

DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
ARC FRESNO

Day Programs:

Independent Living Program (ILP) – H07606
Adult Development Center (ADC) – H08650, H27678, and H08579
Activity Center (AC) – HC0598

Habilitation Programs:

Supported Employment Program (SEP) – Individual – HC0391
Work Activity Program (WAP) – HC0392
Supported Employment Program (SEP) – Group – HC0393

Transportation Programs:

Transportation Additional Component – HC0226, H08762, and H27679

(Audit Period: July 1, 2006 through June 30, 2007)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
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Assignment # 08-VN-1-002

ARC FRESNO

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited ARC Fresno. The audit was performed upon the following programs: Day, Habilitation, and Transportation for the period of July 1, 2006 through June 30, 2007.

The last day of fieldwork was November 9, 2007.

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

Finding 1: Day Program (ILP) - Unsupported Billing

The review of ARC Fresno's Day Program – Independent Living Program, Vendor Number H07606, revealed that ARC Fresno could not provide supporting documentation for services billed. The total unsupported billing was \$476.30.

Finding 2: Day Programs (AC) - Unsupported Billing and Failure to Bill

The review of ARC Fresno's Day Programs, Vendor Numbers H08650, H27678, and H05879, revealed that ARC Fresno had both unsupported billings as well as appropriate support for services that it failed to bill the Central Valley Regional Center (CVRC). As a result, ARC Fresno had a total of \$2,331.99 of unsupported billings and a total of \$431.08 for which it failed to bill. The net amount is \$1,900.91.

Finding 3: Day Program (ADC) - Unsupported Staffing Ratio

The review of ARC Fresno's Day Program, Vendor Number HC0598, revealed ARC Fresno did not provide the required direct care staffing to meet its staff-to-consumer ratio for one of its seven Day Programs. This resulted in a shortage of eight direct care staffing hours for a total of \$126.80 due back to DDS.

Finding 4: Day Program (ADC) - Lack of Source Documentation

The review of ARC Fresno's Day Program, Vendor Number H08579, revealed that ARC Fresno did not maintain source documents. Only computer generated monthly attendance sheets were available to verify the billings.

Finding 5: Habilitation (SEP) - Unsupported Billing and Failure to Bill

The review of ARC Fresno's Habilitation Program, Vendor Number HCO391, revealed that ARC Fresno had both unsupported billings as well as appropriate support for services that it failed to bill. The total unsupported billing was \$2,704.96, and the total failure to bill was \$136.96. The net amount is \$2,568.

Finding 6: Habilitation (WAP) - Unsupported Billing and Failure to Bill

The review of ARC Fresno's Habilitation Program, Vendor Number HC0392, revealed that ARC Fresno had both unsupported billings as well as appropriate support for services that it failed to bill. The total unsupported billing was \$799.48 and the total failure to bill was \$199.87. The net amount is \$599.61.

The net total of the unsupported billing discrepancies identified in this audit amounts to \$5,671.62 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 ARC Fresno's Day, Habilitation, and Transportation programs were compliant with the applicable Welfare and Institutions Code (W&I), California Code of Regulations (Title 17), and Central Valley Regional Center's (CVRC) contracts with ARC Fresno for the period of July 1, 2006 through June 30, 2007.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The auditors did not review the financial statements of ARC Fresno, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ARC Fresno 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 ARC Fresno complied with required regulations.

Day Programs

During the audit period, ARC Fresno operated seven Day Programs. Our audit included the review of five of ARC Fresno's Day Programs. The specific programs audited are listed below:

- Fresno Production Center (FPC), H07606, Service Code 520
- ████████ Training Center (RTC), H08650, Service Code 510
- Community Integrated Program (CIP), H27678, Service Code 510
- Enrichment Center (EC), H08579, Service Code 510
- ████████ Training Center (KTC), HC0598, Service Code 505

The procedures were performed at CVRC, the vendoring regional center, and ARC Fresno included, but were not limited to, the following:

- Reviewed CVRC’s files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interviewed CVRC staff for vendor background information and to obtain prior vendor audit reports.
- Interviewed ARC Fresno staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Reviewed ARC Fresno service/attendance records to determine if ARC Fresno had sufficient, competent, and relevant evidence to support the direct care services billed to the regional center.
- Performed an analysis of ARC Fresno payroll and attendance/service records to determine if ARC Fresno provided the level of staffing required.

