

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
ALTERNATIVE LEARNING CENTER
(ALC)**

Supported Living Service:
Supported Living Services Program – S29420

Day Program:
Independent Living Program – H84742

Residential Services:
Residential Programs – H14363 and H14296

(Audit Period: July 1, 2003 through June 30, 2005)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alton Kitay, Supervisor
Steve Inman, Lead Auditor
Charlotte Chigbu, Lead Auditor
Chamshign Shamil, Auditor

ALTERNATIVE LEARNING CENTER

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Alternative Learning Center (ALC). The audit was performed upon the following programs: Supported Living Services (SLS), Independent Living (ILP), and Residential for the audit period of July 1, 2003 through June 30, 2005. The last day of fieldwork was October 7, 2005.

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

Supported Living Services Program:

1. The review of ALC's SLS program, for the sample period, revealed that ALC had both unsupported billings as well as appropriate support for services that it failed to bill the Valley Mountain Regional Center (VMRC). As a result, ALC had a total of \$315,761.92 of unsupported billing and a total of \$6,036.52 for which it failed to bill.
2. The review of ALC's SLS program, for the sample period, revealed that ALC billed for 14,987.90 hours of SLS at the rate of \$23.19 per hour, which was for consumers receiving only SLS. For consumers receiving both SLS and In-Home Supportive Services (IHSS) program, the ALC rate was \$36.11 per hour. As a result, ALC was underpaid \$193,643.67.
3. The review of ALC's SLS program, for the sample period, revealed that the supporting documentation in Finding 1 included contact logs that represented services provided to consumers by individuals who were not on the payroll. It was found that ALC billed for 3,586.50 hours that were supported by contact logs, but was not on the payroll. The resulting over billing was \$83,274.30.
4. The review of ALC's SLS program revealed that ALC has poor internal controls over the record keeping and documentation of the services provided by ALC in the SLS program. ALC does not have proper controls to ensure the services provided in the SLS program are properly recorded.

Independent Living Program:

5. The review of ALC's ILP, for the sample period, revealed that ALC had both unsupported billings as well as appropriate support for services that it failed to bill the Regional Center of the East Bay (RCEB). As a result, ALC had a total of \$211,768.02 of unsupported billing and a total of \$3,050.45 for which it failed to bill.

Residential Program:

6. The review of ALC'S Residential Program revealed that ALC did not provide sufficient documentation to support that the required direct care hours were provided in its two Level 3 Residential Programs.
7. The review of ALC's Residential Program revealed that seven employees had no documentation of Department of Justice (DOJ) clearance.

The net total of the findings identified by this audit is \$408,073.59 overpaid to ALC.

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 vendors and/or contractors. Per Welfare and Institutions Code, Section 4648.1, the 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 ALC's Residential and Independent Living Program, vendored by RCEB, as well as the SLS Program, vendored by VMRC and used by RCEB, were in compliance with Title 17, Welfare and Institutions Code, and regional center contracts for the period of July 1, 2003 through June 30, 2005.

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 ALC, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ALC's 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 ALC complied with Title 17.

Supported Living Services Program:

During the audit period, ALC operated one SLS Program. The program audited was S29420, Service Code 896. The procedures performed at VMRC, the vendoring regional center, and ALC included, but were not limited to, the following:

- Determining whether the rates are in accordance with purchase of service contracts and DDS negotiated rates.
- Tracing of billed units to contact logs and then comparing it to the payroll records, accounting records, and time sheets. Units billed should reflect hours of direct personal assistance provided by the vendor's staff, as required by Title 17.

Independent Living Program:

During the audit period, ALC operated one ILP. The program audited was H84742, Service Code 520. The procedures performed at RCEB, the vendoring regional center, and ALC included, but were not limited to, the following:

- Obtaining vendor agreements, rates, and program design that list the consumers' proposed service plan to determine compliance with Title 17.
- Tracing of billed units to contact logs and then comparing it to the payroll records, accounting records, and time sheets. Units billed should reflect hours of direct personal assistance provided by the vendor's staff, as required by Title 17.

