices Group adhered to insurance requirements outlined in the contract agreement.
- The 2005 HIPAA business associate agreement for the drug court contract is required under the currently defined Clark County covered entity.

To meet our objectives we interviewed drug court administrators and Choices Group managers, and reviewed documentation on file with Clark County, state agencies, and Choices Group. We judgmentally selected 250 of 62,718 billed services over the audit period and agreed client, date, and activity data supporting the invoice with client sign-in sheets for the same date and activity. We also reviewed

court data to determine that each individual we sampled was active with the drug courts at the time of service. We also judgmentally sampled $135,568 of $594,822 in operating expense items listed on monthly invoices and agreed these items with invoices and schedules on file at Choices Group. Our procedures considered the period July through November 2011.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

RESULTS IN BRIEF

Drug court administration internal control is not suitably designed to detect errors in invoicing, and as a result, financial resources, reputation, and good will are at risk. Drug court administrators do not verify that monthly invoices received from Choices Group include active drug court cases or reasonable operating expenses. In addition, contract criteria for allowable vendor expenses are vague.

Choices Group did submit monthly invoices that were properly supported and in accordance with the drug court contract. In addition, Choices Group maintained appropriate treatment program and staff licensing, and adhered to insurance requirements outlined in the contract. We found one minor overcharge for rental expense.

A HIPAA business associate agreement attached to the contract is not necessary because no clients referred to Choices Group under the drug court contract are from a County department that is included in the Clark County covered entity. The agreement could cloud the issue of responsibility if a breach of personal health information occurs.

DETAILED RESULTS

Court Control Over Invoicing Is Not Suitably Designed

Drug court administration internal control is not suitably designed to detect errors in invoicing. As a result, financial resources, reputation, and good will are at risk.

Monthly Invoices Not Verified

Drug court administrators do not review invoices to determine whether billed counseling, drug screening, or support services were provided to persons with active drug court cases. In addition, administrators do not request supporting documentation to verify that invoiced operating expenses were reasonable or proper. As a result, financial resources are at risk because errors in invoicing may

not be detected.

Recommendation

A typical monthly invoice from Choices Group includes over 12,500 billable service units, 38 summary expense categories, and multiple general ledger accounts comprising expense categories. Therefore, examining 100 percent of the support for a monthly invoice, on a monthly basis, may result in a significant burden. We recommend that the Specialty Court Administrator select a sample of listed items from each monthly invoice and verify supporting documentation from Choices Group. In addition, drug court administrators should routinely verify that clients billed by Choices Group to the drug court contract have active drug court cases.

Contract Criteria Vague

Amendment 8 to the contract, in effect since July 2009, states that the drug court program will pay for Choices Group's operating expenses related to the drug court program, but does not specify the appropriate type or amount of operating expense to include in monthly invoicing. Without clear criteria, financial resources, reputation, and good will are at risk if disagreements arise over the appropriate type or amount of expense to invoice.

Recommendation

The current contract expires on June 30, 2013. We recommend that the Specialty Court Administrator include specific, clear pricing criteria for billable services or other allowable expenses in any new contract.

Business Associate Agreement Should Be Removed

The current drug court contract contains a HIPAA business associate agreement with Choices Group that is not necessary and could cloud the issue of responsibility if a breach of personal health information occurs. The agreement is not necessary because no clients referred to Choices Group under the drug court contract are from a department included in the HIPAA-defined Clark County hybrid entity. Staff has not updated the agreement since 2005 and has not taken steps to remove the agreement.

Recommendation

If a new drug court contract is issued in 2013, we recommend that the Specialty Court Administrator not include the HIPAA business associate agreement unless the contract serves part of the Clark County hybrid entity. Until then, we recommend that the Specialty Court Administrator engage the Purchasing and Contracts Division to remove the agreement from the contract.

Choices Group Submitted Supported Invoices

Billable client services and other operating expenses invoiced by Choices Group were properly supported with records on file at Choices Group offices and were in accordance with the drug court contract. A minor amount of rental expense for Choices Group's main location was over-billed to the drug court contract.

Client Signatures Corroborated Billable Services

Choices Group's primary internal control demonstrating a client's presence at billable counseling or drug screening services operated effectively in 99% of the records we examined. In 248 of 250 records we sampled, a client or drug screen monitor's signature was present on documentation supporting the billed service, including date, time, and type of service. We also determined that each individual we sampled from Choices Group invoicing had an active drug court case at the time of the service.

Operating Expenses Supported

99% of invoiced operating expenses that we sampled were supported and in accordance with contract terms except for a minor over-allocation of rental expense to the drug court contract. The drug court's allocation of rental expense was not updated in July 2011 when Choices Group's current lease for their Valley View facility went into effect. As a result, we found an overcharge of $1,581 for rental expense in our sample. Over the audit period, the total overcharge amounted to $6,391. Choices Group updated the rental expense allocation, and as of May 2012 a total of $7,974 is due to the County.

Recommendation

We recommend that the Specialty Court Administrator deduct the rental expense overcharge from a future invoice.

Staff and Program Appropriately Licensed and Certified

Choices Group maintained appropriate licensing and certification to demonstrate contract compliance and adherence to professional standards.

Treatment Professionals Licensed and Certified

Each treatment professional listed on the Choices Group payroll report we sampled (November 30) carried an active certification or license from a Nevada state board to perform substance abuse counseling, or in some cases substance abuse counseling with co-occurring mental health counseling. Treatment staff were appropriately licensed or certified through either the Nevada State Board of Examiners for Alcohol, Drug, and Gambling Counselors, or the Nevada State Board of Examiners for Social Workers.

