

County of Ventura  
**AUDITOR-CONTROLLER**  
MEMORANDUM

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**To:** William Foley, Director, Health Care Agency

**Date:** February 23, 2021

**From:** Jeffery S. Burgh

**Subject:** AUDIT OF BEHAVIORAL HEALTH CONTRACTS WITH AEGIS AND WESTERN PACIFIC

We have completed our audit of Ventura County Behavioral Health ("VCBH") contracts with Aegis Treatment Centers ("Aegis") and Western Pacific Med-Corp ("Western Pacific") (collectively, "Contractors"). Our overall audit objective was to determine whether VCBH's oversight procedures for the Aegis and Western Pacific contracts were adequate to ensure proper contract monitoring and charges for the contract period of December 1, 2018, through June 30, 2019.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors. Our findings are summarized below with details provided in the attached report.

**EXECUTIVE SUMMARY**

**Overall, we found that VCBH's oversight procedures for the Aegis and Western Pacific contracts were adequate to reasonably ensure proper contract monitoring and charges for the 7-month contract period of December 1, 2018, through June 30, 2019.** For example, VCBH conducted required site visits and Contractor invoices tied to supporting documentation.

However, we found that VCBH could improve compliance with contract provisions and departmental policies. Specifically, we found that:

- Unannounced site visits were not documented, and annual administrative site visits were not conducted in a timely manner as required by VCBH policies.
- Client and staff surveys were not conducted by VCBH, and clients were not asked to verify delivery of services as required by the contracts.
- The number of utilization reviews and the manner in which client charts were selected for review did not always meet policy requirements.

VCBH management initiated corrective action to address our findings. Corrective action is planned to be completed by June 30, 2021.

We appreciate the cooperation and assistance extended by you and your staff during this audit.

William Foley, Director, Health Care Agency

February 23, 2021

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Attachment

cc: Honorable Linda Parks, Chair, Board of Supervisors  
Honorable Carmen Ramirez, Vice Chair, Board of Supervisors  
Honorable Matt LaVere, Board of Supervisors  
Honorable Kelly Long, Board of Supervisors  
Honorable Robert O. Huber, Board of Supervisors  
Michael Powers, County Executive Officer  
Sevet Johnson, Psy.D., Director, VCBH

County of Ventura  
Office of the Auditor-Controller



**AUDIT OF BEHAVIORAL HEALTH CONTRACTS WITH AEGIS AND WESTERN PACIFIC**

February 23, 2021

Jeffery S. Burgh  
Auditor-Controller

# AUDIT OF BEHAVIORAL HEALTH CONTRACTS WITH AEGIS AND WESTERN PACIFIC

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# AUDIT OF BEHAVIORAL HEALTH CONTRACTS WITH AEGIS AND WESTERN PACIFIC

## BACKGROUND

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In November 2018, Ventura County Behavioral Health (“VCBH”), a department of the County of Ventura (“County”) Health Care Agency, entered into an agreement with the California Department of Health Care Services (“DHCS”) for the period December 1, 2018, through June 30, 2021. The agreement provided VCBH with \$69,558,350 over the contract period to identify and provide covered Drug Medi-Cal Organized Delivery System (“DMC-ODS”) services for substance use disorder treatments throughout Ventura County.

In December 2018, VCBH superseded existing contracts with for-profit corporations Aegis Treatment Centers (“Aegis”) and Western Pacific Med-Corp (“Western Pacific”) (collectively, “Contractors”) and entered into new contracts to comply with the new DMC-ODS requirements. Under the new contracts, the Contractors were to provide outpatient Narcotic Treatment Program (“NTP”) services and Medication Assisted Treatment (“MAT”) services for eligible Medi-Cal beneficiaries for the period December 1, 2018, through June 30, 2019. NTP services consisted of methadone dosing, individual counseling, and group counseling. Additional MAT services included assessment, treatment planning, ordering, prescribing, and monitoring of all medications for substance use disorders.

The amended maximum contract amounts for Aegis and Western Pacific totaled \$4,000,000 and \$1,166,667 respectively, for the 7-month contract period December 1, 2018, through June 30, 2019. The contracts were funded with Drug Medi-Cal Federal Financial Participation (“DMC FFP”) and Realignment funds from the DMC-ODS contract. During this 7-month period, Aegis operated four contract sites and Western Pacific operated one contract site in Ventura County, which served approximately 1,310 and 380 DMC clients, respectively, based on Contractor invoices.

## SCOPE

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Our overall audit objective was to determine whether VCBH’s oversight procedures for the Aegis and Western Pacific contracts were adequate to ensure proper contract monitoring and charges for the 7-month contract period of December 1, 2018, through June 30, 2019. Specifically, we determined whether:

- opportunities were available to improve contract monitoring procedures; and
- invoicing procedures were adequate to ensure that charges were appropriate.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* promulgated by The Institute of Internal Auditors.

