

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
DEVELOPMENTAL SERVICES SUPPORT FOUNDATION FOR
KERN, INYO, AND MONO COUNTIES**

Programs and Services:

Communication Aides Services – PK5380

Community Activities Support Services – PK3679

Individual or Family Training Program – PK4026

Audit Period: July 1, 2010, through June 30, 2013

Audit Branch

Auditors: Mike Masui, Chief of Vendor Audits
Alimou Diallo, Supervisor
Ermas Teclé, Lead Auditor
Pardeep Deol, Auditor
Christopher Lee, Auditor

DEVELOPMENTAL SERVICES SUPPORT FOUNDATION FOR KERN, INYO, AND MONO COUNTIES

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) audited the Developmental Services Support Foundation for Kern, Inyo, and Mono Counties (DSSF). According to the DSSF's mission statement, the DSSF is incorporated to assist clients of Kern Regional Center (KRC) with resources not provided in KRC's budget. In addition, the DSSF was vendorized as a KRC service provider to provide Communication Aides services and one Individual or Family Training program under Celebracion De Familia, and a Community Activities Support Service under All Star Café.

The All Star Café and the Celebracion de Familia were vendored under the DSSF's Federal Employer Identification Number and were physically located in the KRC building. DSSF receives Purchase of Service (POS) funds from KRC to pay for Communication Aides services, Community Activities Support Services, and Individual or Family Training program. These services are provided by the All Star Café and Celebracion de Familia.

It was found that Celebracion de Familia was set up to provide services to Spanish-speaking parents of KRC consumers under Service Code 112; and the All Star Café was set-up to provide an opportunity for KRC consumers to learn how to start and operate a small business under Service Code 063. The audit included the review of the following services: Communication Aides services, Community Activities Support Services, and Individual or Family Training services, for the period of July 1, 2010, through June 30, 2013. The results of the audit disclosed the following significant issues of non-compliance:

Finding 1: Communication Aides Services – Improper Use of Service Code 112

The review of the Celebracion de Familia's Communication Aides services, under Vendor Number PK5380, Service Code 112, revealed that KRC awarded DSSF multiple contracts totaling \$217,497 from July 1, 2010, to June 30, 2013. However, Celebracion de Familia did not provide Communication Aides services to KRC consumers. The services provided were not specific to the service code definition of Communications Aides services, nor identified in the consumers' Individual Program Plan (IPP). The total amount of \$217,497 should be reimbursed to KRC, as this amount has been identified in the KRC biennial audit for repayment to DDS.

Finding 2: Community Activities Support Services – Unsupported Billings

The review of All Star Café's Community Activities Support Service, Vendor Number PK3679, Service Code 063, revealed that DSSF had unsupported billings for services that it billed KRC. As a result, DSSF had a total of \$80,109 of unsupported billings.

In addition, the contract language between KRC and DSSF provided no specific measurable details for services to be delivered and DSSF was not required to provide any supporting documentation, such as attendance and service records, to be reimbursed. This is not in compliance with CCR, Title 17, Section 50604(d) and (e).

The total billing discrepancies identified in this audit amounts to \$297,606. Of this amount, \$217,497 should be reimbursed to KRC, as this is identified for recovery from DDS' audit of KRC for reimbursement to DDS. The remaining \$80,109 must be reimbursed to DDS. A detailed discussion of these findings is contained in the Findings and Recommendations section of this audit 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

Objective

The audit was conducted to determine whether DSSF's Communication Aides services, Communities Activities Support Services, and Individual or Family Training program were compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, Title 17), and the regional center contracts with DSSF for the period of July 1, 2010, through June 30, 2013.

Scope

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 DSSF, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of DSSF'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 DSSF complied with W&I Code and CCR, Title 17. Also, any complaints that DDS' Audit Branch was aware of regarding non-compliance with laws and regulations were reviewed and followed up during the course of the audit. The audit scope was determined by reviewing the programs and services provided to KRC during the audit period.

Communication Aides Services

During the audit period, Celebracion de Familia operated one Communication Aides service. The audit included the review of Celebracion de Familia's Communication Aides service, Vendor Number PK5380, Service Code 112, and testing was performed for the period of July 1, 2010, through June 30, 2013.

