

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT
ANOTHER CHOICE, ANOTHER CHANCE
FISCAL MONITORING
AGREED-UPON PROCEDURES
DEPARTMENT OF HEALTH SERVICES



Audit Committee Submittal Date: 08/17/2023

SUMMARY

Background

This fiscal monitoring Agreed-Upon Procedures was requested by Department of Health Services (DHS) as Another Choice, Another Chance (ACAC) was selected for a review through DHS' annual subrecipient risk assessment.

ACAC is a non-profit drug and alcohol and behavioral health treatment center that specializes in providing comprehensive individualized, group and family treatments for youth and adults involved with alcohol and drugs. Internal Audit Unit performed this Agreed-Upon Procedures engagement for two (2) Behavior Health Services contracts for the period July 1, 2019 to June 30, 2021.

Audit Objective

To assist DHS in assessing ACAC's financial condition and compliance with the agreements between DHS and ACAC, and to verify that monthly invoices submitted by ACAC are accurate and reasonable.

Summary

Based on our agreed-upon procedures performed, we noted exceptions in the area of ACAC's claim submission.

Department of Finance

Chad Rinde
Director



County of Sacramento

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July 21, 2023

Mr. Timothy Lutz, Director
Department of Health Services
County of Sacramento
7001-A East Parkway, Suite 1100
Sacramento, California 95823

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

Dear Mr. Lutz:

We have performed the procedures, enumerated below, which were requested and agreed to by your department regarding Another Choice, Another Chance (ACAC)'s fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

Behavioral Health Services:

- 7206000-20-003 for the period July 1, 2019 to June 30, 2020
- 7206000-21-003 for the period July 1, 2020 to June 30, 2021

This agreed-upon procedures engagement was conducted to assist the Department of Health Services (DHS) to assess ACAC's financial condition and compliance with the above Agreements.

DHS' management is responsible for monitoring ACAC's compliance with the Agreements' requirements. The sufficiency of the procedures is solely the responsibility of DHS' management. Consequently, we make no representation regarding the sufficiency of the procedures described on pages 2 and 3 of this report either for the purpose for which this report has been requested or for any other purposes. This report is applicable solely to the Agreements referred above and is not intended to pertain to any other agreements of DHS or ACAC.

The procedures performed and our findings were as follows:

1. Internal Controls - We inspected ACAC's written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations,

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general ledger, and financial report preparation. We inspected ACAC's written policies and procedures for clients' admission and release, program eligibility verification, and services provided for its programs listed in the Agreements.

Result: We did not note any exceptions as a result of this procedure.

2. Financial Statements - We inspected ACAC's financial audit reports for years ended June 30, 2020 and 2021 to identify any concerns or issues that may require your attention.

Result: We did not note any exceptions as a result of this procedure.

3. Claim Submissions - We inspected ACAC's monthly invoice claims for July 2019, October 2019, May 2020, November 2020, March 2021 and June 2021. We haphazardly selected and tested a total of 60 client files from the selected months.

Result: We noted several exceptions from our inspection and testing including missing client files, lack of or insufficient supporting documentation, and discrepancies between records. See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, and Questioned* and ATT 2 – *Current Findings and Recommendations*.

4. General Ledger - Based on the Agreements, ACAC was reimbursed a fee for service at negotiated rates rather than actual costs. Therefore, we did not trace ACAC's expenditures to its general ledger.

5. Cost Allocations - Based on the Agreements, ACAC was reimbursed based on a fee for service at a negotiated rate rather than the actual costs; therefore, cost allocation is not relevant for the Agreements. As such, we did not perform the cost allocations procedures.

6. Funding Sources - We made inquiries to ACAC's management to identify any funding sources other than DHS for its programs. We inspected ACAC's invoice claims for July 2019, October 2019, May 2020, November 2020, March 2021, and June 2021 to identify any inappropriate or duplicated charges.

Result: We did not note any exceptions as a result of this procedure.

This agreed-upon procedures engagement was conducted in accordance with the standards for attestation engagements contained in *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. 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, respectively, on ACAC's financial statements or schedules, or internal controls, or compliance with the Agreements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

Mr. Timothy Lutz, Director
July 21, 2023


The projected questioned costs presented in ATT 2 – *Current Findings and Recommendations* and ATT 1 – *Schedule of Amount Budgeted, Claimed, Tested, and Questioned* 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 tested additional invoices, the projected questioned and disallowed costs would likely be changed.

DHS' management responses to the findings identified during our engagement are described in ATT 2 – *Current Findings and Recommendations*. We did not perform procedures to validate DHS' management responses to the findings and, accordingly, we do not express an opinion on the responses to the findings.

