

DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
DEVELOPMENTAL DYNAMICS, INC. (DDI)

Day Programs:

Infant Development Program (In-Home) – H18850
Infant Development Program (Center Base) – H73502

(Audit Period: July 1, 2005 through June 30, 2008)

Miscellaneous Program:

Start-Up Funding – PX0234

(Audit Period: July 1, 2001 through June 30, 2002)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alton Kitay, Supervisor
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DEVELOPMENTAL DYNAMICS, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Developmental Dynamics, Inc. (DDI). The audit was performed upon the following programs: Infant Development (In-Home and Center Base) for the period of July 1, 2005 through June 30, 2008 and Start-Up Funding for the period of July 1, 2001 through June 30, 2002.

The last day of fieldwork was September 3, 2009.

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

Finding 1: Infant Development Program (In-Home) – Unsupported Billing and Failure to Bill

The review of DDI's Infant Development Program (In-Home), Vendor Number H18850, for the sample period revealed that DDI had both unsupported billings as well as appropriate support for services that it failed to bill the South Central Los Angeles Regional Center (SCLARC). The audit found that DDI had a total of \$55,582.54 of unsupported billings and a total of \$6,997.40 for which it failed to bill. The net amount due to DDS is \$48,585.14.

Finding 2: Infant Development Program (Center Base) – Unsupported Billing and Failure to Bill

The review of DDI's Infant Development Program (Center Base), Vendor Number H73502, for the sample period revealed that DDI had both unsupported billings as well as appropriate support for services that it failed to bill SCLARC. The audit found that DDI had a total of \$831.12 of unsupported billings and a total of \$207.78 for which it failed to bill. The net amount due to DDS is \$623.34.

Finding 3: Infant Development Program (Center Base) – Unsupported Staffing Ratio

The review of DDI's Infant Development Program (Center Base), Vendor Number H73502, for the sample period revealed staffing ratios that showed a lack of supporting documentation for its required direct care staffing hours. This resulted in a shortage of 66.25 direct care staffing hours for a total of \$898.35 due to DDS.

Finding 4: Start-Up Funding – Non Compliance with the Terms and Conditions of the Contract

The review of DDI's Start-Up Funding Program, Vendor Number PX0234, revealed that DDI failed to comply with the requirements of the contract with SCLARC. The contract stated that if the program is discontinued for any reason, DDI would repay SCLARC the total Start-Up funds paid for the purchase of a tot mobile (recreational vehicle). It was found that the program was discontinued, but no repayment of the

Start-Up funds in the amount of \$49,630.71 was made to SCLARC. It was further determined that SCLARC was reimbursed by DDS for the Start-Up funds. Therefore, the Start-Up fund amount of \$49,630.71 is due to DDS.

Finding 5: Infant Development Program (Center Base) – Non Compliance of the Required Program Hours

The review of DDI's Infant Development Program (Center Base), Vendor Number H73502, for the sample period revealed that the provided direct program hours per consumer per day are not in conformity with the required direct program hours per consumer per day in its program design.

The total of the unsupported billing discrepancies identified in this audit amounts to a net total of \$99,737.54 due to DDS. A detailed discussion of these findings is 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, 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 DDI's Infant Development Programs (In-Home and Center Base) and Start-Up Funding Program were compliant with the applicable Welfare and Institutions Code (W&I), California Code of Regulations (Title 17), and South Central Los Angeles Regional Center's (SCLARC) contracts with DDI for the period of July 1, 2001 through June 30, 2008.

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 DDI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of DDI'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 to obtain reasonable assurance that DDI complied with required regulations.

Infant Development Programs

During the audit period, DDI operated two Infant Development Programs. The audit included the review of these two programs. The programs audited are listed below:

- Infant Development Program (In-Home), H18850, Service Code 805.
- Infant Development Program (Center Base), H73502, Service Code 805.

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

- Reviewed SCLARC vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interviewed SCLARC staff for vendor background information and to obtain prior vendor audit reports.

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

Start-Up Funding for Fiscal Year (FY) 2001-02

During the FY 2001-02, DDI secured funding for expenses necessary to respond to the Natural Environment Mandate by purchasing a recreational vehicle to facilitate home visits, etc. The contract with SCLARC was dated and signed on June 20, 2001 and amended on January 12, 2004 under contract number PX0234.

