

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
EAST BAY INNOVATIONS**

Programs and Services:

Independent Living Program – H54584
Supported Living Service – H70194
Community Integration Training Program – PB1139

(Audit Period: July 1, 2011, through March 31, 2012)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alton Kitay, Supervisor
Ermas Tecele, Lead Auditor
Aaron Lomanto, Auditor
Treisa Muhammad, Auditor

EAST BAY INNOVATIONS

TABLE OF CONTENTS

	Page(s)
Executive Summary	1
Background	2
Objective, Scope, and Methodology	2-3
Conclusion	4
Views of Responsible Officials.....	4
Restricted Use	4
Findings and Recommendations	5-8
Attachment A- Summary of Unsupported Billings and Failure to Bill	9
Attachment B- Vendor’s Response.....	10-11
Attachment C- DDS’ Evaluation of EBI’s Response	12-13

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited East Bay Innovations (EBI). The audit was performed upon the following programs: Independent Living Program (ILP), Supported Living Service (SLS), and Community Integration Training Program (CITP).

The last day of fieldwork was October 18, 2012.

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

Finding 1: ILP - Unsupported Billings and Failure to Bill

The review of EBI's ILP, Vendor Number H54584, revealed that EBI had both unsupported billings, as well as appropriate support for services that it failed to bill the Regional Center of the East Bay (RCEB). As a result, EBI had a total of \$1,674.01 of unsupported billings and a total of \$263.42 for which it failed to bill.

Finding 2: SLS - Unsupported Billings

The review of EBI's SLS program, Vendor Number H70194, revealed that EBI had unsupported billings for services billed to RCEB. As a result, EBI had a total of \$1,392.76 in unsupported billings.

Finding 3: CITP - Unsupported Billings

The review of EBI's CITP, Vendor Number PB1139, revealed that EBI had unsupported billings for services billed to RCEB. As a result, EBI had a total of \$754.48 in unsupported billings.

Finding 4: Misrepresentation of IHSS Provider

The review of EBI's SLS program, Vendor Number H70194, for the sample month of March 2012, revealed that EBI supervisors billed for IHSS hours that were actually provided by Community Living Assistants (CLA).

The total of the unsupported billing discrepancies identified in this audit amount to \$3,557.83 due back to DDS. A detailed discussion of these findings is contained in the Findings and Recommendations 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 EBI's ILP, SLS, and CITP were compliant with the W&I Code, California Code of Regulations (CCR, title 17), and RCEB contracts with EBI for the period of July 1, 2011, through March 31, 2012.

EBI was vendorized by RCEB and also provided services to Valley Mountain Regional Center (VMRC). Audit staff reviewed the programs and services provided to RCEB's consumers only.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. The auditors did not review the financial statements of EBI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of EBI'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 EBI 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.

Programs and Services

The audit included the review of the following programs and services:

- ILP, Vendor Number H54584, Service code 520
- SLS program, Vendor Number H70194, Service Code 896
- CITP, Vendor Number PB1139, Service code 055

The initial review, selected from the audit period of July 1, 2011, through March 31, 2012, of EBI's ILP and CITP consisted of a two-month sample (December 2011 and March 2012) and a one month sample (March 2012) for EBI's SLS program. Within the sample months selected, the audit

sample demonstrated merely a small percentage of unsupported billings. As a result, the testing sample was not expanded.

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

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

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on April 9, 2013. The findings in the report were discussed in a telephone exit conference with East Bay Innovation's CEO, Tom Heinz, on April 12, 2013. In the response to the draft audit report dated April 16, 2013, Mr. Heinz stated that he understands and accepts the audit findings outlined in the draft report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: ILP – Unsupported Billings and Failure to Bill

The review of EBI’s ILP, Vendor Number H54584, for the sample months of December 2011 and March 2012, revealed that EBI had both unsupported billings as well as appropriate support for services that it failed to bill the RCEB.

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

EBI was not able to provide appropriate supporting documentation for 49.25 units of services billed. The lack of documentation resulted in unsupported billings to RCEB in the amount of \$1,674.01.

In addition, EBI provided appropriate supporting documentation for 7.75 units of service, which was not billed to RCEB. This resulted in an unbilled amount of \$263.42.

As a result, \$1,410.59 is due back to DDS for the unsupported billings.
(See Attachment A.)