## FINDINGS

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**Overall, we found that VCBH’s oversight procedures for the Aegis and Western Pacific contracts were adequate to reasonably ensure proper contract monitoring and charges for the 7-month contract period of December 1, 2018, through June 30, 2019. For example:**

- VCBH conducted required site visits at all Contractor sites in Ventura County, although we identified opportunities to improve these reviews.
- Contractor invoices tied to supporting documentation for client counseling and medication dosage units charged.

However, we noted areas where VCBH needed to improve compliance with contract provisions and VCBH policies. Following are details of the areas where improvements were needed. VCBH management initiated corrective action during the audit as noted.

1. **Unannounced Site Visits.** Although VCBH asserted that unannounced site visits of Aegis and Western Pacific were conducted at least once a year in accordance with policy, **the unannounced visits were not documented.** VCBH Policy SUTS-05, *Substance Use Treatment Services (SUTS) Provider Monitoring and Documentation Review*, Procedure 17.1 stated: “All scheduled and unannounced site visits will be documented using standardized reports including cover letters, monitoring tools and follow-up documentation.” While VCBH had developed and used the “Contract and County Sites Program Review Form” to document annual administrative site visits, a site review checklist was not yet developed for unannounced visits. Documenting unannounced site visits would help support the performance and outcome of these monitoring reviews.

**Recommendation.** VCBH management should develop a site review checklist for unannounced visits and ensure that documentation is gathered and maintained for unannounced site visits.

**Management Action.** VCBH management stated: “Policy and Procedure SUTS-05 - *Substance Use Treatment Services (SUTS) Provider Monitoring and Documentation Review* was revised on 4.8.20 and edited as follows:

- The policy was reformatted to clearly delineate Utilization Review [UR] functions, which are included under CLINICAL DOCUMENTATION MONITORING.
- 5. Staff utilize the Compliance Review Form in the Electronic Health Record for scheduled and **unannounced** monitoring visits.
- A VCBH NTP Schedule for all Scheduled and Unannounced visits for each site was established and is maintained by the UR Unit.
- The SUS [Substance Use Services] Compliance Review tool in the EHR [Electronic Health Record] was revised to include UR Visit Type: Scheduled vs Unannounced.
- Reports will be created annually to list all completed visits and visit type (scheduled/unannounced).
- UR compliance review results for both types of visits will be compared at that time.”

2. **Administrative Site Visits.** Annual administrative site visits did not always adhere to policy requirements, and documentation prepared/reviewed during site visits could be improved with increased oversight by VCBH.

A. **Timeliness.** Annual administrative site visits were not conducted in a timely manner. Administrative site visits were announced in advance and included review of staff files, policies and procedures, etc. VCBH Policy SUTS-05, *Substance Use Treatment Services (SUTS) Provider Monitoring and Documentation Review*, Procedure 11.1 stated: “Under the direction of the SUTS Division Chief and/or Behavioral Health Manager, Plan staff will schedule site visits with SUTS providers at the

beginning of each fiscal year.” However, **all five of the administrative site visits for the Aegis and Western Pacific contracts were conducted near the end of the contract period, rather than at the beginning.** According to VCBH management, the reviews were conducted at the end of the contract period to help determine whether any Contractor noncompliance did not warrant contract renewal. Delayed site visits could allow the Contractor to be out of compliance for most of the year without administrative oversight or monitoring.

**Recommendation.** VCBH management should adhere to policy requirements and ensure that site visits are conducted at the beginning of the contract period to help identify and correct any Contractor noncompliance early in the contract period.

**Management Action.** VCBH management stated:

- “Per state requirements, each contracted site must be audited annually, and findings submitted to the Department of Health Care Services by the end of the fiscal year. For the review period in question, the timing of the site visits adhered to state requirements.
- In December 2018, the Substance Use Services Division went live with the DMC-ODS waiver, which required the development of new procedures and tools for administrative reviews. For the audit period in question, the previous version of the SUTS Contract and County Sites Program Review Form was used to conduct administrative site visits. However, since this time period, the administrative site visit has evolved, and a new procedure and form (In-County Drug Medi-Cal Contractor Site Review Audit Form) is used.
- To ensure compliance with policy requirements, SUTS-05, Substance Use Treatment Services (SUTS) Provider Monitoring and Documentation Review, will be further reviewed and updated by June 30, 2021 to accurately reflect the current procedure for contractor administrative site reviews. Current procedure:
  - The VCBH Contracts team, in collaboration with Quality Assurance, Fiscal, Billing, and DMC-ODS operations staff, coordinates contractor site reviews.
  - The reviews are conducted on-site or remotely.
  - The In-County Drug Medi-Cal Contractor Site Review Audit Form is completed by auditors and submitted to Contracts.
- Site visits and reviews are typically completed at the conclusion of the 1st quarter unless there are indicators that require a review before then. Due to timing of invoicing and billing, there is an approximate 45 day lag from the beginning of a month until the data is available for review (i.e. July data is available mid-August). Therefore, a review very early in contract may not reveal compliance issues.”