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

- Reviewed SCLARC vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interviewed SCLARC staff for vendor background information and to obtain prior vendor audit reports.
- Interviewed DDI staff and management to gain an understanding of the Natural Environment program and the use of the recreational vehicle.
- Reviewed the contract number PX0234 – POS Funding Agreement dated June 20, 2001.
- Reviewed the Amendment to the Totmobile Contract dated January 12, 2004.
- Reviewed DDI accounting records to determine whether DDI had sufficient and appropriate evidence to support compliance with the contract.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued the draft audit report on August 11, 2010. In the Developmental Dynamics, Inc. response dated September 21, 2010, Wendy Carroll, President, questioned Finding 1 – Infant Development Program (In-Home), Unsupported Billing and Failure to Bill; Finding 2 – Infant Development Program (Center Base), Unsupported Billing and Failure to Bill; Finding 3 – Infant Development Program (Center Base), Unsupported Staffing Ratio; and Finding 4 – Start-Up Funding, Non-Compliance with the Terms and Conditions of the Contract. For Finding 5 – Infant Development Program (Center Base), Non-Compliance of the Required Program Hours, Wendy Carroll concurred with the finding.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, South Central Los Angeles Regional Center, and Developmental Dynamics, Inc. 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: Infant Development Program (In-Home) – Unsupported Billing and Failure to Bill

The review of DDI's Infant Development Program, Vendor Number H18850, for the sample months of November 2005, December 2006, January 2007, and February 2008 revealed that DDI had both unsupported billings as well as appropriate support for services that it failed to bill SCLARC.

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

DDI was not able to provide appropriate supporting documentation for 908.09 hours of services billed. The lack of documentation resulted in unsupported billings to SCLARC in the amount of \$55,582.54.

In addition, DDI provided appropriate supporting documentation for 113.75 hours of service but which was not billed to SCLARC. This resulted in an unbilled amount of \$6,997.40.

As a result, the net total of the billing discrepancies resulted in \$48,585.14 due back to DDS for the unsupported billings. (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, Sections 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. Service records used to support service providers' billing/invoicing shall include, but not be limited to...”

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

Recommendation:

DDI should reimburse to DDS the \$48,585.14 of unsupported billings. In addition, DDI should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SCLARC.

Auditee's Response:

In response to this finding, DDI disagreed with the number of provided hours for the months of February 2008 and January 2007. Included in DDI's response is additional supporting documentation to support direct care provided hours for the month of February 2008. Additional supporting documentation to support direct care provided hours for the month of January 2007, December 2006, and November 2005 were provided on December 31, 2010.

See Attachment C for the full text of DDI's response and Attachment D for DDS's Evaluation of DDI's response.

Finding 2: Infant Development Program (Center Base) – Unsupported Billing and Failure to Bill

The review of DDI's Infant Development Program, Vendor Number H73502, for the sample months of November 2005, December 2006, and February 2008 revealed that DDI had both unsupported billings as well as appropriate support for services that it failed to bill SCLARC.

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

DDI was not able to provide appropriate supporting documentation for 24 hours of services billed. The lack of documentation resulted in unsupported billings to SCLARC in the amount of \$831.12.

In addition, DDI provided appropriate supporting documentation for 6 hours of service but which was not billed to SCLARC. This resulted in an unbilled amount of \$207.78.

As a result, the net total of the billing discrepancies resulted in \$623.34 due back to DDS for the unsupported billings. (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, Sections 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. Service

records used to support service providers' billing/invoicing shall include, but not be limited to..."

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

Recommendation:

DDI should reimburse to DDS the \$623.34 of unsupported billings. In addition, DDI should develop and implement policies and procedures to ensure that proper documentation are maintained to support the amounts billed to SCLARC.

Auditee's Response:

In response to this finding, DDI mentioned that the supporting documentation is enclosed with their response to the audit report. The supporting documents for this finding were not among the supporting documentation that was provided as part of DDI's response.

See Attachment C for the full text of DDI's response and Attachment D for DDS's Evaluation of DDI's response.

Finding 3: Infant Development Program (Center Base) – Unsupported Staffing Ratio

The review of DDI's Infant Development Program revealed that for the sample month of February 2008, DDI did not meet the required staffing ratio for its program, Vendor Number H73502, 1:3 staffing ratio. The total direct care hours required for the month of February 2008 were 566 hours. The hours DDI actually provided were 499.75 hours. This resulted in 66.25 hours of unsupported direct care staffing.

The total unsupported direct care staffing hours of 66.25 hours multiplied by the average salary of \$13.56 amounts to \$898.35 due back to DDS.
(See Attachment B.)

DDI's Program Design for this Infant Development Program – Center Base states:

"Staff/Consumer Ratio: Staff/consumer ratio is 1:3. Program director will supervise staff of the Center Base program and will assure that the Center Base program is running efficiently and ensure that the program design is followed."

Title 17, Sections 50606 (b) (4) (A) 2 and (B) state:

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

2. For social recreation programs, independent living programs, and infant development programs:

a. For each month of the audit period, determine the actual hours of consumer attendance for each month;

- b. Divide the actual hours of attendance pursuant to 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 overpayments 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. or (A) 2.;
 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:

DDI should reimburse to DDS the \$898.35 for the unsupported direct care staffing hours. In addition, DDI should develop policies and procedures to ensure it has sufficient staffing to meet the direct care staffing ratio.