Residential Programs:

During the audit period, ALC operated two Residential Programs. Our audit included both of ALC's Residential Programs. The programs audited are listed below:

- H14363, Service Code 915, L3 Staff Operated
- H14296, Service Code 915, L3 Staff Operated

The procedures performed at RCEB, the vendoring regional center, and ALC included, but were not limited to, the following:

- Reviewing of the regional center's vendor files to determine the approved Alternative Rate Model.
- Reviewing of the client status log for absences from the facility other than for Day Programs or work activities.
- Recording of actual paid attendance per consumer and determining if absences comply with Title 17 criteria.
- Determining whether staffing levels were provided in accordance with Title 17 and ALC's contract program design.
- Verifying whether direct caregivers have Department of Justice (DOJ) clearances, as required by Title 22.
- Verifying whether direct caregivers meet Title 17 requirements for training.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on June 2, 2009. The findings in the report were discussed at the exit conference with ALC and RCEB on June 15, 2009. At the exit conference, it was stated by ALC that DDS's supportive evidence of Finding 1 was not reflective of the situation that occurred during the audit period. Therefore, the DDS Audit Branch had agreed to reexamine the evidence and reissue a revised draft audit report. The findings in the revised draft were discussed at an exit conference with ALC on May 20, 2010.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, Valley Mountain Regional Center, Regional Center of the East Bay, and Alternative Learning Center; it 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: Unsupported Billings and Failure to Bill – Supported Living Services

The audit identified that ALC had over and under supported billings to VMRC for services provided in the SLS program.

The unsupported billings identified for SLS are:

- During FY 2003-04, ALC could not provide supporting documentation for 4,530.40 hours billed to VMRC.
- During FY 2004-05, ALC could not provide supporting documentation for 7,456.55 hours billed to VMRC.

The combined total of 11,986.95 hours was found to be unsupported, which results in \$315,761.92 of unsupported billings.

The hours that ALC failed to bill are:

- During FY 2003-04, ALC failed to bill VMRC for 53.5 hours.
- During FY 2004-05, ALC failed to bill VMRC for 157.5 hours.

The combined total of 211 hours was found to be supported by ALC, but ALC failed to bill VMRC. The total amount of under billing is \$6,036.52.

As a result, \$309,725.40 is due back to DDS for the unsupported billings. (See Attachment A.)

Title 17, Section 58615 states in part:

- (b) “In addition to the requirements in (a), all SLS vendors shall maintain and provide access to all records relating to service design, service delivery, and employee service time records. These records shall include the following:
 - (7) Historical data documenting the actual delivery of service to consumers for which the SLS vendor has claimed payment, including the:
 - (B) Location of the service;
 - (C) Description of the service; and
 - (D) Inclusive dates of the service.

Title 17, Section 50604 states:

- (d) “All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but not be limited to:
 - (3) A record of services provided to each consumer. The record shall include:

- (D) For all other services, the date, the start and end times of service provided to the consumer, street address where service was provided, and daily or hourly units of service provided.
- (e) “All service providers’ records shall be supported by source documentation.”

Title 17, Section 54326 (a) states:

“All vendors shall:

- (3) Maintain records of services 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.”

Recommendation:

ALC should reimburse DDS \$309,725.40 for the unsupported billings for its Supported Living Services. In addition, ALC should develop and implement policies and procedures to ensure that supporting documentation is maintained for all billing invoices, as required by Title 17, and ensure that billing invoices submitted to the regional center are only for actual services provided.

ALC’s Response:

ALC stated that they were not told to keep daily contact notes for IHSS. ALC provided a schedule showing the IHSS hours that DDS deducted from the contact logs. ALC requested that none of those contact logs be deducted from support for the SLS hours.

ALC submitted source documentation that they claimed was submitted during the audit period but not calculated in the findings.

ALC also provided documentation that related to consumers from Golden Gate Regional Center to reduce the unsupported total balance.

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

Finding 2: Incorrect Billing Rate for the SLS Program

ALC billed for services provided in the SLS program using an incorrect billing rate. The contract between ALC and VMRC allowed for a billing rate of \$36.11 per hour for SLS when the consumer received IHSS from Stanislaus County. However, ALC used the billing rate of \$23.19 per hour for those services. This resulted in an under billing of \$12.92 per hour (\$36.11-\$23.19) during the audit period.

For FY 2003-04, ALC incorrectly billed 3,833.60 hours, and for FY 2004-05, ALC incorrectly billed 11,154.30 hours at the incorrect billing rate of \$23.19 per hour. The total hours incorrectly billed are 14,987.90, which result in a total of \$193,643.67 under billed by ALC. (See Attachment A.)

