

DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
ALTERNATIVE BEHAVIORAL SERVICES
(ABS)

Supported Living Service:
Supported Living Service (SLS) – H89009

Miscellaneous Program:
Community Integration Training (CIT) – H89074

(Audit Period: July 1, 2008 through June 30, 2009)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alimou Diallo, Audit Supervisor
Treisa Muhammad, Lead Auditor

**ALTERNATIVE BEHAVIORAL SERVICES
(ABS)**

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Alternative Behavioral Services (ABS). The audit was performed upon the following programs: Supported Living Services (SLS) and Miscellaneous for the period of July 1, 2008 through June 30, 2009.

The last day of fieldwork was August 4, 2010.

The results of the audit disclosed the following issues of noncompliance:

Finding 1: Supported Living Services (SLS) Program – Unsupported Billing

The review of ABS' SLS program, Vendor Number H89009, revealed a lack of supporting documentation for services billed to Golden Gate Regional Center (GGRC). The total of unsupported billing was \$436,238.01.

Finding 2: Miscellaneous Program (CIT) – Unsupported Billing

The review of ABS' Miscellaneous program, Vendor Number H89074, revealed a lack of supporting documentation for services billed to GGRC. The total of unsupported billing was \$1,994.08.

The net total of the unsupported billing discrepancies identified in this audit amounts to \$438,232.09 due back to DDS. A detailed discussion of these findings is contained in the Findings and Recommendations section of this report.

BACKGROUND

The Department of Developmental Services (DDS) is responsible, under the Lanterman Developmental Disabilities Services Act, for ensuring that persons with developmental disabilities receive the services and supports they need to lead more independent, productive, and normal lives. DDS contracts with 21 private, nonprofit regional centers that provide fixed points of contact in the community for serving eligible individuals with developmental disabilities and their families in California. In order for regional centers to fulfill their objectives, they secure services and supports from qualified service providers and/or contractors. Per Welfare and Institutions Code, Section 4648.1, DDS has the authority to audit those service providers and/or contractors that provide services and supports to the developmentally disabled.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit was conducted to determine whether ABS' SLS and Miscellaneous programs were compliant with the applicable Welfare and Institutions Code (W&I), California Code of Regulations Title 17 (Title 17), and GGRC's contracts with ABS for the period of July 1, 2008 through June 30, 2009.

The initial review of ABS' two programs consisted of a two-month sample selected from the audit period of July 1, 2008 through June 30, 2009. Of the two programs, Supported Living Services demonstrated a large percentage of unsupported billing. As a result, the audit period was expanded for this one program to include all billings for the period of July 1, 2008 through June 30, 2009.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. The auditors did not review the financial statements of ABS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ABS' internal controls to gaining an understanding of the transaction flow and invoice preparation process as necessary to develop appropriate auditing procedures. The audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that ABS complied with required regulations.

Supported Living Service

During the audit period, ABS operated one Supported Living Service program, Vendor Number H89009, Service Code 896, which was audited:

The procedures performed at GGRC, the vendoring regional center, and ABS included, but was not limited to, the following:

- Reviewed GGRC vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.

- Interviewed GGRC staff for vendor background information and to gain an understanding of the billing processes.
- Interviewed ABS staff and management to gain an understanding of its accounting procedures and processes for billings.
- Reviewed ABS service/attendance records to determine if ABS had sufficient and appropriate evidence to support the direct care services billed to the regional centers.
- Performed an analysis of ABS payroll and attendance/service records to determine if ABS provided the level of staffing required.

Miscellaneous Program – Community Integration Training

During the audit period, ABS operated one CIT program, Vendor Number H89074, Service Code 055, which was audited:

The procedures performed at GGRC, the vendoring regional center, and ABS included, but was not limited to, the following:

- Reviewed GGRC vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interviewed GGRC staff for vendor background information and to gain an understanding of the billing processes.
- Interviewed ABS staff and management to gain an understanding of its accounting procedures and processes for billings.
- Reviewed ABS service/attendance records to determine if ABS had sufficient and appropriate evidence to support the direct care services billed to the regional centers.
- Performed an analysis of ABS payroll and attendance/service records to determine if ABS provided the level of staffing required.

CONCLUSION

Based upon the procedures performed, we have determined that except for the items identified in the Findings and Recommendation section, ABS has complied with the requirements of Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on December 23, 2010. The findings in the report were discussed at the exit conference with ABS' CEO Eruve Ruben Peña on December 29, 2010. The response to the audit report was sent by ABS' CEO Eruve Ruben Peña on February 10, 2011, and subsequently received by DDS on February 11, 2011. The response indicates disagreement with the draft audit report. ABS disagrees with Finding 1 and did not comment on Finding 2.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, GGRC, and ABS. This report is not intended and should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

Finding 1: Supported Living Service (SLS) – Unsupported Billing

The review of ABS' Supported Living Services, Vendor Number H89009, for the fiscal year of July 1, 2008 through June 30, 2009 revealed that ABS had unsupported billings for services billed to GGRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the hours of service billed to GGRC. The following is the discrepancy identified for each service billed under the various sub codes:

ABS was not able to provide appropriate supporting documentation for 13,388.20 hours of services billed under the Personal Support Sub Code 18H. This lack of documentation resulted in unsupported billings to GGRC in the amount of \$300,353.19. (See Attachment A.)