Auditee's Response:

In response to this finding, DDI stated that their salaried staff were not billing for the work that they were providing for consumers at the Center Base program in their time sheets or schedules.

See Attachment C for the full text of DDI's response and Attachment D for DDS's Evaluation of DDI's response.

Finding 4: Start-Up Funding – Non Compliance with the Terms and Conditions of the Contract

The review of DDI's Start-Up Funding for FY 2001-02, Vendor Number PX0234, for the contract period of June 1, 2001 through June 2, 2002 revealed that DDI had failed to comply with the terms and conditions of its contract with SCLARC.

The terms and conditions of the contract stated that if the program is discontinued for any reason, DDI would repay SCLARC the total Start-Up funds paid for the purchase of the recreational vehicle (Totmobile). DDI was not able to provide appropriate supporting documentation to show that it provided any services to its consumers in compliance with the terms and condition of its contract. Furthermore, it was found that the program was discontinued and the vehicle was no longer in their possession, but no repayment of the Start-Up funds in the amount of \$49,630.71 was made to SCLARC. It was further determined that SCLARC was

reimbursed by DDS for the Start-Up funds. Therefore, the Start-Up fund amount of \$49,630.71 is due to DDS.

Amendment to Totmobile Contract dated January 12, 2004 states in part:

“It is understood that if the vendored program is discontinued for any reason, Developmental Dynamics will repay SCLARC the above indicated Start-Up funds in an amount to be determined based upon a five-year straight-line repayment schedule.”

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 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...”

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

Welfare and Institutions Code Section 4648.1 states:

“(e) A regional center or the department may recover from the provider funds paid for services when the department or the regional center determines that either the following has occurred:

(1) The services were not provided in accordance with the regional center’s contract or authorization with the provider, or with applicable state laws or regulations.”

Recommendation:

DDI should reimburse to DDS the \$49,630.71 for its noncompliance with the terms and conditions of its contract with SCLARC. In addition, DDI should develop and implement policies and procedures to ensure that proper documentation is maintained to support its contractual obligations with SCLARC.

Auditee’s Response:

In response to this finding, DDI has requested a scaled down payback amount for the Mobile Unit, taking into account depreciation and lack of referrals by SCLARC.

See Attachment C for the full text of DDI's response and Attachment D for DDS's Evaluation of DDI's response.

Finding 5: Infant Development Program (Center Base) – Non Compliance of the Required Program Hours

The review of DDI's Infant Development Program (Center Base), Vendor Number H73502, for the sample months of November 2005, December 2006, and February 2008 revealed that the direct program hours provided to its consumers were not in conformity with the required direct program hours in its program design.

The program requires 3.5 direct program hours per consumer per day. However, it was found that DDI had been providing and billing for 3 direct program hours per consumer per day. DDI stated that the reduced hours of operation were mandated by SCLARC due to budget reductions. However, DDI did not provide documentation to support this change in the program hours.

DDI's program design for H73502 – Infant Development Program (Center Base) states in part:

“DAYS/HOURS OF PROGRAM OPERATION:

Developmental Dynamics Center Base Program provides services 12 months a year. The program is broken up into two (2) sessions with the first session beginning at 8:00 a.m. and ending at 11:30 a.m. Case management will be from 11:30 a.m. to 12:30 p.m. The second session begins at 12:30 p.m. and ends at 4:00 p.m.

- Two to five (2-5) days per week; 3.5 hours per day.
- Direct program hours per consumer 3.5 hours per day.
- Number of program days per month 9-23 days per consumer.”

Title 17, Section 56762 (c) states:

“A revised program design is required when any of the following elements of the program design are changed:

- (1) Locations in which consumer training occurs;
- (2) Curriculum training components;
- (3) Existing approved staffing ratio;
- (4) Approved service code;
- (5) Entrance and/or exit criteria;
- (6) Hours of operation.

Recommendation:

DDI needs to provide a revised program design to support its revised direct program hours that has been agreed upon with SCLARC. Without a revised program design, DDI should continue to comply with its current program design, providing the agreed upon hours per consumer per day.

Auditee's Response:

In response to this finding, DDI stated that they will revise their Center Base program design to reflect the actual hours of services provided.

As of December 31, 2010, DDI has submitted a revised program design to SCLARC.

See Attachment C for the full text of DDI's response and Attachment D for DDS's Evaluation of DDI's response.