Contract number S29420 between VMRC and ALC states:

“19. Contractor and Center agree that the rates of reimbursement for services rendered under this contract are based on the computations contained in Exhibit B. The rates per unit of services are as follows:

- A. Supported Living Services, as defined in this contract, shall be reimbursed at the rate of \$23.19 per direct service hour.
- B. Supported Living Services, as defined in this contract, provided to consumers receiving In-Home Supportive Services (IHSS) and who require assistance in managing their IHSS staffing schedule, shall be reimbursed at the rate of \$36.11 per direct service hour. The consumer must qualify for at least 20 hours per month of IHSS.”

Recommendation:

ALC should develop procedures to ensure that billing invoices submitted to the regional center use the correct billing rate under their contract for services. The total under billed amount of \$193,643.67 will be deducted from the overpayments identified in this audit.

ALC’s Response:

ALC did not respond to this finding.

Finding 3: Consumer Logs With No Payroll Support for the SLS Program

It was identified through the audit that contact logs that represented services provided to consumers by individuals were found to have not been included in the payroll records. For a contact log to support services provided, it has to represent a service to a regional center consumer from an ALC employee. A comparison between the hours on the contact logs per employee and payroll revealed various contact logs were not supported by payroll.

The contact logs representing services provided by individuals that were not on the payroll were:

- During FY 2003-04, ALC provided supporting documentation for 2,611.50 hours billed to VMRC at \$23.19, but it was not on ALC’s payroll.
- During FY 2003-04, ALC provided supporting documentation for 8 hours billed to VMRC at \$36.11, but it was not on ALC’s payroll.
- During FY 2004-05, ALC provided supporting documentation for 967 hours billed to VMRC at \$23.19, but it was not on ALC’s payroll.

The combined over billings resulted in a total of 3,586.50 hours that were not supported by payroll, which totaled an over billing of \$83,274.30. (See Attachment A.)

Title 17, Section 50604 states:

“All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but not be limited to....”

“All service providers’ records shall be supported by source documentation.”

Title 17, Section 54326 (a) states:

“All vendors shall:

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

Recommendation:

ALC should develop procedures to ensure that contact logs are only prepared by individuals on the payroll. ALC should reimburse DDS for \$83,274.30.

ALC’s Response:

ALC is submitting W-2s for the trainers whose names were absent from the ALC Payroll Worksheet for the audit time period.

See Attachment B for the full text of ALC’s response to the draft audit report and Attachment C for DDS’s evaluation of ALC’s response as to why W-2s cannot be accepted.

Finding 4: Poor Internal Controls Over the SLS Program

The audit has identified poor internal controls over the record keeping and documentation of the services provided by ALC in the SLS program. ALC does not have proper controls to ensure that the services provided in the SLS program are properly recorded. The following are examples:

- ALC has employees that provide work in the SLS program and also receive payments from Stanislaus County for IHSS. However, ALC does not have any controls in place to ensure that their employees only record the work performed for the SLS program. As a result, the ALC employees recorded services provided for both SLS and IHSS, which resulted in over billings for SLS.
- ALC does not have proper controls over its billing process to ensure that ALC only bills the regional center for services that are properly documented. This has resulted in over and under billings during the audit period.

- As identified in Finding 3, ALC does not have proper controls in place to ensure that services are properly billed at contracted rates.

In addition to the findings, the following items were identified in the contact logs used by the ALC employees to record the activities of the services provided:

- The documentation does not show what services have been provided.
- The documentation does not have any indication of arrival or departure time of the staff providing services.
- There are multiple contact logs for the same employee with the same consumer for the same date and time that record different activities/services provided to the consumer.
- The direct care staff contact logs contained overlapping hours of service.

Title 17, Section 54326 (a) (3) states that:

“All vendors shall maintain records of services provided to consumers in sufficient detail to verify delivery of units of service billed.”

Title 17, Section 58615 states in part:

- (b) “In addition to the requirements in (a), all SLS vendors shall maintain and provide access to all records relating to service design, service delivery, and employee service time records. These records shall include the following:
 - (7) Historical data documenting the actual delivery of service to consumers for which the SLS vendor has claimed payment, including the:
 - (B) Location of the service;
 - (C) Description of the service;
 - (D) Inclusive dates of the service; and
 - (8) Other records as required by:
 - (A) The terms of the contract.”