Habilitation Programs

During our audit period, ARC Fresno operated two SEP programs. Our audit included the review of both of these programs. The programs audited are listed below:

- Employment Plus (EP), HC0391, Service Code 952
- Commercial Services (CS), HC0393, Service Code 950

The procedures were performed at CVRC, the vendoring regional center, and ARC Fresno included, but were not limited to, the following:

- Reviewed CVRC vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondences pertinent to the review.
- Interviewed CVRC staff for vendor background information and to obtain prior vendor audit reports.
- Interviewed ARC Fresno management and staff to gain an understanding of its accounting procedures and processes for regional center billings.
- Reviewed ARC Fresno’s consumer attendance records to determine whether ARC Fresno had sufficient, competent, and relevant evidence to support the services billed to the regional center.

Work Activity Program

During our audit period, ARC Fresno operated three Work Activity Programs (WAP). Our audit included one of ARC Fresno’s WAP programs. The program audited is listed below:

- Fresno Production Center (FPC), HC0392, Service Code 954

The procedures were performed at CVRC, the vendoring regional center, and ARC Fresno included, but were not limited to, the following:

- Reviewed CVRC vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondences pertinent to the review.
- Interviewed CVRC staff for vendor background information and to obtain prior vendor audit reports.
- Interviewed ARC Fresno management and staff to gain an understanding of its accounting procedures and processes for regional center billings.
- Reviewed ARC Fresno's consumer attendance records to determine whether ARC Fresno had sufficient, competent, and relevant evidence to support the services billed to the regional center.

Transportation Programs

During the audit period, ARC Fresno operated three Transportation Programs. Our audit included all of ARC Fresno's Transportation programs. The programs audited are listed below:

- Commercial Service (CS), HC0226, Service Code 880
- ████████ Training Center (RTC), H08762, Service Code 880
- Community Integrated Program (CIP), H27679, Service Code 880

The procedures were performed at CVRC, the vendoring regional center, and ARC Fresno included, but were not limited to, the following:

- Reviewed CVRC vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interviewed CVRC staff for vendor background information and to obtain prior vendor audit reports.
- Interviewed ARC Fresno staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Reviewed ARC Fresno service/attendance records and mileage logs to determine if ARC Fresno had sufficient, competent, and relevant evidence to support the services billed to the regional center.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on December 15, 2009. The findings in the report were discussed at an exit conference with Lori Ramirez, the Executive Director of ARC Fresno, on December 30, 2009. Lori Ramirez indicated in the exit conference that ARC Fresno is in full agreement with the Findings and Recommendations of the draft report.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, CVRC and ARC Fresno. 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: Day Program (ILP) - Unsupported Billing

The review of ARC Fresno's Independent Living Program, Vendor Number H07606, for the sample months of May and June 2007 revealed a lack of supporting documentation for services billed to CVRC. ARC Fresno was not able to provide supporting documentation for 13.75 hours of services billed. The lack of documentation resulted in unsupported billings to CVRC in the amount of \$476.30. (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) states:

(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:

ARC Fresno should reimburse to DDS the \$476.30 of unsupported billings. In addition, ARC Fresno should develop policies and procedures to ensure that proper documentation is maintained and on file to support the amounts billed to CVRC.

ARC Fresno's Response:

ARC Fresno indicated in the exit conference that they are in full agreement with the findings and recommendation.

Finding 2: Day Programs (AC) - Unsupported Billing and Failure to Bill

The review of ARC Fresno's Adult Development Centers for the sample months of May and June 2007 for Vendor Numbers H08650, H27678, and H05879 revealed that ARC Fresno had both unsupported billings as well as appropriate support for services that it failed to bill CVRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of services billed to CVRC. The failure to bill occurred when ARC Fresno had appropriate supporting documentation, but it did not bill CVRC. The following are the discrepancies identified:

ARC Fresno was not able to provide supporting documentation for 49 days of services billed. This lack of documentation resulted in unsupported billings to CVRC in the amount of \$2,331.99. In addition, ARC Fresno had failed to bill for nine days of service that was properly authorized by CVRC. This resulted in an unbilled amount of \$431.08.

As a result, the net total of the billing discrepancies resulted in \$1,900.91 of overpayments 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) states:

“(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:

ARC Fresno should reimburse to DDS the \$1,900.91 overpayment. In addition, ARC Fresno should develop and implement policies and procedures to ensure that proper documentation is maintained and on file to support the amounts billed to CVRC.

ARC Fresno’s Response:

ARC Fresno indicated in the exit conference that they are in full agreement with the findings and recommendation.

