

Table B
Audit Objectives and the Methods Used to Address Them

| AUDIT OBJECTIVE | METHOD |
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| <p>1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.</p> | <p>Reviewed and evaluated the laws, rules, and regulations significant to the audit objectives.</p> |
| <p>2 Assess Health Care Services’ processes for licensing and certifying treatment facilities and monitoring those facilities, including the following factors:</p> <p>a. Whether Health Care Services’ licensing and certification processes are different for facilities serving six or fewer individuals.</p> <p>b. Health Care Services’ process and average timeline for investigating and resolving complaints about facilities.</p> <p>c. Health Care Services’ process for inspecting licensed facilities, including the frequency of its inspections and whether it does so in person.</p> <p>d. Whether Health Care Services evaluates the effectiveness of treatment and patient care at facilities.</p> | <ul style="list-style-type: none"> • Reviewed Health Care Services policies and procedures for licensing and certifying treatment facilities to determine whether the processes are the same for both facilities serving six or fewer residents and for facilities serving more than six residents. • Selected 26 initial license or certification applications or license or certification extension applications submitted between fiscal years 2020–21 and 2022–23, including 13 applications for treatment facilities serving six or fewer residents, and 13 applications serving more than six residents. • Assessed these applications against key requirements in state law and in Health Care Services policies for approving applications. • Reviewed Health Care Services’ policies and procedures for investigating complaints. • Selected 60 complaints that Health Care Services received from fiscal year 2020–21 through fiscal year 2022–23, including 30 program complaints, 10 unlicensed complaints, 10 counselor complaints, and 10 death complaints. • Of the 60 complaints we reviewed, 22 were substantiated. For these substantiated complaints, we assessed whether Health Care Services took appropriate action, such as by requiring timely corrective action, issuing civil penalties, or revoking or suspending counselor certifications, to ensure identified deficiencies were corrected. We found that Health Care Services took appropriate actions and identified no reportable concerns. • Reviewed whether, within 90 days of receipt of the complaints, Health Care Services issued orders to the certifying organizations of drug and alcohol counselors, who were the subjects of substantiated complaints, to revoke or suspend the counselors’ certifications, as required by state regulations. We found that Health Care Services appropriately issued these orders for the five applicable substantiated counselor complaints we reviewed. • Reviewed the investigations of these complaints, including whether Health Care Services could improve the quality of its investigations, although we did not identify any improvements. • Determined the average timeline for investigating and resolving the 60 complaints. • Reviewed Health Care Services policies and procedures for inspecting licensed treatment facilities to identify key requirements for inspections, including whether Health Care Services requires these inspections to be performed on-site at the facilities. • Selected 30 treatment facilities that required a compliance inspection from fiscal year 2020–21 through fiscal year 2022–23 and determined whether Health Care Services followed its policies and procedures and whether these inspections were conducted on-site. • Assessed whether Health Care Services evaluates the effectiveness of treatment and patient care at treatment facilities. • Explored potential methods for Health Care Services to make such evaluations, such as through patient surveys. Reviewed this information to determine whether Health Care Services would benefit from evaluating the effectiveness of treatment facilities. • Selected five states, by size and proximity and by whether they operate with similar licensing functions, to determine whether and how they evaluate the effectiveness of residential care when overseeing drug and alcohol recovery facilities. |

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| <p>3 Obtain Health Care Services' license data and determine the following:</p> <ul style="list-style-type: none"> a. Whether the same business owners, operators, or management companies are circumventing Health & Safety Code 11834.23 by obtaining individual licenses for contiguous or closely located property for the same treatment facility. b. Whether Health Care Services has policies or practices to detect or prevent the scenario described in (a). c. What steps Health Care Services takes to evaluate the effect of overconcentration of licensed facilities within a residential neighborhood, including whether that overconcentration changes the setting from residential to institutional and the effect of that change on the ability of clients or residents to recover. | <ul style="list-style-type: none"> • Using a publicly available map of treatment facilities published by Health Care Services, searched for groupings of facilities and identified whether facilities in those groups have the same owners. • Evaluated how Health Care Services monitors treatment facilities and ensures that they follow the requirements of their licenses, such as requirements to not share services or residents. • Reviewed Health Care Services records to determine whether groupings were operating together or separately. • Assessed whether Health Care Services evaluates the concentration of treatment facilities, the effects of such concentrations on the surrounding neighborhoods, and the effects of such concentrations on the ability of residents to recover, and found that it does not. |
| <p>4 Review Health Care Services' process for licensing and monitoring facilities that serve six or fewer individuals to determine the frequency and extent to which it performs the following actions:</p> <ul style="list-style-type: none"> a. Denies a license for a facility and the basis for the denial. b. Suspends or revokes a license for a facility and its basis for the suspension or revocation. c. Enforces sanctions against a facility operating without a license and the types of penalties it imposes. d. Issues a license or certification to a facility that is located on a lot not zoned for a residential use. | <ul style="list-style-type: none"> • For treatment facilities serving six or fewer individuals, reviewed 30 denied or terminated applications from fiscal years 2020–21 through 2022–23 and determined the basis for denials or terminations. • For treatment facilities serving six or fewer individuals, evaluated all seven suspended licenses and all four revoked licenses from fiscal years 2020–21 through 2022–23 to determine the basis for the suspension or revocation. • Identified whether any of the businesses that Health Care Services prohibited from obtaining a new or renewed treatment facility license had done so despite that prohibition. • Reviewed Health Care Services policies and procedures for monitoring and enforcing sanctions on treatment facilities operating without a license and determined the types of penalties it can impose on facilities serving six or fewer persons. Health Care Services' penalties for unlicensed facilities do not vary by facility size. • Identified the frequency and extent to which Health Care Services sanctioned unlicensed facilities between fiscal years 2020–21 and 2022–23 and the types of penalties it imposed. • Identified whether there were any instances in which Health Care Services issued a new license to an owner or operator that was previously issued a notice of violation for providing unlicensed services. We identified no instances in which the department issued a new license to an owner under these circumstances. • Reviewed Health Care Services' processes for licensing and monitoring treatment facilities that serve six or fewer individuals. Health Care Services does not regulate the zoning of facilities regardless of residential capacity. • Using Health Care Services' data, selected 30 treatment facilities serving six or fewer individuals that had an active license in fiscal years 2020–21 through 2022–23. • Using city and county zoning maps, determined the frequency and extent to which Health Care Services issues a license or certification to a treatment facility serving six or fewer individuals that is located on a lot not zoned for residential use. All 30 of the selected facilities are located in zones permitted for residential use. |
| <p>5 Review and assess any other issues that are significant to the audit.</p> | <p>None identified.</p> |

Source: Audit workpapers.