Title 17, Section 50604 states in part:

“All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but be not limited to:

A record of services provided to each consumer. The record shall include:

For all other services, the date, the start and end times of service provided to the consumer, street address where service was provided, and daily or hourly units of service provided;

All service providers’ records shall be supported by source documentation.”

For good internal controls and business practices, there should be procedures to ensure services provided are properly documented. Without good internal controls, incorrect and inappropriate billing for services can occur.

Recommendation:

ALC should develop and implement policies and procedures to ensure that the SLS services provided are properly documented as required by Title 17. These procedures should include:

- Proper recording of SLS services provided, which ensures that only the SLS services provided by ALC are recorded and billed to the regional center. These procedures should ensure that the services provided by its employees for the IHSS program are not billed to the regional center.
- Procedures should ensure that supporting documentation is maintained for all billing invoices and billing invoices submitted to the regional center are only for actual services provided.
- Procedures should ensure that the appropriate billing rates are used in the billing invoices submitted to the regional center.
- Procedures should ensure that the documentation records the services provided or activities performed along with the dates and times the service.

For all these procedures, ALC should consider the need for supervisory review and approval of all documentation used to record the services provided in the SLS program. In addition, a copy of the policies and procedures should be submitted to the regional center and DDS.

ALC's Response:

ALC did not respond to this finding.

Finding 5: Unsupported Billings and Failure to Bill – Independent Living Program

The audit identified that ALC both over and under billed RCEB for services provided in the ILP. The ILP is a community based Day Program.

The over billings for the ILP identified are:

- During FY 2003-04, ALC could not provide supporting documentation for 3,221.50 hours that were billed to RCEB.
- During FY 2004-05, ALC could not provide supporting documentation for 2,644.65 hours that were billed to RCEB.

The combined over billings result in a total of 5,866.15 hours not supported by source documentation, which is a total of \$211,768.02 over billed.

The under billings identified for the ILP are:

- During FY 2003-04, ALC failed to bill RCEB 28.5 hours.
- During FY 2004-05, ALC failed to bill RCEB 56 hours.

The combined total of 84.5 hours was found to be supported by ALC, but ALC failed to bill RCEB. The total amount of the under billing is \$3,050.45. The combined finding above results in a net total overpaid to ALC in the amount of \$208,717.57. (See Attachment A.)

Title 17, Section 50604 states in part:

- (d) “All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but be not limited to:
 - (3) A record of services provided to each consumer. The record shall include:
 - (C) For community-based day programs, the dates of service, place where service was provided, the start and end times of the service provided to the consumer, and the daily or hourly units of service provided....For community-based day programs whose services are provided at the facility only or at both the facility and in the community, the street address of the facility shall be reported as the place where service was provided;
 - (e) All service providers’ records shall be supported by source documentation.”

Title 17, Section 54326 (a) states:

- “All vendors shall:
- (3) Maintain records of services 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.”

Recommendation:

ALC should reimburse DDS \$208,717.57 for the over payment for the Independent Living Program. In addition, ALC should develop and implement policies and procedures to ensure that supporting documentation is maintained for all billing invoices and billing invoices submitted to the regional center are only for actual services provided, as required by Title 17.

ALC’s Response:

ALC is submitting documentation that they claimed was submitted during the audit period but not calculated in the findings.

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

Finding 6: Unsupported Staffing Level for Residential Programs

ALC’s time sheets and payroll records were insufficient to support the Direct Care Hours required in the two Level 3 Residential Programs. Therefore, ALC cannot provide adequate supporting documentation to demonstrate that Direct Care Hours provided were in accordance with the number of Direct Care Hours required by Title 17 for their two Residential Programs.

Title 17, Section 50604 states in part:

- (a) “Service providers shall maintain financial records which consistently use a single method of accounting. These financial records shall clearly reflect the nature and amounts of all costs and all income. All transactions for each month shall be entered into the financial records within 30 days after the end of each month.
- (c) Subsection (a) shall apply to all residential facilities not exempted pursuant to subsections (b) (1) and (2) only for the following purposes:
 - (2) To ensure that staffing schedules in conformance with staffing level requirements, if any, are supported by payroll and source documents.
- (e) All service providers’ records shall be supported by source documentation.”