Community Activities Support Services

During the audit period, All Star Café operated one Community Activities Support Service. The audit included the review All Star Café's Community Activities Support Service, Vendor Number PK3679, Service Code 063, and testing was performed for the period of July 1, 2010, through June 30, 2013.

Individual or Family Training Program

During the audit period, DSSF operated one Individual or Family Training program. The audit included the review of DSSF's Individual or Family Training, Vendor Number PK4026, Service Code 102, and testing was performed for the period of July 1, 2010, through June 30, 2013.

Methodology

The following methodology was used by DDS' Audit Branch to ensure the audit objectives were met. The methodology was designed to obtain reasonable assurance that the evidence provided was sufficient and appropriate to support the findings and conclusions in relation to the audit objectives. The procedures performed included, but were not limited to, the following:

- Review of vendor files for contracts, rate letters, program designs, POS authorizations, and correspondence pertinent to the review.
- Interview of regional center staff for vendor background information and to obtain insight into the vendor's operations.
- Interview of vendor staff and management to gain an understanding of its accounting procedures and processes for regional center billing.
- Review of the vendor's service/attendance records to determine if the vendor had sufficient and appropriate evidence to support the direct care services billed to the regional center(s).
- Analysis of the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, DSSF did not comply with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued the draft audit report on May 15, 2015. The findings in the audit report were discussed at an exit conference with Jessica Mathews, Board President of DSSF, Tom Crear, Attorney of DSSF, and Diana Campbell Rice, DSSF Board Secretary on May 27, 2015. Subsequent to the meeting, Ms. Campbell Rice responded on June 23, 2015 that DSSF did not agree with the audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Communication Aides Services – Improper use of Service Code 112

The review of Celebracion de Familia’s Communication Aides service, Vendor Number PK5380, Service Code 112, for the period of July 1, 2010, through June 30, 2013, revealed that Celebracion de Familia was vendorized as a provider of services by KRC and entered into multiple contracts with KRC in the amount of \$217,497. The service code used is specifically designated for assisting persons with hearing, speech, and/or vision impairment. However, Celebracion de Familia did not provide Communication Aides services to KRC consumers. Instead, Celebracion de Familia purportedly assisted consumers’ parents with the initial application for Social Security Income (SSI), offered computer classes, and monthly parent-training sessions which is not encompassed by Service Code 112. These services were not specific to the service code definition of Communications Aides services, and neither identified in the consumers’ Individual Program Plan (IPP), nor tied to a Unique Consumer Identifier (UCI) and authorization. This is not in compliance with CCR, Title 17. (See Attachment A)

Services Code 112, Communication Aides states:

“A regional center shall only classify a vendor as Communications Aide vendor if they provide those human services necessary to facilitate and assist persons with hearing, speech, or vision impairment to be able to effectively communicate with service provider, family, friends, co-workers, and general public. The following are allowable communication aides, as specifies in consumer’s IPP: 1. Facilitators; 2. Interpreters and interpreter services; Communication aide services include evaluation for communication aides and training in use of communication aides, as specified in consumer IPP.”

Recommendation:

The DSSF must reimburse the full amount of \$217,497 to KRC. This amount has been identified for recovery in DDS’ audit of KRC. In addition, DSSF should ensure that services provided are in accordance with the consumer’s IPP, authorization, and are provided under the appropriate service code.

DSSF’s Response:

Diana Campbell Rice, DSSF’s Board Secretary, stated in her response, dated June 23, 2015, that DSSF disagreed with the finding. A copy of the response is enclosed as Attachment C.

Finding 2: Community Activities Support Services – Unsupported Billings

The review of All Star Café’s Community Activities Support Services, Vendor Number PK3679, Service Code 063, for the period of July 1, 2010, through June 30, 2013, revealed that All Star Café billed KRC for two sub codes under the Community Activities Support Service. The first sub code was for KRC consumers, while the second sub code was for students from Kern High School’s Adult Based Living Experiences program (A.B.L.E.).