This report is intended solely for the use of the Sacramento County Board of Supervisors, Sacramento County Audit Committee, Sacramento County Executive, and DHS' management. It is not intended to be, and should not be, used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

CHAD RINDE
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Chief of Audits

Attachments:

ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, and Questioned*
ATT 2 – *Current Findings and Recommendations*

County of Sacramento
Department of Health Services
Another Choice, Another Chance
Fiscal Monitoring Agreed-Upon Procedures
Schedule of Amounts Budgeted, Claimed, Tested, and Questioned
For the Period July 1, 2019 to June 30, 2021

<u>Contract/Budget Period</u>	<u>Contract Budget</u>	<u>Fund Source</u> ⁽¹⁾	<u>A Amount Claimed</u>	<u>B Amount Tested</u>	<u>C Questioned Costs</u>	<u>D = C/B % of Questioned Costs</u>
7206000-20-003						
From July 1, 2019 to June 30, 2020	\$ 472,598.00	Drug Medi-Cal (DMC)	\$ 141,441.57	4,504.27	1,179.12 ⁽²⁾	26.18%
		Non-DMC	46,720.06	2,919.11	2,743.55 ⁽²⁾	93.99%
		Total	<u>\$ 188,161.63</u>	<u>7,423.38</u>	<u>\$ 3,922.67</u> α	
					Projected Questioned Costs DMC ((A-B) x D) ⁽³⁾	35,850.19 ⁽³⁾
					Projected Questioned Costs Non-DMC ((A-B) x D) ⁽³⁾	41,166.69 ⁽³⁾
					Total Projected Questioned Costs for Fiscal Year (FY) 2019-20 ⁽²⁾	<u>\$ 77,016.88</u> β
7206000-21-003						
From July 1, 2020 to June 30, 2021	\$ 507,598.00	DMC	\$ 295,197.27	10,299.56	1,337.75 ⁽²⁾	12.99%
		Non-DMC	22,170.60	2,889.60	1,526.20 ⁽²⁾	52.82%
		Total	<u>\$ 317,367.87</u>	<u>13,189.16</u>	<u>\$ 2,863.95</u> α	
					Projected Questioned Costs DMC ((A-B) x D) ⁽³⁾	37,008.21 ⁽³⁾
					Projected Questioned Costs Non-DMC ((A-B) x D) ⁽³⁾	10,183.65 ⁽³⁾
					Total Projected Questioned Costs for FY 2020-21	<u>\$ 47,191.86</u> β
					$\Sigma \alpha$ = Grand Total Questioned Costs	<u>\$ 6,786.62</u>
					$\Sigma \beta$ = Grand Total Projected Questioned Costs	<u>\$ 124,208.74</u>
					$\Sigma \alpha$ and β = Grand Total Questioned Costs and Projected Questioned Costs	<u>\$ 130,995.36</u>

⁽¹⁾ Drug Medi-Cal (DMC) fund source included order numbers A60250, A60252, A60455, and A60456. Non-DMC fund source included order numbers A60100, A60116, A60180, and A60425.

⁽²⁾ Questioned costs represent unsubstantiated invoice claim amounts due to lack of or insufficient supporting documentation during our testing of client files for DMC and Non-DMC claims for Fiscal Year (FY) 2019-20 and FY 2020-21. See questioned costs for DMC at Finding #1b and see questioned costs for Non-DMC at Finding #1c in ATT 2 - *Current Findings and Recommendations*.

⁽³⁾ Projected questioned costs represent a projection of questioned costs for claims from Another Choice, Another Chance based on sample testing error rates for DMC and Non-DMC claims for FY 2019-20 and FY 2020-21. See projected questioned costs for DMC at Finding #1b and see projected questioned costs for Non-DMC at Finding #1c in ATT 2 - *Current Findings and Recommendations*.

County of Sacramento
Department of Health Services
Another Choice, Another Chance
Fiscal Monitoring Agreed-Upon Procedures
Current Findings and Recommendations
For the Period July 1, 2019 to June 30, 2021

1. CLAIM SUBMISSIONS

a. Invoice Claims, Summary Reports and Service Details

Condition

During our review, we obtained and reviewed ACAC's monthly invoice claims submitted to DHS for July 2019, October 2019, May 2020, November 2020, March 2021, and June 2021. We compared amounts claimed on the monthly invoice claims for the sample months to program charge summary reports (summary reports) from AVATAR (electronic health records system used by DHS and its contracted provider) and details to program charge summary reports (service details from AVATAR) provided by ACAC. We noted differences between monthly invoice claims, summary reports and details. We noted claimed amounts over amounts documented on the summary reports/details by a total of \$368.33. We also noted claimed amounts under amounts documented on the summary reports/details by a total of \$52.00.

Criteria

Per Exhibit D Section VIII. Part C of the Agreements, ACAC is required to *"maintain complete service and financial records that clearly reflect the actual cost of and related fees and/or Drug Medi-Cal reimbursements received by each type of service for which payment is claimed..."*

Effect

Without maintaining documentations used to prepare submitted monthly invoice claims, the propriety of claims submitted by ACAC cannot be verified. ACAC is subject to cost settlement process and the cost settlement process is not completed so these differences noted were not considered as questioned costs.

