

COUNTY OF SACRAMENTO

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

INTERNAL AUDIT REPORT

**AEGIS TEATMENT CENTERS
FISCAL MONITORING
AGREED-UPON PROCEDURES**

DEPARTMENT OF HEALTH SERVICES



Audit Committee Submittal Date: 08/14/2024

SUMMARY

Background

This fiscal monitoring Agreed-Upon Procedures was requested by Department of Health Services (DHS) as Aegis Treatment Centers (Aegis) was assessed as one of the high risk subrecipients based on DHS' subrecipient risk assessment.

Audit Objective

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

Summary

Based on our agreed-upon procedures performed, we noted concerns regarding maintaining appropriate documentation within the client files to support services provided.

Department of Finance

Chad Rinde

Director

**County of Sacramento****Divisions**

Auditor-Controller

Consolidated Utilities Billing &
Service

Investments

Revenue Recovery

Tax Collection & Licensing

Treasury

July 3, 2024

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 Aegis Treatment Center (Aegis)'s fiscal compliance as outlined in the contractual agreements (Agreements) listed below:

Behavioral Health Services:

- 7206000-21-111 for the period July 1, 2020 to June 30, 2021
- 7206000-22-111 for the period July 1, 2021 to June 30, 2022
- 7206000-23-111 for the period July 1, 2022 to June 30, 2023

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

DHS' management is responsible for monitoring Aegis' 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 Aegis.

Mr. Timothy Lutz, Director

July 3, 2024

The procedures performed and results are as follows:

1. Internal Controls - We inspected Aegis' written internal control policies and procedures including purchasing, vendor payments, payroll, claim submissions, cost allocations, general ledger, and financial report preparation. We inspected Aegis' 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 Aegis' financial audit reports for the fiscal years ended June 30, 2020, 2021, and 2022 to identify any concerns or issues that may require your attention.

Result: Aegis financial reports were included as part of its parent company, PTC Acquisition Corp, audited financial reports. For fiscal year 2021, the parent company's audit reported substantial doubt about the Company's ability to continue as a going concern. For fiscal year 2022, the parent company's audit did not report substantial doubt about the Company's ability to continue as a going concern. We did not note other issues from the parent company's financial audit reports.

3. Claim Submissions - We inspected Aegis' monthly invoice claims for July 2020, October 2020, May 2021, November 2021, March 2022, June 2022, November 2022, March 2023, and May 2023. We haphazardly selected and tested a total of 63 client files from the selected months.

Result: We noted several exceptions from our inspection and testing including missing or insufficient supporting documentation. See ATT 1 – *Schedule of Amounts Budgeted, Paid, and Tested*, and ATT 2 – *Current Finding and Recommendation*.

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

5. Cost Allocations - Based on the Agreements, Aegis 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 Aegis' management to identify any funding sources other than DHS for its programs. We inspected Aegis' invoice claims for July 2020, October 2020, May 2021, November 2021, March 2022, June 2022, November 2022, March 2023, and May 2023 to identify any inappropriate or duplicated charges.

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

Mr. Timothy Lutz, Director

July 3, 2024

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 Aegis' 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.

DHS' management responses to the findings identified during our engagement are described in ATT 2 – *Current Finding and Recommendation*. 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, and Tested*
ATT 2 – *Current Finding and Recommendation*

County of Sacramento
 Department of Health Services
 Aegis Treatment Center
 Fiscal Monitoring Agreed-Upon Procedures
 Schedule of Amounts Budgeted, Claimed, and Tested
 For the Period July 1, 2020 to June 30, 2023

Agreement Period	Agreement Budget	Amount Paid	Amount Tested
7206000-21-111			
From July 1, 2020 to June 30, 2021	\$ 1,625,000.00	1,302,881.98	9,535.05
7206000-22-111			
From July 1, 2021 to June 30, 2022	1,399,990.00	1,379,638.17	10,056.62
7206000-23-111			
From July 1, 2022 to June 30, 2023	1,599,990.00	1,596,385.24	16,450.54

See Independent Accountant's Report on Applying Agreed-Upon Procedures

County of Sacramento
Department of Health Services
Aegis Treatment Services
Fiscal Monitoring Agreed-Upon Procedures
Current Finding and Recommendation
For the Period July 1, 2020 to June 30, 2023

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

Condition

Aegis Treatment Services (Aegis) was reimbursed on a fee for service basis on negotiated rates for services hours/units spent for each client. For the sample of 63 clients selected for review, we noted the following issues:

- Missing treatment plans for 13 clients.
- Discrepancy regarding the day on which three (3) units of service were provided.
- Documentation in seven (7) client files did not support Sacramento County residence.
- Discrepancies regarding financial information, two (2) client files reported the client as self-pay, and two (2) client files report the clients as enrollees of a Medi-Cal Health Insurance Plan.

We were able to verify other documentation for the client's eligibility and did not propose any questioned costs. However, accurate information should be maintained within the client files.

Criteria

Exhibit D Section VIII. Part A of the Agreements, requires Aegis 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."*

Exhibit D Section VIII. Part C of the Agreements, requires Aegis 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..."*

Exhibit A of Agreement, Section IV. Eligibility Part A states 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..."*

County of Sacramento
Department of Health Services
Aegis Treatment Services
Fiscal Monitoring Agreed-Upon Procedures
Current Finding and Recommendation
For the Period July 1, 2020 to June 30, 2023

Effect

By not maintaining accurate information within the client files, Aegis is not compliant with provisions of the Agreements and at risk of returning funding to the County due to inadequate supporting documentation of claims.

Recommendation

We recommend Aegis develop procedures that ensures the client files maintain adequate documentation to support claimed units of service as required by the Agreements.

DHS Management's Response

DHS agrees with the recommendation provided by the Department of Finance and will continue to provide guidance to Aegis on maintaining adequate supporting documentation. Aegis staff members are also encouraged and welcome to attend Documentation Training again, provided by BHS Quality Management, to serve as a refresher of documentation standards and best practices. Additionally, DHS staff will be conducting an Annual Compliance Review of Aegis in the Fall of 2024 to confirm procedures are in place and improvements have been made.