All Star Café had no source documentation to support the services provided to A.B.L.E. students. The billing for A.B.L.E. students could not be substantiated as it billed KRC based on a negotiated monthly rate which was paid regardless of the units of service provided. The lack of documentation resulted in unsupported billings to KRC in the amount of \$80,109. This is not in compliance with CCR, Title 17. (See Attachment B)

CCR, Title 17, Section 54326(a)(3) and (10) states:

“(a) 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 . . .”

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:

The DSSF must reimburse \$80,109 to DDS for unsupported billings. In addition, DSSF should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to KRC.

DSSF’s Response:

Diana Campbell Rice, DSSF’s Board Secretary, stated in her response, dated June 23, 2015, that DSSF disagreed with the finding. A copy of the response is enclosed as Attachment C.

Developmental Services Support Foundation for Kern, Inyo, and Mono Counties
Summary of Payments Using SC 112
Audit Period: July 1, 2010, through June 30, 2013

<i>Finding #</i>	<i>Vendor</i>	<i>Svc Code</i>	<i>Description</i>	<i>FY</i>	Unsupported Billings	Amount	Due to KRC
					<i>Amount</i>	<i>Net</i>	
1	<u>Communication Aides</u>						
	PK5380	112		10-11	\$ 86,425.00	\$	86,425.00
				11-12	\$ 61,552.00	\$	61,552.00
				12-13	\$ 69,520.00	\$	69,520.00
			<i>Subtotal</i>		<u>\$ 217,497.00</u>	<u>\$</u>	<u>217,497.00</u>
<i>TOTAL AMOUNT OF IMPROPER USE OF SERVICE CODE:</i>					<u>\$ 217,497.00</u>	<u>\$</u>	<u>217,497.00</u>

**Developmental Services Support Foundation for Kern, Inyo, and Mono Counties
 Summary of Unsupported Billings
 Audit Period: July 1, 2010, through June 30, 2013**

<i>Finding #</i>	<i>Vendor</i>	<i>Svc Code</i>	<i>Description</i>	<i>FY</i>	<i>Monthly Rate</i>	<i>Number of Months</i>	Unsupported Billings	Amount Due to DDS	
							<i>Amount</i>	<i>Net</i>	
2	<u>Community Activities Support Services</u>								
	PK3679	063	Sub Code: ABLE	10-11	\$2,202.25	12.00	\$ 26,427.00	\$ 26,427.00	
				11-12	\$2,202.25	12.00	\$ 26,427.00	\$ 26,427.00	
				12-13	\$2,271.25	12.00	\$ 27,255.00	\$ 27,255.00	
			<i>Subtotal</i>			36.00	\$ 80,109.00	\$ 80,109.00	
TOTAL UNSUPPORTED BILLINGS:							36.00	\$ 80,109.00	\$ 80,109.00



**Developmental Services
Support Foundation**

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Audit Branch
1600 Ninth Street, Room 230, MS 2-10
Sacramento, CA 95814

RE: Audit of Developmental Services Support Foundation (DSSF), review period July 1, 2010-June 30, 2013

June 23, 2015

Dear Mr. Yan,

Jessica Mathews, DSSF board president, Diana Campbell Rice, DSSF board secretary and Tom Crear, DSSF counsel, met with the DDS audit team lead by Alton Kitay, on May 27, 2015 for the final exit conference regarding the DDS Audit findings. This letter serves as a written response to the meeting and findings discussed.

DDS Audit Finding 1 Communication Aides Services – Improper use of Service Code 112/Celebracion de Familia

Highlight – Review of Celebration de Familia, vendor status and use of improper code operating under the DSSF Employer Identification # for the period of July 1, 2010-June 30, 2013. DDS requesting DSSF reimburse \$217,487 to Kern Regional Center.

DDS Audit Finding 2 Community Activities Support Services – Unsupported Billings/All Star Cafe

Highlight – Review of All Star Café operating under the DSSF Employer Identification # had unsupported billings for the Kern High School's Adult based Living Experiences program (A.B.L.E.) for the period of July 1, 2010-June 30, 2013. DDS requesting DSSF reimburse \$80,109 to DDS.