B. **Documentation.** **Documentation of annual administrative site visits could be completed in a more thorough and accurate manner.** VCBH used the “Contract and County Sites Program Review Form” to document the results of annual administrative site visits. The form was structured as a “Yes/No” checklist for review of NTP compliance in areas such as policies and procedures, personnel files, and facility standards. Out of five FY 2018-19 “Contract and County Sites Program Review Forms” that we reviewed, two contained responses that did not appear accurate:

- One site's form was missing a response whether a required supplemental checklist was completed.

- Another site's form responded "No" to the question of whether the supplemental checklist was completed when the answer should have been "Yes".

During the audit, VCBH management provided us with the two supplemental checklists noted above to confirm the completion of both by the Contractor for each site. However, the dates and names of Contractor staff that completed the supplemental checklists were not included on either checklist to confirm when and who had completed the reviews. Moreover, at times these sites answered the supplemental checklist questions as "No" (i.e., indicating noncompliance) when the answers should have been "N/A" (i.e., not applicable).

**Recommendation.** VCBH management should ensure that the "Contract and County Sites Program Review Forms" include responses that are accurate and complete. Follow-up should be implemented with contractors as needed when a response appears out of compliance or questionable. Also, the supplemental checklist should include the date completed and name(s) of Contractor staff that performed the review.

**Management Action.** VCBH management stated:

- "The audit period in question is **December 1, 2018, through June 30, 2019**. Since this time period, the administrative site visit has evolved, and a new procedure and form are used that align with the proposed recommendations. The improved site review process emphasizes the need for VCBH to evaluate the overall success of the Contractor in meeting performance expectations and for providing feedback on improvements that can lead to improved program operations.
- Current procedure:
  - The VCBH Contracts team, in collaboration with Quality Assurance, Fiscal, Billing, and DMC-ODS operations staff, coordinates contractor site reviews.
  - The reviews are conducted on-site or remotely.
  - The In-County Drug Medi-Cal Contractor Site Review Audit Form is completed by auditors and submitted to Contracts.
    - The form includes the reviewer's name, site review date, and program name.
    - To ensure accuracy, prior to distributing the form to participating VCBH staff, Contracts pre-fills the items that are 'Not Applicable.'
  - Contracts follows-up with contracted providers if additional supporting documentation is needed.
  - Contracts follows-up with participating VCBH staff if clarification is needed regarding responses/comments.
  - Contracts sends approval or corrective action letters to contractors detailing findings and instructions for submittal of corrective action plans (if applicable).
- When the supplemental checklists are reviewed by VCBH, the checklists will include the date completed and name(s) of Contractor staff that performed the review."

3. **Client and Staff Surveys.** VCBH did not independently conduct surveys of Aegis or Western Pacific clients or staff, in noncompliance with contract requirements. Section 19(E) of the Aegis and Western Pacific contracts stated: "COUNTY will...conduct a survey of clients and staff,...and



address any concerns or issues found.” Staff surveys were not conducted because survey forms were not yet developed by VCBH Quality Improvement. While the following client surveys were performed, the surveys were not conducted by VCBH:

- Client surveys conducted by Contractors: VCBH management stated that the NTP provider administered client surveys throughout the year and sent VCBH a summary report of the client surveys by facility. However, because the surveys were administered and compiled by the Contractor rather than VCBH, such survey results could be subject to improper manipulation by the Contractor.
- Client surveys administered by DHCS: Annual Treatment Perceptions Surveys (“TPS”) (i.e., client surveys) were instituted by DHCS with the new DMC-ODS service delivery model. However, the TPS survey periods fell outside the term of the Aegis and Western Pacific contracts under audit. (Note: We confirmed that VCBH did participate in the subsequent October 2019 TPS survey period).

**Recommendation.** VCBH management should ensure that client and staff surveys are developed and administered as required by the contract provisions.

**Management Action.** VCBH management stated:

“Since the auditing period, VCBH began implementing the annual TPS with all VCBH and contracted providers, including Aegis and Western Pacific. VCBH Quality Improvement follows the DHCS guidelines and coordinates the annual administrations. Thus far we’ve participated in 2 administration periods, Fall 2019 and Fall 2020. Results from both years of the survey have been analyzed and shared with the clinic administrators at Western Pacific and the four Aegis clinics in Ventura County. This communication included a summary of the survey results both by site and for VCBH overall, as well as client comments for the sites. Results were very positive overall, with an average score of 4.4 out of 5 for the five NTP sites, which compares well with scores overall for VCBH. In client comments, staff were described as welcoming and professional. Some of the more common client suggestions for improvement included shorter wait times, greater leniency with take-home medications, and extended hours, especially on the weekends.