Developmental Dynamics, Inc. (DDI)
Summary of Unsupported Billing and Failure to Bill
Audit Period: July 1, 2005 through June 30, 2008

Attachment A

| Finding # | Vendor | Svc Code | Description | Unit Type | Unit Rate | Unsupported Billings ¹ | | Failed to Bill ² | | Net Due to DDS |
|---------------------------|--------|----------|--|-----------|-----------|-----------------------------------|---------------------|-----------------------------|--------------------|---------------------|
| | | | | | | Units | Amount | Units | Amount | Amount |
| | | | | | | B | C = A * B | D | E = A * D | = C - E |
| Day Program | | | | | | | | | | |
| 1 | H18850 | 805 | Infant Development Program (In-Home) | | | | | | | |
| | | | Sample Months - November 2005 | Hours | \$ 60.04 | 318.75 | \$ 19,137.75 | 20.50 | \$ 1,230.82 | \$ 17,906.93 |
| | | | December 2006 | Hours | 61.84 | 164.25 | 10,157.22 | 64.50 | 3,988.68 | 6,168.54 |
| | | | January 2007 | Hours | 61.84 | 189.34 | 11,708.79 | 17.00 | 1,051.28 | 10,657.51 |
| | | | February 2008 | Hours | 61.84 | 235.75 | 14,578.78 | 11.75 | 726.62 | 13,852.16 |
| | | | | | | <u>908.09</u> | <u>\$ 55,582.54</u> | <u>113.75</u> | <u>\$ 6,997.40</u> | <u>\$ 48,585.14</u> |
| 2 | H73502 | 805 | Infant Development Program (Center Base) | | | | | | | |
| | | | Sample Months - November 2005 | Hours | \$ 33.62 | - | \$ - | - | \$ - | \$ - |
| | | | December 2006 | Hours | 34.63 | - | - | 3.00 | 103.89 | (103.89) |
| | | | February 2008 | Hours | 34.63 | 24.00 | 831.12 | 3.00 | 103.89 | 727.23 |
| | | | | | | <u>24.00</u> | <u>\$ 831.12</u> | <u>6.00</u> | <u>\$ 207.78</u> | <u>\$ 623.34</u> |
| Total Day Programs | | | | | | | <u>\$ 56,413.66</u> | | <u>\$ 7,205.18</u> | <u>\$ 49,208.48</u> |

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

²These payments were authorized by the RC(s), were provided by the vendor but the vendor failed to bill.

Developmental Dynamics, Inc. (DDI)
Unsupported Staffing Ratio and Overpayment Amount
Audit Period: July 1, 2005 through June 30, 2008

Attachment B

| Finding # | Nov-05 | Dec-06 | Feb-08 | A Unsupported Direct Care Service Hours | B Average Salary per Cost Statement | C = A * B Overpayment Amount |
|-----------|--|----------|----------|--|--|---------------------------------|
| 3 | H73502, SC 805 Infant Development Program (Center Base) | | | | | |
| | Required Direct Hours | Met | Met | 566.00 | | |
| | Less: Provided Direct Hours | Staffing | Staffing | 499.75 | | |
| | Unsupported Hours | Ratio | Ratio | 66.25 | 66.25 | \$ 13.56 |
| | TOTAL DAY PROGRAM | | | 66.25 | | \$ 898.35 |

DEVELOPMENTAL DYNAMICS, INC.
Response to Draft Audit Report

Certain documents provided by Developmental Dynamics, Inc. as attachments to their response are not included in this report due to the detailed and confidential nature of information.

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
DEVELOPMENTAL DYNAMICS, INC.'S RESPONSE**

As part of the vendor audit report process, Developmental Dynamics, Inc. (DDI) was afforded opportunity to respond to the draft audit report and provide a written response to each finding. Upon receipt of DDI's written response to the draft audit report, DDS evaluated the response and determined that DDI did not agree with Findings 1, 2, 3, and 4 but concurred with Finding 5.

Finding 1: Infant Development Program (In-Home) – Unsupported Billing and Failure to Bill

In the response to the draft audit report, DDI stated that they found inaccuracies in two of the months audited, January 2007 and February 2008. The total number of unsupported billing units for the said months should be 248.97 units instead of the DDS Audit findings of 774.50 units.

DDI enclosed the consumer session verification logs for the month of February 2008 and further said that the consumer session verification logs for January 2007 will be forwarded later once their attorneys are through with them.

DDI was informed that they have to send in their copies of consumer session verification logs for January 2007, December 2006 and November 2005 in order to complete the evaluation of their response. DDI complied with the request of DDS by December 31, 2010.

November 2005:

Based on the submitted documentation (session verification logs), an additional 27.25 provided hours were allowed which reduced the unsupported billing units to 318.75. These 27.25 additional provided hours were not initially included in the count for reasons such as consumer name not readable, consumer name different in the Purchase of Service (POS) file and gaps or unclear portions in the photocopied documents.

These additional 27.25 provided hours at \$60.04 per hour amounts to a reduction of \$1,636.09 of unsupported billings for the month of November 2005. The new total for November 2005 is \$19,137.75 which is reflected in the final report.