ABS was not able to provide appropriate supporting documentation for 2,475.48 hours of services billed under the Training Habilitation Sub Code 35H. This lack of documentation resulted in unsupported billings to GGRC in the amount of \$70,537.87. (See Attachment A.)

ABS was also not able to provide appropriate supporting documentation for 5,827.46 hours of services billed under the Overnight Sub Code 5H. This lack of documentation resulted in unsupported billings to GGRC in the amount of \$65,346.95. (See Attachment A.)

The total of the billing discrepancies resulted in \$436,238.01 of unsupported billings due back to DDS.

Title 17, Section 54326 (a) states:

“All vendors shall:

(3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed.

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

Also, Title 17, Section 50604 (d) and (e) state:

“(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program.

(e) All service providers' records shall be supported by source documentation."

Recommendation:

ABS should reimburse to DDS the \$436,238.01 of unsupported billings. In addition, ABS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to GGRC.

ABS' Response:

ABS indicated that after comparing the hours billed versus the payroll hours of individuals providing direct consumer services, they determined that 2,114.08 service hours were not recognized as supported service hours due to salaried personnel's failure to complete individual time sheets.

See Attachment B for the full text of ABS' response to the draft audit report and Attachment C for DDS's evaluation of ABS' response.

Finding 2: Miscellaneous Program (CIT) – Unsupported Billing

The review of ABS' Miscellaneous Program, Vendor Number H89074, for the sample months of December 2008 and January 2009, revealed that ABS had unsupported billings to GGRC. ABS was not able to provide appropriate supporting documentation for 88 hours of services billed. This lack of documentation resulted in unsupported billings to GGRC in the amount of \$1,994.08 due back to DDS. (See Attachment A.)

Title 17, Section 54326 (a) states:

“All vendors shall:

(3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed.

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

Also, Title 17, Section 50604 (d) and (e) state:

“(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program.

(e) All service providers' records shall be supported by source documentation.”

Recommendation:

ABS should reimburse to DDS the \$1,994.08 of unsupported billings. In addition, ABS should develop and implement policies and procedures to ensure that proper documentation are maintained to support the amounts billed to GGRC.

ABS' Response:

ABS did not respond to this finding.

**Alternative Behavioral Services
Summary of Unsupported Billings
Fiscal Year 2008-09**

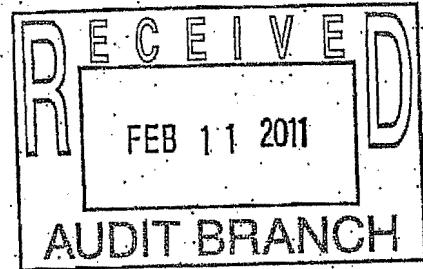
Finding #	Vendor	Svc Code	Description	Audited Months	Unsupported Billings ¹				Amount Due to DDS
					Sub Code 18H	Sub Code 35H	Sub Code 5H	Sub Code 21H:1	
1	Supported Living Services								
	H89009	896	Supported Living Service	Jul-08	1,482.15	76.65	657.55		
				Aug-08	1,354.50	136.00	517.52		
				Sep-08	1,338.11	127.25	173.90		
				Oct-08	764.71	233.81	380.05		
				Nov-08	1,601.57	299.20	757.56		
				Dec-08	1,110.35	328.54	701.46		
				Jan-09	1,290.52	291.35	644.51		
					8,941.90	1,492.80	3,832.55		
			Rate		\$ 22.66	28.84	11.33		
					\$ 202,623.49	43,052.35	43,422.88		\$ 289,098.72
				Feb-09	914.84	130.50	622.43		
				Mar-09	801.36	103.44	429.37		
				Apr-09	954.23	227.54	450.79		
				May-09	954.57	234.58	232.08		
				Jun-09	821.30	286.62	260.24		
					4,446.30	982.68	1,994.91		
			Rate*		\$ 21.98	27.97	10.99		
					\$ 97,729.69	27,485.52	21,924.07		\$ 147,139.28
			Total Supported Living Service		\$ 300,353.19	\$ 70,537.87	\$ 65,346.95		\$ 436,238.01 a
2	Community Integration Training								
	H89074	055	Community Integration	Jan-09			88.00		
			Rate				\$ 22.66		
			Total Community Integration Training				\$ 1,994.08		\$ 1,994.08 b
TOTAL UNSUPPORTED BILLINGS:								\$ 438,232.09	Σab

¹These payments were authorized by the RC(s), were paid to the vendor but were not provided by the vendor.