Finding 3: Day Program (ADC) - Unsupported Staffing Ratio

The review of ARC Fresno’s Day Programs, for the sample months of May and June 2007, found that ARC Fresno did not meet the required staffing ratio for one of its programs, Vendor Number HC0598, 1:8 staffing ratio. This resulted in

eight unsupported direct care staffing hours which equates to an over billing of \$126.80 due back to DDS. (See Attachment B.)

ARC Fresno's program design for HC0598 - Adult Development Program states:

"To ensure consumer safety and well-being, quality service delivery, and achieving stated consumer goals and outcomes, the staff-to-consumer ratio will be one-to-eight (1:8). This staff-to-consumer ratio will provide consumers with optimum training and participation opportunities resulting in personal growth and development."

Title 17, Section 50606(b)(4)(A)(B) states:

"(b) Audits shall be performed to accomplish any or all of the following objectives as applicable to the specific provider:

(4) Verification through analysis of payroll and consumer service records that staff-to-consumer ratios required by regulation, contract or agreement are met."

(A) Verification that the required staff-to-consumer ratios are being met shall be determined as follows:

1. For activity centers, adult development centers, and behavior management programs:

a. For each month of the audit period, multiply the number of actual consumer days of attendance by the number of direct service hours operated per day;

b. Divide the total computed in a. by the approved staffing ratio to compute the number of direct care staff hours required during the approved program hours each month to maintain the approved staffing ratio; and

c. Compare the number of direct care staff hours actually provided during the approved program hours for each month with the number of direct care staff hours required for each month computed pursuant to b.

(B) If a determination is made that the approved staff-to-consumer ratio has not been met, the amount of any over payments shall be determined as follows:

1. Subtract the number of direct care staff hours actually provided during the audit period from the number of direct care staff hours required, pursuant to (A) 1.

2. Multiply the amount computed in 1. by the average hourly salary and wage and fringe benefit costs reported, pursuant to Sections 57434 (a)(1)(A) and (a)(2) and which were utilized to calculate the vendor's rate of reimbursement received during the audit period."

Recommendation:

ARC Fresno should reimburse to DDS the \$126.80 for the unsupported direct care staffing hours. In addition, ARC Fresno should develop policies and procedures to ensure it has sufficient staffing to meet the direct care staffing ratio.

ARC Fresno's Response:

ARC Fresno indicated in the exit conference that they are in full agreement with the findings and recommendation.

Finding 4: Day Program (ADC) - Lack of Source Documentation

For the audit period of July 1, 2006, through June 30, 2007, ARC Fresno failed to maintain source documentation to support the consumer attendance days billed for the Enrichment Center Program, Vendor Number H08579, Service Code 510. It was found that ARC Fresno entered attendance information from its source documents to a computer system, but then shredded the source documents after the inputting of the data.

Title 17, Section 54326(a) states:

“All vendors shall:

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

(A) Such records shall be maintained for a minimum of five years from the date of final payment for the State fiscal year in which services were rendered or until audit findings have been resolved, whichever is longer.”

Also, Title 17, Section 50604(d) 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:

(C) For community-based programs, the dates of service, place where service was provided, the start and end times of service provided....”

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

Recommendation:

ARC Fresno should maintain appropriate source documents to support all billing/invoicing and direct service hours provided to maintain the approved staffing ratio. In addition, source documents should be retained for a minimum of five years from the date of final payment for the State fiscal year in which services were provided.

ARC Fresno's Response:

ARC Fresno indicated in the exit conference that they are in full agreement with the findings and recommendation.

Finding 5: Habilitation (SEP) - Unsupported Billing and Failure to Bill

The review of ARC Fresno's Habilitation Program, Vendor Number HC0391, for sample months of May and June 2007 revealed that ARC Fresno had both unsupported billings as well as appropriate support for services that it failed to bill CVRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of services billed to CVRC. The failure to bill occurred when ARC Fresno had appropriate supporting documentation, but it did not bill CVRC. The following are the discrepancies identified:

ARC Fresno was not able to provide supporting documentation for 79 hours of services billed. This lack of documentation resulted in unsupported billings to CVRC in the amount of \$2,704.96. In addition, it was found that ARC Fresno had failed to bill for three hours of service that was properly authorized by CVRC. This resulted in an unbilled amount of \$136.96.

As a result, the net total of the billing discrepancies resulted in \$2,568 of overpayments 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) states:

(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:

ARC Fresno should reimburse to DDS the \$2,568 overpayment. In addition, ARC Fresno should develop policies and procedures to ensure that proper documentation is maintained and on file to support the amounts billed to CVRC.