Recommendation:

ALC should develop and implement policies and procedures to ensure supporting documentation for the direct care hours provided to consumers in the residential programs is maintained as required by Title 17. The documentation should identify each employee that provides direct care along with the dates and times the direct care work was performed by each employee. In addition, ALC should ensure that the required staffing level is being provided.

ALC’s Response:

ALC did not respond to this finding.

Finding 7: Absence of DOJ Clearance for Residential Employees

From a review of the personnel files for ALC residential program employees, it was identified that there was no evidence to show that ALC obtained a DOJ fingerprint clearance for seven employees that provide direct care services to consumers in the residential program, as required by the Department of Social Services.

Health and Safety Code, Section 1522 states in part:

“It is the intent of the Legislature in enacting this section to require the fingerprints of those individuals whose contact with community care clients may pose a risk to the clients’ health and safety. An individual shall be required to obtain either a criminal record clearance or a criminal record exemption from the State Department of Social Services before his or her initial presence in a community care facility.

(b) (1) In addition to the applicant, this section shall be applicable to criminal convictions of the following persons:

(D) Any staff person, volunteer, or employee who has contact with the clients.”

Title 22, Section 80019 (e) states:

“All individuals subject to a criminal record review pursuant to Health and Safety Code Section 1522 shall prior to working, residing, or volunteering in a licensed facility:

- (1) Obtain a California clearance or a criminal record exemption, as required by the Department; or
- (2) Request a transfer of a criminal record clearance as specified in Section 80019(f); or
- (3) Request and be approved for a transfer of a criminal record exemption, as specified in Section 80019.1(r), unless upon request, the Department permits the individual to be employed, reside, or be present at the facility.”

Title 22, Section 80066(a) states:

“The licensee shall ensure that personnel records are maintained on the licensee, administrator and each employee. Each personnel record shall contain the following information:

- (12) For employees that are required to be fingerprinted pursuant to Section 80019:
 - (A) A signed statement regarding their criminal history as required by Section 80019 (d).
 - (B) Documentation of either a criminal record clearance or exemption as required by Section 80019 (e).”

Recommendation:

ALC should immediately obtain the required DOJ clearance for the seven identified employees or an exemption from the Department of Social Services for the required clearance. If any of the seven employees are not able to obtain the required DOJ clearance, the employees should be transferred to work assignments that are not connected to the residential facilities.

In addition, ALC should develop and implement policies and procedures to ensure that all employees in the residential program that provide services to the consumers undergo DOJ fingerprint clearances or obtain an exemption prior to working, residing, or volunteering in a licensed facility, as required by the Department of Social Services and Title 22.

ALC’s Response:

ALC did not respond to this finding.

**Alternative Learning Center
Summary of Unsupported Billing and Failure to Bill
Fiscal Years 2003/04 and 2004/05**

<i>Finding #</i>	<i>Vendor</i>	<i>Svc Code</i>	<i>Description</i>			<i>TotalUnits</i>	<i>x</i>	<i>Rate</i>	<i>Unit Type</i>	<i>=</i>	<i>Amount</i>
SLS											
Finding 1	S29420	896	Supported Living Services & IHSS	Unsupported Hours Billed FY03/04	Unsupported Hours Billed FY04/05						
				2,516.40	6,546.05	9,062.45		\$ 23.19	Per Hour		\$ 210,158.22
				2,014.00	910.50	2,924.50		\$ 36.11	Per Hour		\$ 105,603.70
				4,530.40	7,456.55	11,986.95					\$ 315,761.92
				Hours Failed to Bill FY03/04	Hours Failed to Bill FY04/05						
				53.50	69.00	122.50		\$ 23.19	Per Hour		\$ (2,840.78)
				0.00	88.50	88.50		\$ 36.11	Per Hour		\$ (3,195.74)
				53.50	157.50	211.00					\$ (6,036.52)
										Total:	\$ 309,725.40
Finding 2											
S29420	896	Supported Living Services & IHSS	Incorrectly Billed Hours FY03/04	Incorrectly Billed Hours FY04/05							
			3,833.60	11,154.30	14,987.90		\$ 12.92	Per Hour			\$ (193,643.67)
										Total:	\$ (193,643.67)
Finding 3											
S29420	896	Supported Living Services & IHSS	Hours not supported by payroll FY03/04	Hours not supported by payroll FY04/05							
			2,611.50	967.00	3,578.50		\$ 23.19	Per Hour			\$ 82,985.42
			8.00	0.00	8.00		\$ 36.11	Per Hour			\$ 288.88
			2,619.50	967.00	3,586.50					Total:	\$ 83,274.30
ILP											
Finding 5	H84742	520	Independent Living Services	Unsupported Hours Billed FY03/04	Unsupported Hours Billed FY04/05						
				3,221.50	2,644.65	5,866.15		\$ 36.10	Per Hour		\$ 211,768.02
				Hours Failed to Bill FY03/04	Hours Failed to Bill FY04/05						
				28.50	56.00	84.50		\$ 36.10	Per Hour		\$ (3,050.45)
										Total:	\$ 208,717.57
										Grand Total:	\$ 408,073.59