“In 2019, VCBH piloted its first-ever Employee Engagement Survey to track VCBH staff satisfaction and identify ways to improve the work environment for staff. As an extension of this project, in June 2020, the Employee Engagement Survey was administered to our SUS contracted providers, including Aegis and Western Pacific. Results suggest that overall, staff at VCBH SUS contracted providers are satisfied with their organization and have positive views of their organization, supervisors, and coworkers. Areas for improvement included availability of training and resources. Results were shared with executive leadership at VCBH, who used this information to guide quality improvement efforts with contracted providers.”

4. **Delivery of Service Verifications.** **Procedures were not in place to verify with clients that services rendered by the Contractor were actually received.** Section 32(C) of the Aegis and Western Pacific contracts stated: “CONTRACTOR’s performance and reported delivery of service will be subject to verification, monitoring, program review and quality assurance.” While VCBH established a “Verification of Service Delivery” procedure subsequently in March 2020, which included sending letters to selected

NTP clients requesting review of whether itemized services were actually provided, no such verification occurred during the audit period. Confirming receipt of services provided by NTP Contractors increases assurance that services invoiced by Contractors were legitimate.

**Recommendation.** VCBH should continue to move forward with the established procedure verifying services provided and follow-up with clients when necessary.

**Management Action.** VCBH management stated:

- “Though the Policy and Procedure CA-71 – *Verification of Service Delivery* had indicated that itemized Service Verification letters are sent to 5% of Medi-Cal beneficiaries who had received services in the previous three months, because the NTP programs do *not* utilize the Avatar EHR system which identifies services provided and patient addresses, the following exception for NTP Contractors were made to the policy on 6.5.20:
  - On a quarterly basis, UR will review 5% of claimed services and will compare with sign in sheets to verify participation in services.
  - Identified discrepancies between claimed and verified services billed will be addressed through the compliance review process.
- VCBH plans to have NTP contractor’s client billing records integrated into VCBH’s Avatar system once the required technology assessments/upgrades to the Avatar system are completed by our Electronic Health Records/IT [Information Technology] team.”

5. **Utilization Reviews.** **VCBH did not follow all procedures in the VCBH policy, *Utilization Review for VCBH Contractors, for NTP contractors.*** Utilization reviews (“URs”) are conducted to ensure that services provided are medically necessary and appropriate, and that the documentation follows State and Federal standards.

- Procedure 1 of the policy stated: “VCBH Utilization Review staff will conduct reviews on a random sample of at least 5% (minimum of two) of all charts of clients open and receiving services at each Contractor site per month.” We reviewed 7 months of URs conducted across the five Contractor sites and found that 6 (17%) out of 35 instances reviewed did not achieve the minimum number of reviews for the month by one chart per site.
- Procedure 2 of the policy stated: “Charts are selected randomly by the Information Systems Department according to client identification number, using billing and client record data.” However, NTP client chart billing information was not in VCBH’s Avatar system; consequently, charts could not be selected by the Information Systems Department. Instead, VCBH staff relied on lists of client charts provided by the Contractors on site during the URs.

**Recommendation.** VCBH management should ensure that staff review at least the minimum number of charts required monthly for each Contractor site. Also, procedures should be implemented for NTP Contractor client billing records to be entered into VCBH’s Avatar system so client charts can be selected for review according to VCBH UR policy.

**Management Action.** VCBH management stated:

- “NTP client billing information is not in VCBH's Avatar system. UR is now collecting the total number of clients represented in submitted billing claims directly from the VCBH billing department instead of relying on client lists provided by the Contractor.
  - On a monthly basis the total # of unduplicated clients receiving claimed NTP services is provided by the billing department to UR.
  - The 5% number of the total clients to be reviewed is calculated utilizing the NTP Client Review Tracking Tool.
  - The total number of charts *actually* reviewed is tracked directly from the Avatar Compliance Review Report and entered into the NTP Client Review Tracking Tool.
  - On a quarterly basis, the UR Clinical Nurse Manager will review the NTP Client Review Tracking Tool to ensure that the 5% required minimum number of charts have been reviewed.
- VCBH plans to have NTP contractor's client billing records integrated into VCBH's Avatar system once the required technology assessments/upgrades to the Avatar system are completed by our Electronic Health Records/IT team.”

#### **AUDITOR'S EVALUATION OF MANAGEMENT ACTION**

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We believe that management actions taken or planned were responsive to the audit findings. VCBH management planned to complete corrective actions by June 30, 2021.