

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT WELLSPACE HEALTH FISCAL MONITORING AGREED-UPON PROCEDURES

**DEPARTMENT OF CHILD, FAMILY, AND
ADULT SERVICES**



Audit Committee Submittal Date: 04/17/2020

SUMMARY

Background

This fiscal monitoring Agreed-Upon Procedures is originally requested by Department of Health Services (DHS) as WellSpace Health (WellSpace) is assessed as one of the high risk subrecipients based on DHS's subrecipient risk assessment. For the purpose of cost effectiveness and efficiency, Department of Child, Family, and Adult Services (DCFAS) and Department of Human Assistance (DHA) who also have WellSpace as a subrecipient, collaborated with DHS and participated to this fiscal monitoring engagement with Department of Finance Internal Audit Unit.

Audit Objective

To assist DCFAS to assess WellSpace's financial condition and compliance with the Agreements between DCFAS and WellSpace.

Summary

Based on our agreed-upon procedures performed, we noted some concerns regarding inappropriate billings and insufficient supporting documentation.

Department of Finance

Ben Lamera
Director



Auditor-Controller Division

Joyce Renison
Assistant Auditor-Controller

County of Sacramento

February 19, 2020

Michelle Callejas, Director
Department of Child, Family and Adult Services
9750 Business Park Drive, Suite 220
Sacramento, CA 95827

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Dear Ms. Callejas:

We have performed the procedures enumerated below, which were requested and were agreed to by you regarding WellSpace Health (WellSpace)'s fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

- Negotiated Rate Agreement number 7205000-18-369: Short Term Counseling (STC) Program for the period from July 1, 2017 to June 30, 2018
- Negotiated Rate Agreement number 7805000-19-369: STC Program for the period from July 1, 2018 to June 30, 2019

This agreed-upon procedures engagement was conducted to assist the Department of Child, Family and Adult Services (DCFAS): a) to assess WellSpace's financial condition and compliance with the above Agreements and b) to verify that monthly invoice claims submitted by WellSpace are accurate and reasonable.

DCFAS's management is responsible for monitoring WellSpace's compliance of the Agreements' requirements. The sufficiency of the procedures is solely the responsibility of DCFAS's management. Consequently, we make no representation regarding the sufficiency of the procedures described on page 2 of this report either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to the Agreements referred above and is not intended to pertain to any other agreements of DCFAS or WellSpace.

The procedures we performed for the Agreements and our findings were as follows:

- 1) Internal Control – We reviewed WellSpace’s written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation. We were engaged to review WellSpace’s written procedures for clients’ admission and release, program eligibility verification, and services provided for its STC Program.

Finding: We did not note any exceptions from the review of WellSpace’s written internal control policies and procedures for purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation. However, WellSpace did not provide us with its written procedures for clients’ admission and release, program eligibility verification, and services provided for its STC Program. Therefore, we could not review WellSpace’s procedures for clients’ admission and release, program eligibility verification, and services provided for its STC Program.

- 2) Financial Statements – We reviewed WellSpace’s audit reports for years ended June 30, 2017 and 2018 to identify any concerns or issues that require your attention.

Finding: We did not note any exceptions from the review of WellSpace’s audit reports.

- 3) Claim Submission – We obtained and reviewed WellSpace’s monthly invoice claims for: September 2017, June 2018, November 2018, and December 2018. We haphazardly selected and tested 60 transactions from these monthly claims for STC.

Finding: We noted some exceptions resulted in questioned and disallowed cost claiming. See Attachment I, *Finding and Recommendation* and Schedule I, *Schedule of Questioned and Disallowed Costs*.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform, an audit or examination or review, the objectives of which would be the expression of an opinion or conclusion, on WellSpace’s financial statements or schedules, internal controls, compliance with the Agreements, or the results of the agreed-upon procedures. Accordingly, we do not express such an opinion or conclusion. Had we performed the procedures that we were not able to perform due to the condition described above or any additional procedures, other matters might have come to our attention that would have been reported to you.

The projected questioned and disallowed costs presented in Schedule I, *Schedule of Questioned and Disallowed* are extrapolated based on our testing with the assumption that the same average error rate applied to each invoice in the population for the entire period of this agreed-upon procedures. Had we performed the procedures that we were not able to perform due to the condition described above or any additional procedures, the projected questioned and disallowed costs may be changed.

Michelle Callejas, Director
February 19, 2020
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DCFAS's response to the finding identified during our audit are described in Attachment I, *Finding and Recommendation*. We did not perform procedures to validate DCFAS's management response to the finding and, accordingly, we do not express an opinion on the response to the finding.