December 2006:

Based on the submitted documentation (session verification logs), an additional 2 provided hours were allowed which reduced the unsupported billing units to 164.25. This 2 additional provided hours were not initially included in the count for 2 consumers.

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
DEVELOPMENTAL DYNAMICS, INC.'S RESPONSE**

This additional 2 provided hours at \$61.84 per hour amounts to a reduction of \$123.68 of unsupported billings for the month of December 2006. The new total for December 2006 is \$10,157.22 which is reflected in the final report.

January 2007:

Based on the submitted documentation (session verification logs), an additional 245.66 provided hours were allowed which reduced the unsupported billing units to 189.34. These 245.66 additional provided hours were not initially included in the count for the reason that almost half a month of session verification logs was not available to the auditors during the fieldwork.

These additional 245.66 provided hours at \$61.84 per hour amounts to a reduction of \$15,191.61 of unsupported billings for the month of January 2007. The new total for January 2007 is \$11,708.79 which is reflected in the final report.

February 2008:

DDI stated that there should only be 105.92 unsupported billing units (hours) instead of 339.50 unsupported billing units. It was found in our review that DDI's computation of the 105.92 unsupported billing units included the hours of services provided to other regional center's consumers.

Based on the submitted documentation (session verification logs), an additional 103.75 provided hours were allowed which reduced the unsupported billing units to 235.75. The 103.75 hours that were allowed are the 56.50 hours provided by Mary Ann Santiago, the 29.50 hours from the additional submitted session logs, and 17.75 hours from posting adjustments.

The remainders of 68.58 hours which DDI considered as allowable hours were not deducted from the unsupported billing units. The disallowed 68.58 hours are the 11 hours of the occupational therapists with no session logs submitted, another 15 hours with no session logs submitted, 0.33 hours with unreadable session logs, 38.50 hours that are not in DDS POS, and 3.75 hours that were over the authorized hours.

Therefore, these additional 103.75 provided hours at \$61.84 per hour amounts to a reduction of \$6,415.90 of unsupported billings for the month of February 2008. The new total for February 2008 is \$14,578.78 which is reflected in the final report.

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
DEVELOPMENTAL DYNAMICS, INC.'S RESPONSE**

Finding 2: Infant Development Program (Center Based) – Unsupported Billing and Failure to Bill

DDI stated that a copy of supporting documentation is enclosed in their response to the audit report. However no supporting documentation was enclosed to support their response, therefore, the audit finding of \$623.34 remains unchanged.

Finding 3: Infant Development Program (Center Based) – Unsupported Staffing Ratio

DDI stated that their salaried staff were not billing for the work that they were providing for consumers at the Centerbase Program on their time sheets or schedules. For DDS to consider any direct care services hours provided by DDI, the direct care services hours need to be recorded in their documentation to support their billings. Therefore, the audit finding of \$898.35 remains unchanged.

Finding 4: Start-Up Funding – Non-compliance with the Terms and Conditions of the Contract

DDI has requested for a scaled down payback amount for the Mobile Unit taking into account depreciation and the lack of referrals by SCLARC. However, DDS considers the Amendment to the Totmobile contract, dated January 12, 2004, clear on the amount to be repaid if the program is discontinued for any reason. Therefore, the audit finding that DDI should reimburse DDS the amount of \$49,630.71 remains unchanged.

Finding 5: Infant Development Program (Center Based) – Non Compliance of the Required Program Hours

DDI stated that they will revise their Centerbase program design to reflect the actual hours of services provided. On December 29, 2010, DDI submitted to South Central Los Angeles Regional Center a revised copy of their program design showing the changes in the program hours from 3.5 hours to 3 hours per day.

DDS concurred with DDI's action.

Developmental Dynamics, Inc. (DDI)
 Summary of Findings
 Audit Period: July 1, 2005 through June 30, 2008 (Findings 1 to 3)
 July 1, 2001 through June 30, 2002 (Finding 4)