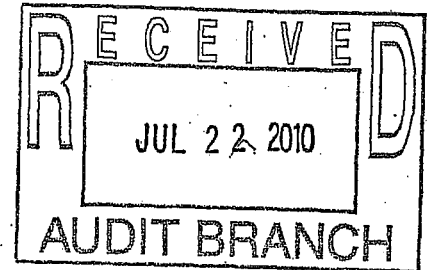
*Difference in Rates: \$36.11 - \$23.19=\$12.92

ALTERNATIVE LEARNING CENTER. Response to Draft Report.

Certain documents provided by Alternative Learning Center as attachments to their response are not included in this report due to the detailed and confidential nature of information.

ALTERNATIVE LEARNING CENTER
INDEPENDENT LIVING & SUPPORTED LIVING PROGRAM

July 21, 2010.



Mr. Edward Yan
Manager
Audit Branch
1600 Ninth Street
Room 230, MS 2-10
Sacramento, CA 95844

Dear Mr. Yan:

This is The Alternative Learning Center (ALC) response, review and calculations of the audit period July 1, 2003 through June 30, 2005. After careful review of our records we have discovered several areas of discrepancies, misunderstanding of contract with VMRC and overlooked records that were made available during the audit period.

We are submitting records, letters of explanation and other documents that we have accumulated to further support our documentation of services that we provide to all consumers that we worked with during this period.

We appreciate the time and energy that everyone has give to this audit. We hope that the documentation that we are submitting will help to clarify some of the services questioned.

Sincerely,

Alice F. Soard
Administrator

A handwritten signature in cursive script, appearing to read "Alice Soard".

Cc:

James Burton, RCEB
Richard Jacobs, VMRC
James Shorter, GGRC
Evie, Correa, DCHS
Karyn Meyreles, DDS
Rita Walker, DDS
Greg Saul, DDS
Julia Mullen DDS
Michael Masui, DDS
Alton Kitay, DDS

The Alternative Learning Center
July 21, 2010
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Finding 1 S29420 896 Supported Living Services/IHSS

The IHSS services that ALC provided to Valley Mountain' consumers under contract was an agreement to manage the IHSS services for such consumers. This proposal was presented to ALC because consumers in the Valley Mountain catchment area were working with IHSS employees that were not addressing the consumer's needs. In many cases consumers were left days without care which jeopardized their health and safety.

The Alternative Learning Center took on this assignment to ensure that first the consumers' needs were addressed and second to keep a consistent daily program enforced. In an effort to reach those goals, the trainers were employed by ALC and IHSS.

During an 8 hour work day the trainer were subject to provide typically from ten minutes to 3 hours of IHSS work, however, careful calculations were made daily to ensure that the number of IHSS for the month were achieved. It is probably noted in some of the notes of the trainers because they wrote notes of their activities for the entire work period.

In our examinations of the report that was submitted on the IHSS hours versus the ALC hours, we discovered that written notes to support ALCs' daily contact with the consumers were subtracted from the total number of notes written and were given to support IHSS services.

Under no circumstances we ever told or any agreement that we were to keep daily contact notes for IHSS. As you are probably aware, IHSS does not required employees to submit notes of the perform tasks. At the time of the agreement of this contract with VMRC in the present of [REDACTED]

[REDACTED] ALC asked and clarified whether or not we were to keep any documentation on the IHSS service. ALC were asked to keep schedules of the time of IHSS and ALC services within the home. If reviewing the back of the billing sheets up until 2009, we wrote the total amount of hours spent with the consumers spent on assigned day.