This report is intended solely for the information and use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and DCFAS's management. It is not intended to be, and should not be, used by anyone other than these specified parties. However, this restriction is not intended to limit distribution of this report, which is a matter of public record.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, C.P.A.
Audit Manager

Enclosures

Attachment I: *Finding and Recommendation*
Schedule I: *Schedule of Questioned and Disallowed Costs*

County of Sacramento
 Department of Child, Family and Adult Services (DCFAS)
 WellSpace Health
 Fiscal Monitoring Agreed-Upon Procedures
 Finding and Recommendation
 For the Periods from July 1, 2017 to June 30, 2019

1. Claim Submission

During our testing of WellSpace's fee for service invoice claiming, we noted that inappropriate billings and insufficient supporting documentation as follows:

- a. Incorrect billing for September 2017 invoice claim where a no show rate (\$25) should have been billed as the client did not show for a pre-group individual session but regular rate (\$50) for the session was billed resulting in \$25 over-claimed.
- b. A duplicate billing for June 2018 invoice claim where both a no show rate (\$25) and an individual session rate (\$55) were billed for the same client on the same date. We noted that the client attended an individual session that day. This resulted in \$25 over-claimed.
- c. One incident for November 2018 invoice claim where late cancellation rate (\$25) for a client was billed but no evidence of late cancellation was documented for the client.

WellSpace should have claimed all invoice items at the rate negotiated on the agreement and maintain sufficient supporting documentation for audit trail.

As a result of our testing, we noted the following disallowed and questioned costs:

For the Period July 1, 2017 to June 30, 2018

A	B	Disallowed Costs		
		C	D	E
Total Claimed Amount	Claimed Amount Tested	Over-claimed per Testing	C/B	D x (A - B)
\$ 54,315	2,000	50 i)	2.50%	1,308 iii)

For the Period July 1, 2018 to June 30, 2019

A	B	Questioned Costs		
		C	D	E
Total Claimed Amount	Claimed Amount Tested	Unsubstantiated Costs per Testing	C/B	D x (A - B)
			Error Rate	Projected Unsubstantiated Costs
\$ 54,955	3,035	25 ii)	0.82%	428 iii)

County of Sacramento
Department of Child, Family and Adult Services (DCFAS)
WellSpace Health
Fiscal Monitoring Agreed-Upon Procedures
Findings and Recommendations
For the Periods from July 1, 2017 to June 30, 2019

- (i) See items a and b on page 1.
- (ii) See items c on page 1.
- (iii) The projected disallowed/questioned costs are extrapolated based on our testing with the assumption that the same average error rate when applied to each invoice in the population for the agreement term will be consistent. Had we tested additional invoices, the noted projected disallowed/questioned costs may be different.

WellSpace had a written procedures for invoice claiming; however, it appeared that the staff did not follow invoice claiming procedures and documentation requirements consistently.

Recommendation

We recommend DCFAS monitor WellSpace's invoice claiming by periodically reviewing the supporting documentation of the claims. WellSpace's management should ensure that its staff follows invoice claiming policies and procedures consistently.

We also recommend DCFAS contact WellSpace to develop a resolution to resolve the questioned and disallowed costs in the amounts of \$1,358 and \$453, respectively. See Schedule I, *Schedule of Questioned and Disallowed Costs*.

DCFAS's Management Response

DCFAS agrees with the finding and recommendation and will work with WellSpace regarding the disallowed and questioned costs.

County of Sacramento
 Department of Child, Family and Adult Services (DCFAS)
 WellSpace Health
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Questioned and Disallowed Costs
 For the Period from July 1, 2017 to June 30, 2019

For the Period July 1, 2017 to June 30, 2018

<u>Invoice Claims</u> ⁱ⁾	<u>Questioned Costs</u> ⁱⁱ⁾	<u>Disallowed Costs</u> ⁱⁱⁱ⁾
<u>\$ 54,315</u>		50
Projection for Claims Not Tested	_____	1,308 ^{iv)}
	<u>\$ _____</u>	<u>1,358</u>

For the Period July 1, 2018 to June 30, 2019

<u>Invoice Claims</u> ⁱ⁾	<u>Questioned Costs</u> ⁱⁱ⁾	<u>Disallowed Costs</u> ⁱⁱⁱ⁾
<u>\$ 54,955</u>	25	
Projection for Claims Not Tested	428 ^{iv)}	_____
	<u>\$ 453</u>	_____

- i) Invoice Claims column represents the total invoice claims submitted to DCFAS by WellSpace.
- ii) Question Costs column represents the questioned costs identified during our engagement. For consideration of questioned costs, see Attachment I, *Finding and Recommendation*.
- iii) Disallowed Costs column represents the disallowed costs identified during our engagement. For consideration of questioned costs, see Attachment I, *Finding and Recommendation*.
- iv) Amount represents the amount projected as questioned and disallowed costs for the invoice claims not selected for testing. For consideration of projected questioned costs, see Attachment I, *Finding and Recommendation*.