Attachment E

| Finding # | Original Findings | | | Adjustments | | Revised Findings | | | |
|-----------|--|-----------------------------|------------------------|---------------------|----------------|-----------------------------|-----------------------------|------------------------|--|
| | A | B | C | D | E | E | F | | |
| | Unit Rate | Units | Amount = A * B | Units | Amount =A*D | Units = B - D | Amount = A * E | | |
| 1 | H18850, SC 805 Infant Development Program (In-Home) | | | | | | | | |
| | Unsupported Billings | | | | | Unsupported Billings | | | |
| | November 2005 | \$ 60.04 | 346.00 | \$ 20,773.84 | 27.25 | \$ 1,636.09 | 318.75 | \$ 19,137.75 | |
| | December 2006 | 61.84 | 166.25 | 10,280.90 | 2.00 | 123.68 | 164.25 | 10,157.22 | |
| | January 2007 | 61.84 | 435.00 | 26,900.40 | 245.66 | 15,191.61 | 189.34 | 11,708.79 | |
| | February 2008 | 61.84 | 339.50 | 20,994.68 | 103.75 | 6,415.90 | 235.75 | 14,578.78 | |
| | Totals | | 1,286.75 | \$ 78,949.82 | 378.66 | \$ 23,367.28 | 908.09 | \$ 55,582.54 | |
| | | | Failure to Bill | | | | | Failure to Bill | |
| | November 2005 | \$ 60.04 | 20.50 | \$ 1,230.82 | - | - | 20.50 | \$ 1,230.82 | |
| | December 2006 | 61.84 | 64.50 | 3,988.68 | - | - | 64.50 | 3,988.68 | |
| | January 2007 | 61.84 | 17.00 | 1,051.28 | - | - | 17.00 | 1,051.28 | |
| | February 2008 | 61.84 | 11.75 | 726.62 | - | - | 11.75 | 726.62 | |
| | Totals | | 113.75 | \$ 6,997.40 | - | - | 113.75 | \$ 6,997.40 | |
| | Finding 1 Totals | | 1,173.00 | \$ 71,952.42 | 378.66 | \$ 23,367.28 | 794.34 | \$ 48,585.14 | |
| 2 | H73502, SC 805 Infant Development Program (Center Base) | | | | | | | | |
| | | Unsupported Billings | | | | | Unsupported Billings | | |
| | November 2005 | \$ 33.62 | - | - | - | - | - | - | |
| | December 2006 | 34.63 | - | - | - | - | - | - | |
| | February 2008 | 34.63 | 24.00 | 831.12 | - | - | 24.00 | 831.12 | |
| | Totals | | 24.00 | \$ 831.12 | - | - | 24.00 | \$ 831.12 | |
| | | | Failure to Bill | | | | | Failure to Bill | |
| | November 2005 | \$ 33.62 | - | - | - | - | - | - | |
| | December 2006 | 34.63 | 3.00 | 103.89 | - | - | 3.00 | 103.89 | |
| | February 2008 | 34.63 | 3.00 | 103.89 | - | - | 3.00 | 103.89 | |
| | Totals | | 6.00 | \$ 207.78 | - | - | 6.00 | \$ 207.78 | |
| | Finding 2 Totals | | 18.00 | \$ 623.34 | - | - | 18.00 | \$ 623.34 | |

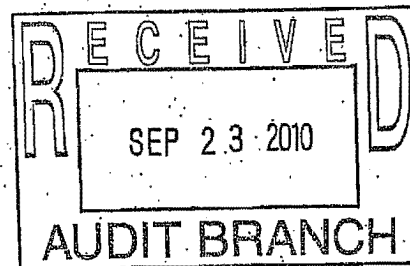
Developmental Dynamics, Inc. (DDI)
 Summary of Findings
 Audit Period: July 1, 2005 through June 30, 2008 (Findings 1 to 3)
 July 1, 2001 through June 30, 2002 (Finding 4)

Attachment E

| Finding # | Original Findings | | | Adjustments | | Revised Findings | |
|-----------|--|--------------------|--|---------------------|----------------|--|-------------------|
| | A | B | C | D | E | E | F |
| | Unit Rate | Units | Amount = A * B | Units | Amount =A*D | Units = B - D | Amount = A * E |
| 3 | H73502, SC 805 Infant Development Program (Center Base) | | | | | | |
| | | Ave. Salary | Unsupported Staffing Ratio | | | Unsupported Staffing Ratio | |
| | November 2005 | \$ 13.56 | Met Staffing Ratio | - | - | Met Staffing Ratio | |
| | December 2006 | 13.56 | Met Staffing Ratio | - | - | Met Staffing Ratio | |
| | February 2008 | 13.56 | 66.25 898.35 | - | - | 66.25 | 898.35 |
| | Finding 3 Totals | | <u>66.25 \$ 898.35</u> | <u>-</u> | <u>-</u> | <u>66.25</u> | <u>\$ 898.35</u> |
| 4 | PX0234, SC 999 Start-up Funding: Early Intervention Mobile Unit | | | | | | |
| | January 2004 | | <u>Contract Amount</u> \$ 49,630.71 | <u>-</u> | <u>-</u> | <u>Contract Amount</u> \$ 49,630.71 | |
| | Grand Total (Finding 1 + Finding 2 + Finding 3 + Finding 4) | | <u>\$ 123,104.82</u> | <u>\$ 23,367.28</u> | | <u>\$ 99,737.54</u> | |

September 21, 2010

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



Dear Mr. Yan:

I am writing in response to the draft report and formal exit conference that was held on August 25, 2010 at our Carson office.