Treatment Programs Certified

Choices Group acquired SAPTA certification for its drug court, outpatient, and intensive outpatient (adult only) substance abuse treatment programs for adults and juveniles. SAPTA certification is not required of Choices Group because it is not specified in the drug court contract, and Choices Group does not receive SAPTA funding. However, Choices Group elects to apply for SAPTA certification because it is a recognized treatment certification in Nevada, and it serves as a substitute under NRS for urinalysis lab certification from the NV Bureau of Health Care Quality & Compliance. SAPTA certification involves periodic internal control reviews from SAPTA staff that examine policies and procedures, including organizational

and clinical protocols.

Choices Group Adhered to Insurance Requirements

Choices Group complied with significant provisions of contract insurance requirements, including deductibles, aggregate limits, financial strength of insurer, and appropriate endorsements of insured parties. Policies required by contract included general liability, professional liability, automotive liability, and workers' compensation.

APPENDICES
Appendix 1: Clark County Drug Court Programs

Drug Court Programs

Adult Drug Court	Confront and treat the substance abuse and mental health issues of adult non-violent felony offenders who have a serious addiction to drugs or alcohol. Program seeks to reduce costs incurred by criminal justice system and improve public safety.
Justice Court Drug Court	Confront and treat the substance abuse and mental health issues of non-violent misdemeanor offenders who have a serious addiction to drugs or alcohol. Program seeks to reduce costs incurred by criminal justice system and improve public safety.
Dependency Drug Court	Targets parents petitioned into court for child abuse or neglect and who have a serious addiction to drugs or alcohol. Program seeks to improve the safety and wellbeing of children and families affected by substance abuse by fostering healthy parenting and sober living.
Juvenile Drug Court	Confront and treat the substance abuse and mental health issues of non-violent juvenile offenders who have a serious addiction to drugs or alcohol. Program seeks to reduce costs incurred by criminal justice system and improve public safety.
Prison Re-Entry Drug Court	Confront and treat the substance abuse and mental health issues of non-violent inmates who have a serious addiction to drugs or alcohol and are within two years of their probable release date. Program seeks to reduce costs incurred by criminal justice system and improve public safety.
Child Support Drug Court	Targets parents petitioned into court for not complying with a court order to pay child support obligations and who have a serious addiction to drugs or alcohol. Program seeks to assist parents with their substance dependence issues so that they will meet their familial and legal obligations.

APPENDICES
Appendix 2: Response from Court Executive Officer

EIGHTH JUDICIAL DISTRICT COURT
REGIONAL JUSTICE CENTER
200 LEWIS AVENUE
LAS VEGAS, NEVADA 89155-2364

STEVEN D. GRIERSON
COURT EXECUTIVE OFFICER

(702) 671-4528
FAX: (702) 671-4548

June 19, 2012

Angela Darragh
Clark County Audit Director
500 S. Grand Central Pkwy, 5th Floor
Las Vegas, NV 89106

Re: Audit Response

Dear Angela,

I was pleased to see that the audit demonstrated overall efficient and sound contracting practices. In regards to your respective audit findings and recommendations, below is the District Court response.

Finding #1 – Monthly Invoices Are Not Verified
Steve Roll, Specialty Courts Manager, will select a sample of listed services from each monthly invoice and verify that the supporting documentation matches the listed services. In addition, Court staff will verify monthly that a selected sample of clients billed for services have active drug court cases. These verification processes will begin with the July 2012 invoice.

Finding #2 – Contract Criteria Vague
The Court will take this recommendation under consideration.

Finding #3 – Business Associate Agreement Should Be Removed
On May 24, 2012, Steve Roll sent an e-mail request to Purchasing Analyst Debbie Johnson to remove the Business Associate Agreement from the current contract with Choices Group. For any new contract between the Court and Choices Group issued in 2013, the Court will request that the Business Associate Agreement is not included.

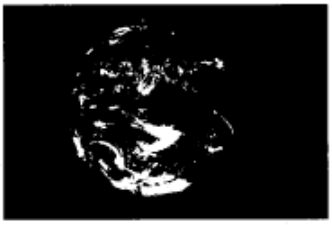
Regards,

Steven D. Grierson
Court Executive Officer

Cc: Chief Judge Jennifer P. Togliatti
Judge Kathleen Delaney
Judge Linda Bell
Steven Roll, Specialty Court Manager
Keith Slade, Auditor

APPENDICES

Appendix 3: Response from Choices Group



Choices Group Inc.

Angela Darragh
Audit Director, Clark County, Nevada

May 25, 2012

Choices Group, Inc. : Response letter to Vendor Agreement Audit

Dear Ms. Darragh,

Choices Group is pleased to respond to the Clark County audit by first reiterating our continued commitment to our long term relationship with Clark County, Clark County Courts and the Clark County Drug Court Programs.

For over 20 years, Choices Group has consistently been an ethical and responsible partner with Clark County, Nevada as evidenced by the comprehensive audit findings.

As Clark County and Choices Group enter our 20th Anniversary of Drug Court Programs in October of this year, all of us at Choices Group share with Clark County in the pride, commitment and partnership that has given so much to so many in our community, not least of which, the thousands of Clark County Drug Court graduates and the over 600 drug free babies born to participants of our program.

Sincerely,

Darlene Dufault

Darlene Dufault
Executive Director

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