Recommendation

ACAC should maintain documentations used to prepare monthly invoice claims submitted to DHS. ACAC should reconcile its monthly invoice claims with summary reports/service details.

DHS Management's Response

DHS will work with ACAC to ensure proper documentation for invoices is retained and will request ACAC to submit documentation validating the monthly invoice claims.

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b. Drug Medi-Cal (DMC) Client Files Review

Condition

ACAC was reimbursed on a fee for service basis on negotiated rates for services hours/units spent for each client. For the sample of 46 clients selected for review, we noted the following issues:

- Missing client files for three (3) clients.
- Missing diagnosis for one (1) client.
- Missing group sign-in sheets for four (4) clients.
- Missing progress notes for eight (8) clients.
- Discrepancies between details to program charge summary report and supporting documents (ex. group sign-in sheet, monthly report, and progress notes in client files) for nine (9) clients.

As a result, we noted questioned costs in the amounts of \$1,179.12 for fiscal year (FY) 2019-20 and \$1,337.75 for FY 2020-21.

We projected questioned costs for the entire population (DMC claims) based on our sample testing error rates with the assumption that the same average error rate applied to the entire population. Based on our calculation, we noted a total of projected questioned costs in the amount of \$72,858.40 (\$35,850.19 for FY 2019-20 and \$37,008.21 for FY 2020-21, respectively). See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, and Questioned*.

Criteria

Per Exhibit D Section VIII. Part A of the Agreements, ACAC is required to “*maintain adequate client records on each individual client during the entire treatment episode that includes but is not limited to diagnostic studies (when applicable), records of client interviews, progress notes, and records of services provided by the various professional and paraprofessional personnel in sufficient detail to permit an evaluation of services.*”

Also, see Criteria in Finding #1a.

Effect

ACAC is not compliant with provisions of the Agreements resulting in the questioned costs.

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Recommendation

We recommend ACAC maintain adequate supporting documentation as required per the Agreements. In addition, we recommend ACAC contact DHS to resolve the questioned costs noted above.

DHS Management's Response

DHS will continue to discuss with ACAC's management the findings from the fiscal monitoring to ensure ACAC is compliant with provisions of the Agreements and meet all regulatory requirements.

DHS will monitor ACAC's record-keeping systems and storage to ensure accessibility upon request. ACAC has implemented a full-scope EHR system since 2019 and ACAC has organized all archived charts.

DHS will continue to review ACAC's charts at a minimum of two times per year to ensure documentation meets all regulatory requirements. DHS will also review ACAC's internal utilization reviews and summary reports on an annual basis.

c. Non-DMC Client Files Review

Condition

ACAC was reimbursed on a fee for service basis at negotiated rates for services hours/units spent for each client. For the sample of 14 clients selected for review, we noted the following issues:

- Missing client file for one (1) client.
- Proof of residence not documented for 11 clients.
- Missing group sign-in sheets for five (5) clients.
- Missing progress notes for four (4) clients.

As a result, we noted questioned costs in the amounts of \$2,743.55 for FY 2019-20 and \$1,526.20 for FY 2020-21.

We projected questioned costs for the entire population (Non-DMC claims) based on our sample testing error rates with the assumption that the same average error rate applied to the entire population. Based on our calculation, we noted a total of projected questioned costs in the amount of \$51,350.34 (\$41,166.69 for FY 2019-20 and \$10,183.65 for FY 2020-21, respectively). See ATT 1 – *Schedule of Amounts Budgeted, Claimed, Tested, and Questioned*.

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Criteria

See Criteria at Finding #1a and #1b.

Per Exhibit A of Agreement, Section IV. Eligibility Part A noted that *“Drug Medi-Cal Organized Delivery System (DMC-ODS) services shall be available as a Medi-Cal benefit for individuals who meet the medical necessity criteria and reside in Sacramento County...”*

Under same section, Part E noted that *“Non Drug Medi-Cal (DMC) funding provided under this Agreement is for services to Sacramento County residents only.”*

Effect

ACAC is not compliant with provisions of the Agreements resulting in the questioned costs.

Additionally, County funded programs are intended to service Sacramento County residents. Without performing verification and obtaining proof of residence from clients, ACAC cannot determine if the clients that ACAC serviced and billed Sacramento County were County of Sacramento residents.

Recommendation

We recommend ACAC maintain adequate supporting documentation as required per the Agreements. In addition, we recommend ACAC contact DHS to resolve the questioned costs noted above.

We recommend DHS request that ACAC verify and obtain proof of residence for clients that received services funded by County of Sacramento.

DHS Management’s Response

See Finding #1b for response.