Finding 1: Infant Development Program (In-Home) – Unsupported Billing and Failure to Bill

With regards to Finding 1, we found inaccuracies in two of the months audited, January 2007 and February 2008. A summary of the discrepancies follows:

| Month/Year | DDS Audit Findings (unsupported billing units) | DDI Data (unsupported billing units) |
|---------------|---|---|
| January 2007 | 435.00 | 143.05 |
| February 2008 | 339.50 | 105.92 |
| Total | 774.5 (\$47,895.08) | 248.97 (\$15,396.30) |

As instructed by Mr. Wilfredo Golez, we e-mailed our Excel spreadsheet attendance sheets for your agency's review and analysis on August 26, 2010. The consumer session verification logs for February 2008 have been enclosed for your review. The consumer session verification logs for January 2007 are currently with our attorneys, and we will forward a copy to you once the attorneys return them.

We assure you that at this time, Developmental Dynamics Incorporated is billing correctly and will continue to do so.

Finding 2: Infant Development Program (Center Base) – Unsupported Billing and Failure to Bill

As mentioned during the format exit conference, Melina Peace, the Program Director for the Centerbase Program has provided supporting documentation for the unsupported billing found during the audit. A copy of the supporting documentation has been enclosed.

Finding 3: Infant Development Program (Center Base) – Unsupported Staffing Ratio

Our Quality Assurance Staff (salaried staff) were not billing for work that they were providing with consumers at the Centerbase Program on their time sheets or schedules. However, we are making sure that everyone who interacts with the consumers at the Centerbase Program understands that they must include the hours of service on their timesheets to remedy this from happening in the future.

Finding 4: Start-Up Funding – Non-compliance with the Terms and Conditions of the Contract

With regards to the start-up funding for the Mobile Unit, Developmental Dynamics Incorporated never received any consumer referrals for the associated vendor number PX0234. After buying the vehicle, modifying it for accessibility to children with developmental disabilities and obtaining storage space and insurance, it sat for several years while we waited for referrals. The only time the Regional Center mentioned the Mobile Unit was in asking us to bring it to various Regional Center sponsored fairs, which we did to maintain good relations and did not receive or expect payment for. We included the Mobile Unit in our brochure, a copy of which we have enclosed. The one-time modification costs, and ongoing storage and insurance costs to maintain the vehicle accumulated beyond what we anticipated, especially in light of South Central LA Regional Center failing to refer any consumers for the Mobile Unit program, so the depreciated vehicle was sold in 2005.

We are requesting a scaled down payback amount for the Mobile Unit. We maintained the Mobile Unit vehicle for three years (2002-2005), and feel that depreciation should be calculated into the amount to be paid for the vehicle. We ask that you please consider the lack of referrals on SCLARC's part, and the fact that DDI did not cancel the Mobile Unit contract—we simply did not receive any referrals to support the program or vehicle during the three years we maintained the vehicle.

Finding 5: Infant Development Program (Center Base) – Non-compliance of the Required Program Hours

As mentioned during the format interview on August 25, 2010, the reason why the Centerbase Program began providing 3 hours sessions instead of the 3.5 hour sessions outlined in the program design is that SCLARC conducted a meeting in 2001 or 2002 concerning budget cutbacks. During this meeting, SCLARC representatives informed vendors that they would only pay for 3 hour sessions, not 3.5 hour sessions. We will revise our Centerbase program design and resubmit our package to SCLARC to reflect this change as you requested.

I am requesting the maximum time allowable to pay back the amount we owe the Department of Developmental Services, with an adjustment to the amount owed based on the documentation provided for January 2007 (pending) and February 2008 (enclosed), and the depreciation of the Mobile Unit vehicle. We have been experiencing severe financial crisis for the past three years that has been doubly compounded by the State's budget crisis and the Trailer Bill, and have yet to regain our footing.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in cursive script that reads "Wendy Carroll".

Wendy Carroll
President

#1448 P.001/002

Our mission and values

Mission Statement

Our Mission is to maintain a standard of excellence unequaled in the child development industry. To be truly successful, Developmental Dynamics must go beyond the level of consumer satisfaction provided by any other company. We must exceed our consumer's expectations with an unparalleled experience.

Our Values

Consumers: It is our promise to give our consumers the kind of service which demonstrates that we care about them and want them to receive all the comforts and rewards possible. Developmental Dynamics' commitment is reflected in our willingness to listen and respond to the voice of our consumers, as well as an individual commitment on the part of every employee to follow through on a consumer's concern to its successful resolution.

Employees: We have nothing of greater importance than our people. We are united by our single purpose: to make our company a place of fairness, honesty and trust, yet also a place of hard work, discipline and loyalty. We strive to make Developmental Dynamics a place of personal improvement and achievement, and commitment to our consumers and to one another, for we recognize that none of us can succeed alone.