- Finding 1: DSSF contends that even though Celebration de Familia used the DSSF Employer Identification #, the organization operated on its own as a program of KRC, with separate bank accounts and recording keeping. DSSF recommends DDS pursue information directly from Celebration de Familia for records and reimbursement. Additionally DSSF recommends DDS explore recoding the services provided by Celebration de Familia to a proper service code.
- Finding 2: DSSF contends that even though All Star Cafe used the DSSF Employer Identification #, the organization operated on its own as a program of KRC, with separate bank accounts and recording keeping. In the spirit of cooperation, DSSF will contact the Kern High School's Adult based Living Experiences program (A.B.L.E.) to obtain records and information to support the billings and if obtained provide same to DDS by June 30th. DDS requested documentation in the form of a letter if the Kern High School District could not provide information about individual A.B.L.E. program participants due to privacy issues. DSSF recommends DDS pursue information directly from the All Star Café for records and reimbursement.

We appreciate the cooperation afforded DSSF during the DDS Audit review and final exit conference. If you have questions, please contact our counsel:

Tom Crear
LeBeau Thelen
Attorneys at Law
PO Box 12092
Bakersfield, CA 93389-2092

Sincerely,

A handwritten signature in cursive script, appearing to read "Diana Campbell Rice".

Diana Campbell Rice
Program Specialist/ Secretary, Board of Directors
Developmental Services Support Foundation

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES’
EVALUATION OF DEVELOPMENTAL SERVICES SUPPORT
FOUNDATION FOR KERN, INYO, AND MONO COUNTIES’ RESPONSE**

As part of the audit report process, Developmental Services Support Foundation for Kern, Inyo, and Mono Counties (DSSF) was afforded the opportunity to respond to the draft audit report and provide a written response to each finding identified therein. On June 23, 2015, DSSF submitted a response to the draft audit report, which was received by DDS on June 26, 2015. The response included a two page letter.

DDS evaluated DSSF’s written response to the draft audit report and determined that DSSF disagreed with the two findings.

Finding 1: Communication Aides Services – Improper use of Service Code 112

DSSF contends that even though Celebracion de Familia used and was vendorized under DSSF’s employer identification number, Celebracion de Familia operated on its own as a program of Kern Regional Center (KRC), with separate bank accounts and recording keeping. DSSF recommends to DDS to pursue information directly from Celebracion de Familia for supporting records and reimbursement. In addition, DSSF recommends DDS to explore recoding the services provided by Celebracion de Familia to a proper service code.

DDS Evaluation:

DSSF was vendorized as a KRC service provider to provide Communication Aides services and one Individual or Family Training program under Celebracion de Familia. The employer identification number (EIN) identifies the organization that is required to file various business tax returns. Accordingly, DSSF used its EIN to file Form 990 “Return of Organization Exempt from Income” which reported Celebracion de Familia’s revenue and expenses as part of the Statement of Revenue and Statement of Functional expenses on the Form. It is not uncommon for a business to have several bank accounts to track revenues and expenses for their separate activities. However, those separate bank accounts do not negate the fact that it is one and the same organization. In addition, CCR, Title 17, Section 50604(d) states that service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program.

Conclusion:

DSSF did not provide any argument that resulted in a reduction of the overpayment in Finding 1.

Finding 2: Community Activities Support Services – Unsupported Billings

DSSF contends that even though All Star Café used and was vendorized under DSSF’s employer identification number, All Star Café operated on its own as a program of KRC, with separate bank accounts and recording keeping. DSSF recommends to DDS to pursue information directly from the All Star Café.

DDS Evaluation:

DSSF was vendorized as a KRC service provider to provide Community Activities Support Service under All Star Café. The employer identification number (EIN) identifies the organization that is required to file various business tax returns. Accordingly, DSSF used its EIN to file Form 990 “Return of Organization Exempt from Income”, which reported All Star Café’s revenue and expenses as part of the Statement of Revenue and Statement of Functional expenses on the Form. It is not uncommon for a business to have several bank accounts to track revenues and expenses for their separate activities. However, those separate bank accounts do not negate the fact that it is one and the same organization. In addition, CCR, Title 17, Section 50604(d) states that service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program.

Conclusion:

DSSF did not provide any argument that resulted in a reduction of the overpayment in Finding 2.