ARC Fresno's Response:

ARC Fresno indicated in the exit conference that they are in full agreement with the findings and recommendation.

Finding 6: Habilitation (WAP) - Unsupported Billing and Failure to Bill

The review of ARC Fresno's Habilitation Program, Vendor Number HC0392 for the sample months of May and June 2007 revealed that ARC Fresno had both unsupported billings as well as appropriate support for services that it failed to bill CVRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of services billed to CVRC. The failure to bill occurred when ARC Fresno had appropriate supporting documentation, but it did not bill CVRC. The following are the discrepancies identified:

ARC Fresno was not able to provide supporting documentation for 46 days of services billed. This lack of documentation resulted in unsupported billings to CVRC in the amount of \$799.48. In addition, it was found that ARC Fresno had failed to bill for 11.5 days of service that was properly authorized by CVRC. This resulted in an unbilled amount of \$199.87.

As a result, the net total of the billing discrepancies resulted in \$599.61 of overpayments 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) states:

(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:

ARC Fresno should reimburse to DDS the \$599.61 overpayment. In addition, ARC Fresno should develop policies and procedures to ensure that proper documentation is maintained and on file to support the amounts billed to CVRC.

ARC Fresno's Response:

ARC Fresno indicated in the exit conference that they are in full agreement with the findings and recommendation.

ARC Fresno
Summary of Unsupported Billing and Failure to Bill
Audit Period: July 1, 2006 through June 30, 2007

| Finding # | Svc | | Unit Type | Unit Rate | Unsupported Billings ² | | Failed to Bill ³ | | NET TOTAL | |
|-------------------------------------|-------------------------------------|------------------|------------------------------|-----------|-----------------------------------|--------|-----------------------------|--------|-----------|-------------|
| | Vendor | Code Description | | | Units | Amount | Units | Amount | Amount | |
| 1 | Independent Livings Services | | | | | | | | | |
| | H07606 | 520 | Independent Living Services | Hours | \$ 34.64 | 13.75 | \$ 476.30 | - | - | \$ 476.30 |
| 2 | Day Program | | | | | | | | | |
| | H08650 | 510 | Adult Development Program | Day | \$ 46.95 | 16.00 | 751.20 | - | - | 751.20 |
| | H27678 | 510 | Adult Development Program | Day | \$ 47.68 | 18.00 | 858.24 | 5.00 | 238.40 | 619.84 |
| | H08579 | 510 | Adult Development Program | Day | \$ 48.17 | 15.00 | 722.55 | 4.00 | 192.68 | 529.87 |
| | Total | | | | | 49.00 | \$ 2,331.99 | 9.00 | \$ 431.08 | \$ 1,900.91 |
| | Total Day Program | | | | | | | | | \$ 2,377.21 |
| | Habilitation Program | | | | | | | | | |
| 5 | HC0391 | 952 | Supported Employment Program | Hours | \$ 34.24 | 79.00 | \$ 2,704.96 | 4.00 | \$ 136.96 | \$ 2,568.00 |
| 6 | HC0392 | 954 | Work Activity Program | Day | \$ 17.38 | 46.00 | \$ 799.48 | 11.50 | \$ 199.87 | \$ 599.61 |
| | Total Habilitation Program | | | | | | | | | \$ 3,167.61 |
| TOTAL OVER (UNDER) BILLINGS: | | | | | | | | | | \$ 5,544.82 |

²These payments were authorized by the RC(s), were paid to the vendor but were not provided by the vendor.

³These payments were authorized by the RC(s), were provided by the vendor but the vendor failed to bill.

ARC Fresno
Unsupported Staffing Ratio and Overpayment Amount
Audit Period: July 1, 2006 through June 30, 2007

| Findings # | Description | May-07 | Jun-07 | Under Provided Direct Care Hours | Average Salary per Cost Statement | Overpayment Amount |
|------------|-------------|--------|--------|----------------------------------|-----------------------------------|--------------------|
|------------|-------------|--------|--------|----------------------------------|-----------------------------------|--------------------|

3 HC0598, SC 505 Activity Center

| | | | | | |
|---|--------|--------|------|----|---------------|
| Required Direct Care Hours | 397.50 | 375.75 | | | |
| Less: Provided Direct Care Hours | 389.50 | 386.50 | | | |
| Under Provided Hours | 8.00 | - | 8.00 | \$ | 15.85 |
| | | | | \$ | 126.80 |