Community: We believe we are a part of, not apart from, the communities in which we live and conduct our business. We will all be good citizens striving in all ways to enhance our neighborhoods.

Wendy Carroll

Wendy Carroll
President



Days of Operation

Monday through Saturday

Hours

Office hours are from
8:00 a.m. to 5:30 p.m.,
Monday through Friday.

In-home service hours are from
7:00 a.m. to 9:00 p.m.

Office staff and professionals are
on-call after office hours.

To learn more about
Developmental Dynamics
and the services we offer,
please call (323) 295-7421.

Developmental Dynamics Inc.
5150 W. Goldleaf Circle, Suite 400
Los Angeles, CA 90056
323.295.7421
Toll free: 800.296.8753
Fax: 323.295.1944
E-mail: info@ddfinc.org
ddfinc.org

*Developmental
Dynamics
Incorporated*



- In-Home Infant Development
- Centerbase Program
- Parenting Education
- Intervention Services

(0-18 years)

- Speech Pathology
- Occupational Therapy
- Physical Therapy
- Picture Exchange
Communication System (PECS)
- Floor Time
- Mobile Unit

(323) 295-7421

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CARROLL

About us

#1448 P. 002/002

Why Choose Developmental Dynamics?

- Developmental Dynamics has provided early intervention services to children birth to five years old and parenting education skills since 1983.
- We provide consumers and their families with an unparalleled level of support.
- Our team is comprised of professionals from various disciplines.
- Our program incorporates activities that promote physical, cognitive, speech and language, psychosocial development, self-help and feeding skills according to basic principles of child growth and development.

In-Home Early Intervention Program

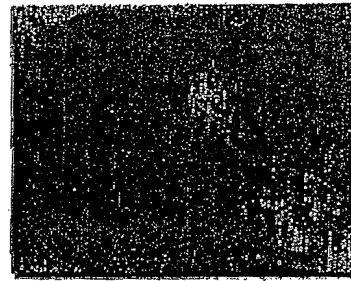
- Concentrates on children up to five years old who are at risk, medically fragile, premature, high risk, drug exposed and those with genetic and regulatory disorders.
- Services are provided in the consumer's natural environment, which provides the child with learning opportunities while involved in activities, routines and events of everyday life.

Centerbase Program

- For children 18 months to 3 years old with developmental delays in any area of development, as well as children with established risk conditions.
- Provides early intervention services in a structured school environment.
- Each child rotates with a small group from developmental center to center.

Parenting Skills Program

- Provides services to families who are in need of developing parenting skills in their natural environment.
- Focuses on normal growth and development, child's medical problems/illnesses, medically fragile child, siblings, emotional well-being as a parent, discipline, play, nutrition, speech and language, and advocacy skills.
- Parent discussion groups, which allow interaction amongst parents/caregivers in similar situations, are sponsored on a quarterly basis.



Frequently Asked Questions

What is an Early Interventionist?

An Early Interventionist is a degreed professional with extensive undergraduate work and field experience in child development and education.

What do Early Interventionists do during regular visits?

They use techniques such as sensory motor learning to enhance each child's development. They offer a one-on-one experience based on individual needs to stimulate the learning process. Early Interventionists document each child's developmental progress, encourage family participation in goal setting, and recommend activities.

How would my child benefit from early intervention services?

Experience is the chief architect of the brain. The first three years is the single most significant period of development in a child's life. Enhancing development now would reap lifelong benefits.

What are the goals of early intervention?

The major purpose of early intervention is identical to that of education in general:

- To assist the child in developing his/her cognitive, psychomotor, and effective emotional skills to the highest possible level.
- To prevent or minimize effects of disability (whether physical, emotional, etc.).
- To assist the family in meeting the developmental and behavioral needs of the child and to help the family establish a support system through interaction with the In-home Early Interventionist, community agencies, other parents, and through specifically designed parent support groups.

Our Team

Team Members

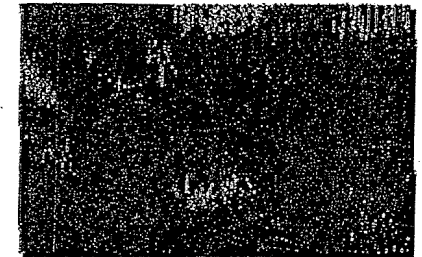
Our team members are made up of professionals ranging from 2 to 30 years of working experience with children, and parenting education skills training. We have a bilingual staff.

Our team members:

- Early Interventionists
- Parenting Specialists
- Behaviorists
- Speech Pathologists
- Registered Nurses
- Occupational Therapists
- Physical Therapists
- Nutritionists
- Educational Consultants

Quality Assurance

A Quality Assurance team member makes periodic visits to evaluate the progress of every client and parent, and the professional providing services to ensure that parent and caregivers are active participants in the Developmental Dynamics program.



FAQ

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02

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