For our supported documents we have replaced the subtracted hours that were given to support IHSS services which not only give us enough documentation for ALC service hours but exceeds in some cases.

ALC understanding along with VMRC that managing the services of IHSS included the following: hiring, monitoring, training and scheduling.

I am enclosing copies of the description of what ALCs' duties were at our rate of reimbursement.

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Finding 1 S29420 896 Supported Living Services/IHSS

We are submitting documentation that was submitted during the audit period but not calculated in the findings.

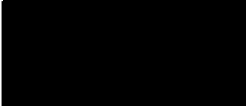
Please note the side comments as they will explain/ clarify discrepancies that might not have been fully understood.

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Finding 1 S29420 896 Supported Living Services/IHSS

For some unexplainable reason when ALC was advised that the audit was going to occur, we assumed that it was for the consumers at Valley Mountain and East Bay Regional Centers, however, at our last meeting when we were supplied with specific names of consumers that we serve we notice that the consumers we serve at Golden Gate Regional Center were listed.

The trainers for these consumers were paid by manual checks. (checks are enclosed)



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Finding 3 S29420 896 Supported Living Services/IHSS

We are submitting W-2s for the trainers in question for the audit time period.

There was a \$500.00 that ALC received but provided no documentation. This \$500.00 was given by Golden Gate Regional Center as a reimbursement for ALC to respond to consumers in an emergency situation. This was a rate structure that ALC submitted and

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Finding 5 H84742 520 Independent Living Services

We are submitting documentations that were submitted during the audit period but not calculated in the findings.

Please note the side comments as they will explain/clarify discrepancies that might not have been fully understood.

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As part of the audit report process, ALC was afforded the opportunity to respond to the draft audit report and provide a written response to each finding. On July 21, 2010, ALC submitted a response to the draft audit report, which was received by DDS on July 26, 2010. DDS's evaluation of the response determined that ALC disagreed with Findings 1, 3, and 5.

Finding 1: Unsupported Billings and Failure to Bill – Supported Living Services

ALC stated that they were not told to keep daily contact notes for IHSS. ALC provided a schedule showing the IHSS hours that DDS deducted from the contact logs. ALC requested that none of those contact logs be deducted from support for the SLS hours.

ALC submitted source documentation that they claimed was submitted during the audit period, but not calculated in the findings. ALC also provided documentation that related to consumers from GGRC for which they wanted to use as support for their billings.

Although ALC stated that they were told not to keep daily contact notes for IHSS, analysis of the contact notes (contact logs) showed that they contained both SLS and IHSS notes and time. We were able to determine this by comparing the contact logs with ALC's payroll worksheet. DDS deducted the IHSS hours from the contact logs to leave only the SLS hours as support for billings.

The review of ALC's documentation determined that ALC did not provide any new documents or information regarding IHSS. In fact, some of the documents provided were altered subsequent to when the copies were provided during the audit fieldwork.

Also, The documents relating to GGRC consumers were not reviewed since they were not part of the finding in the draft report.

As a result, the finding in the draft report will remain unchanged. ALC should reimburse DDS \$309,725.40.

Finding 3: Consumer Logs With No Payroll Support for the SLS Program

ALC is submitting W-2s for the care providers in question for the audit time period. DDS disallowed contact logs from care providers who were not on the payroll worksheet that was provided by ALC.

There were contact logs that purported to be support for services provided, but indicated that the services were provided by individuals that were not listed on ALC's payroll worksheet. The W-2s were to show that these individuals were employees of ALC. Since other documents provided by ALC were found to be altered, DDS is unable to

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accept these W-2s which could easily be created for the purpose of responding to the audit.

As a result, the finding in the draft report will remain unchanged. ALC should reimburse DDS \$83,274.30.

Finding 5: Unsupported Billings and Failure to Bill – Independent Living Program

Unsupported billings occur when there were payments that are not supported. ALC submitted documentation that they claim was not used as support during the audit.

When reviewing the “contact logs” for Finding 1, it was discovered that some documents had been altered subsequent to fieldwork. Therefore, the documents were not accepted as support due to the evidence of alterations found in the “contact logs”.

As a result, the finding in the draft report will remain unchanged. ALC should reimburse DDS \$208,717.57 for the overpayment for the Independent Living Program.