

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
BAYBERRY, INC**

Program and Services:
Supported Living Services – P20287

(Audit Period: July 1, 2009, through February 29, 2012)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alimou Diallo, Supervisor
Agnieszka Mozdzen, Lead Auditor

BAYBERRY, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Bayberry, Inc. (Bayberry). The audit was performed upon the Supported Living Services (SLS) program audited for the period of July 1, 2009, through February 29, 2012.

The last day of fieldwork was July 13, 2012.

The results of the audit disclosed the following issue of non-compliance:

Finding 1: SLS – Unsupported Billings and Failure to Bill

The review of Bayberry's SLS program, Vendor Number P20287, revealed that Bayberry had both unsupported billings, as well as appropriate support for services that it failed to bill the Redwood Coast Regional Center (RCRC). As a result, Bayberry had a total of \$3,224.42 of unsupported billings and a total of \$1,488.81 for which it failed to bill.

The net total unsupported billing discrepancies identified in this audit amounts to \$1,735.61 due back to DDS. A detailed discussion of this finding is contained in the Finding and Recommendation section of this report.

BACKGROUND

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. Pursuant to the Welfare and Institutions (W&I) Code, section 4648.1, DDS has the authority to audit those service providers and/or contractors that provide services and supports to persons with developmental disabilities.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit was conducted to determine whether Bayberry's SLS program was compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, title 17), and the RCRC and North Bay Regional Center (NBRC) contracts with Bayberry for the period of July 1, 2009, through February 29, 2012.

Bayberry was vendorized by NBRC and provided services to both NBRC and RCRC. Our audit reviewed the services provided to both regional centers.

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 Bayberry, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of Bayberry's internal controls to gain 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 Bayberry complied with CCR, title 17. Also, any complaints that DDS' Audit Branch was aware of regarding noncompliance of laws and regulations were reviewed and followed-up during the course of the audit.

SLS

During the audit period, Bayberry operated one SLS program, Vendor Number P20287, Service Code 896, which was audited.

The initial review, selected from the audit period of July 1, 2009, through February 29, 2012, of Bayberry's SLS program consisted of a two-month sample (December 2011 and January 2012). Within the sample months selected, the audit sample demonstrated a minor percentage of unsupported billing. As a result, the testing sample was limited to the two months.

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

- Review of NBRC's vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Review of RCRC's SLS contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interview of NBRC's staff for vendor background information and to obtain prior vendor audit reports.
- Interview of Bayberry's staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Review of Bayberry's service/attendance records to determine if Bayberry had sufficient and appropriate evidence to support the direct care services billed to the regional centers.
- Perform an analysis of Bayberry's payroll and attendance/service records to determine if Bayberry provided the level of staffing required.

CONCLUSION

Based upon items identified in the Finding and Recommendation section, Bayberry did not comply with the requirements of CCR, title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on January 24, 2013. The finding in the report was discussed at a telephone exit conference with Bayberry's CPA and Ms. Linda Washington, Executive Director, on January 31, 2013. Ms. Washington conveyed via an e-mail dated January 31, 2013, that Bayberry, Inc. is in full agreement with the finding and recommendation of the draft report.

RESTRICTED USE

This report is solely for the information and use of the DDS, Department of Health Care Services, NBRC, RCRC, and Bayberry. This restriction is not intended to limit distribution of this report, which is a matter of public record.

FINDING AND RECOMMENDATION

Finding 1: SLS – Unsupported Billings and Failure to Bill

The review of Bayberry’s SLS program, Vendor Number P20287, for the sample period of December 2011 and January 2012, revealed that Bayberry had both unsupported billings, as well as appropriate support for services that it failed to bill to RCRC.

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

Bayberry was not able to provide appropriate supporting documentation for 160.25 hours of services billed. The lack of documentation resulted in unsupported billings to RCRC in the amount of \$3,224.42.

In addition, Bayberry provided appropriate supporting documentation for 73.23 hours of service, but which was not billed to RCRC. This resulted in an unbilled amount of \$1,488.81.

As a result, \$1,735.61 (\$3,224.42 - \$1,488.81) is due back to DDS for the unsupported billings. (See Attachment A.)

CCR, title 17, section 54326(a)(3) and (10) states:

“(a) 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, CCR, 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:

Bayberry must reimburse to DDS the \$1,735.61 for the unsupported billings. In addition, Bayberry should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to RCRC.

Bayberry's Response:

Bayberry has agreed to waive its opportunity to respond to the draft audit report and conveyed via an e-mail that Bayberry accepts the finding of the audit. A copy of the email is enclosed as Attachment B.

Furthermore, during the telephone discussion, Bayberry indicated that they have modified their procedures to ensure accurate billing to the regional centers and have strengthened their controls with regard to In-Home Supportive Services.

Bayberry, Inc.
 Summary of Unsupported Billings
 Fiscal Years 2009 - 2012

Attachment A

<u>Finding #</u>	<u>Vendor #</u>	<u>Svc Code</u>	<u>Description</u>	<u>Unit Type</u>	<u>Unit Rate</u>	<u>RC</u>	<u>Unsupported Billings</u>		<u>Failed to Bill</u>		<u>Amount Due to DDS</u>
							<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	
<u>Supported Living Services</u>											
1	P20287	896	Supported Living Services	Hour	Various	370	160.25	\$3,224.42	(73.23)	\$ (1,488.81)	
<i>Total Supported Living Services</i>							160.25	\$3,224.42	(73.23)	\$ (1,488.81)	\$ 1,735.61
GRAND TOTAL UNSUPPORTED BILLINGS											\$ 1,735.61

Diallo, Alimou@DDS

From: Linda Washington <lWashington@bayberryinc.net>
Sent: Thursday, January 31, 2013 10:33 AM
To: Diallo, Alimou@DDS
Cc: 'Dale G. Sloss'; mmartin@bayberryinc.net
Subject: RE: Draft Report

Hi Alimou,

Thank you for talking with us this morning about the audit report. I am confirming that Bayberry accepts the findings of the audit and will remit a check payable to DDS in the amount of \$1735.61.

It was a pleasure working with you!

Linda Washington
Executive Director
Bayberry Inc.
707-299-0516