²Total Unsupported Hours Per Sub Code: **21,691.14** (13,388.20 + 2,475.48 + 5,827.46)

* 3% Rate Reduction due Budget Cut

Alternative Behavioral Services
1501 Bayshore Highway, Burlingame, CA 94010
Phone 650-692-8004
Fax 650-692-8005



February 10, 2011

Edward Yan, Manager
Department of Developmental Services
Audit Branch
1600 Ninth Street Room 230, MS 2-10
Sacramento, CA 95814

RE: Response to Draft Audit Findings for Alternative Behavioral Services (ABS)

Dear Mr. Yan,

Our records review indicates a significantly different picture than the draft audit results. We compared hours billed versus payroll hours of individuals providing direct Consumer services. Based on our review, we have determined a variance of hours totaling 2,114.08 hours. Please see attached spreadsheet.

Lastly, please note the error in the DDS draft report on Page 7, Finding 1, Column titled "Audited Months". The dates should read January 2009-June 2009.

Thank you for your time and consideration in this matter and please do not hesitate to contact me if you have any questions.

Sincerely,

Eruve Ruben Peña
CEO

Enclosure

Alternative Behavioral Services (ABS) H89009

MONTH / YEAR	HOURS BILLING			HOURS PAYROLL					Totals	Variance	HOURS BILLING	HOURS PAYROLL	Variance
	18H	35H	Subtotal	DAYTIME	OVERNIGHT	2ND	3RD	4TH			5H	OVERNIGHT	
JULY 2008	4,604.77	619.00	5,223.77	2,705.05	960.00	420.00	304.00	0.00	4,389.05	834.72	1,988.60	2,650.00	-663.40
AUGUST 2008	4,474.77	653.00	5,127.77	2,775.50	960.00	420.00	304.00	8.00	4,467.50	660.27	1,845.60	2,550.00	-704.40
SEPTEMBER 2008	4,361.77	628.00	4,989.77	1,813.32	960.00	420.00	304.00	0.00	3,497.32	1,492.45	1,460.60	2,390.00	-929.40
OCTOBER 2008	3,828.77	628.00	4,454.77	2,050.98	720.00	420.00	304.00	18.00	3,512.98	941.79	1,442.60	2,230.00	-787.40
NOVEMBER 2008	5,058.77	876.00	5,934.77	2,573.28	720.00	420.00	304.00	0.00	4,017.28	1,917.49	2,239.60	2,600.00	-360.40
DECEMBER 2008	4,409.66	877.00	5,286.66	2,549.33	720.00	420.00	304.00	14.50	4,007.83	1,278.83	2,110.60	2,423.50	-312.90
JANUARY 2009	4,831.77	882.00	5,713.77	3,815.50	720.00	420.00	304.00	10.00	5,369.50	344.27	2,162.60	2,312.00	-149.40
FEBRUARY 2009	4,420.68	811.00	5,231.68	3,917.00	720.00	420.00	304.00	7.00	5,368.00	-136.34	1,972.60	2,151.00	-178.40
MARCH 2009	4,312.00	880.00	5,192.00	3,875.33	720.00	420.00	304.00	2.00	5,421.33	-229.33	2,003.00	1,822.00	181.00
APRIL 2009	4,084.66	920.00	5,004.66	4,081.55	720.00	420.00	304.00	1.00	5,506.55	-501.89	1,854.00	1,817.50	36.50
MAY 2009	4,048.66	919.00	4,967.66	3,770.05	720.00	420.00	304.00	0.00	5,214.05	-246.39	1,819.00	1,588.75	32.25
JUNE 2009	3,901.66	968.00	4,869.66	3,893.50	720.00	420.00	304.00	0.00	5,337.50	-467.84	1,841.00	1,578.00	62.00
	52,335.92	9,681.00	61,996.92	38,000.39	9,360.00	5,040.00	3,648.00	60.50	56,108.89	5,888.03	22,337.80	26,111.75	-3,773.95

18H Personal Support
 35H Training and Rehabilitation
 5H Overnight Support*
 * Overnight represents 10 hour shifts

Total Variance 2,114.08

Note 1 - Salaried Personnel not identified on hourly payroll (4 employees: [redacted] and [redacted] through September 2008. [redacted] replaced by [redacted] in October 2008.)

Note 2 - [redacted]

Note 3 - [redacted] whose rent, utilities, etc. was subsidized in lieu of payroll (for Consumer [redacted], 30 days @ 8 hours per day and 16 hours per weekend for 4 weekends per month.

Note 4 - [redacted] Forensic Behavioral Consultant, provided direct behavioral support hours to ABS Consumers.

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF ALTERNATIVE BEHAVIORAL SERVICES' (ABS)
RESPONSE**

As part of the audit process, Alternative Behavioral Services (ABS) was afforded the opportunity to respond to the draft audit report and provide a written response to each finding identified therein. The Audit Branch received ABS' response to the draft audit report, dated February 10, 2011. The response included a one-page letter and a computer generated spreadsheet.

DDS evaluated ABS' written response to the draft audit report upon receipt and determined that ABS disagreed with Finding 1 and did not directly address Finding 2 as requested during the formal exit meeting. Additionally, ABS stated that it has noticed an error in the draft report on page 7, Finding 1, column titled "Audited Months" of Attachment A. However, the typo has been corrected.

Finding 1: Supported Living Services (SLS) – Unsupported Billing

ABS indicated that after comparing the hours billed versus the payroll hours of individuals providing direct consumer services, they determined that 2,114.08 service hours were incorrectly recognized as unsupported service hours due to salaried personnel's failure to complete individual time sheets. ABS provided a schedule showing its computation of the hours and noted four exceptions to Finding 1.

1. The first exception indicates that four employees (salaried personnel) not identified on the hourly payroll provided 9,360 hours of direct care services to consumers.

DDS reviewed the schedule included in ABS' response to the draft audit report and determined that the 9,360 hours identified in the schedule was not accompanied by valid source documentation. The calculations made by ABS are not source documentation, and the calculations do not provide support that ABS only billed for services actually provided to consumers. As previously stated in the audit report, Title 17, Section 50604 (e) requires that "all service providers' records shall be supported by source documentation," and Title 17, Section 54326 (a) (10) requires that "all vendors shall bill only for services actually provided to consumers."

During the audit fieldwork, DDS reviewed the payroll documents that were provided and accounted for all direct care hours listed on the payroll. ABS was allowed credit for all the verifiable hours identified through the use of time sheets, case notes, staff schedules, payroll records, etc. In addition, DDS requested a signed statement from ABS for each salaried personnel or management staff to determine the possible estimated number of hours that each salaried personnel worked, yet the requested documentation was not provided.

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF ALTERNATIVE BEHAVIORAL SERVICES' (ABS)
RESPONSE**

Furthermore, DDS will only allow salaried personnel hours as billable hours when the salaried personnel are directly involved in delivering hands-on training in accordance with the requirements of the consumer's Individual Program Plan (IPP). Salaried personnel payroll costs are mostly overhead costs borne by the vendor. Such costs are included as part of the overall reimbursement rate for the delivery of services and cannot be billed to the regional center.

In presenting this exception to Finding 1, ABS did not provide any evidence or information to substantiate this exception.

2. The second exception indicates that one of ABS' employees, a Canadian citizen, was paid separately through Paychex. ABS claimed that the employee provided 5,040 hours of service.

ABS did not provide any evidence or information to substantiate this exception.

3. The third exception states one staff had his rent, utilities, etc. subsidized in lieu of payroll. This staff person worked a total of 3,648 hours (30 days per month at 8 hours per day and 16 hours per weekend for 4 weekends per month).

ABS was allowed credit for all the verifiable hours identified through the use of time sheets, case notes, staff schedules, payroll records, etc. ABS did not provide any evidence or information to substantiate this exception.

4. The fourth exception states that Dr. David Nolley, Forensic Behavioral Consultant, provided direct behavior support hours to ABS Consumers.

DDS reviewed all invoices and correspondence that were provided by ABS regarding the consultation hours during fieldwork and credited ABS the applicable consultant hours. No additional supporting documentation was submitted to support the 60.50 hours indicated on the schedule.

Finding 2: Miscellaneous Program (CIT) – Unsupported Billing

ABS did not respond to this finding.

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF ALTERNATIVE BEHAVIORAL SERVICES' (ABS)
RESPONSE**

Conclusion:

During DDS' informal exit held on December 29, 2010 with ABS, the findings were discussed with ABS CEO. At the exit conference meeting, DDS audit supervisor informed ABS that DDS will allow salaried personnel hours to be accounted for as billable hours when the salaried personnel are directly involved in delivering hands-on training in accordance with the requirements of the consumer's Individual Program Plan (IPP) and that hours claimed are supportable by sufficient detail source documentation. No evidence was provided by ABS to support their exceptions.

As stated in the draft report, Title 17, Section 54326 states in relevant part:

“(a) All vendors shall:

...(3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed.”

For Finding 2, ABS did not respond to this finding. In absence of a response, it is assumed that ABS is in agreement.

Consequently, DDS has made no adjustments to the report. ABS needs to reimburse DDS \$438,232.09 for the 21,691.14 hours of unsupported billings.