CCR, 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, 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:

EBI must reimburse to DDS the \$1,410.59 for the unsupported billings. In addition, EBI should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to RCEB.

EBI’s Response:

EBI indicated that they are in agreement with the finding and recommendation.

Finding 2: SLS – Unsupported Billings

The review of EBI’s SLS program, Vendor Number H70194, for the sample month of March 2012, revealed that EBI had unsupported billings for services billed to RCEB.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed. The following is the discrepancy identified:

EBI was not able to provide appropriate supporting documentation for 69.18 hours of services billed. The lack of documentation resulted in unsupported billings to RCEB in the amount of \$1,392.76.

As a result, \$1,392.76 is due back to DDS for the unsupported billings.
(See Attachment A.)

CCR, 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, 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:

EBI must reimburse to DDS the \$1,392.76 for the unsupported billings. In addition, EBI should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to RCEB.

EBI’s Response:

EBI indicated that they are in agreement with the finding and recommendation.

Finding 3: CITP – Unsupported Billings

The review of EBI’s CITP, Vendor Number PB1139, for the sample months of December 2011 and March 2012, revealed that EBI had unsupported billings.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to RCEB. The following is the discrepancy identified:

EBI was not able to provide appropriate supporting documentation for 12.25 hours of services billed. The lack of documentation resulted in unsupported billings to RCEB in the amount of \$754.48.

As a result, \$754.48 is due back to DDS for the unsupported billings.
(See Attachment A.)

CCR, 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, 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:

EBI must reimburse to DDS the \$754.48 for the unsupported billings. In addition, EBI should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to RCEB.

EBI’s Response:

EBI indicated that they are in agreement with the finding and recommendation.

Finding 4: Misrepresentation of IHSS Provider

The review of EBI’s SLS program, Vendor Number H70194, for the sample month of March 2012, revealed that EBI supervisors billed for IHSS hours that were actually provided by other employees.

EBI supervisors billed and submitted timesheets for IHSS hours that were actually provided by other EBI employees. This was done to avoid the gap in services to the consumers during the period of time it takes for a new IHSS employee to be approved. EBI supervisors, who were already approved IHSS providers, signed and submitted timesheets, in which they certified that the information contained on the timesheet was true, accurate, and complete. However, the work attested to was actually provided by other employees. Therefore, EBI supervisors made a misrepresentation of fact to IHSS. It was noted that the hours worked by the employees did reconcile to the amount of hours billed by the supervisors to IHSS, so no monetary issues were identified.

Alameda County In-Home Supportive Services Handbook:
Last updated: January 2011, page 17 states:

“Timesheets must be signed and dated by both the worker and the consumer, unless the consumer has an authorized representative.

The consumer signature on the timesheet confirms that the worker has completed the hours written on the timesheet. A consumer should not sign an inaccurate, incomplete or blank timesheet.

Workers should claim only actual hours worked.”

Recommendation:

EBI should develop and implement policies and procedures to ensure that IHSS is only billed by those that provide the actual service. Supervisors must not submit IHSS timesheets in place of the actual provider of service. In addition, EBI should maintain a pool of approved IHSS service providers so it can provide the services while new employees obtain IHSS approval.

EBI’s Response:

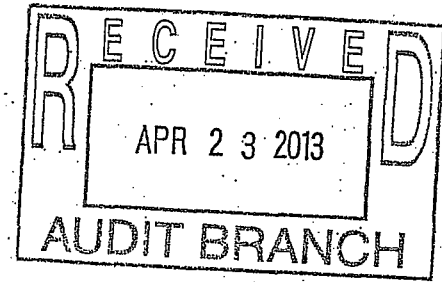
EBI indicated that they are in agreement with the finding and recommendation.

East Bay Innovations
Summary of Unsupported Billings and Failure to Bill
July 1, 2011 through March 31, 2012

Finding #	Vendor	Svc Code	Description	Sample Months	A Rate	B Unsupported Billings		D Failure to Bill		E=A*D Amount Due to DDS
						Units	C=A*B Amount	Units	Amount	
1	Independent Living Programs									
	H54584	520	Independent Living 1:1	Dec-11	\$ 33.99	20.00	\$ 679.80	(2.50)	\$ (84.98)	\$ 594.83
				Mar-12	\$ 33.99	29.25	\$ 994.21	(5.25)	\$ (178.45)	\$ 815.76
			Subtotal			49.25	1,674.01	(7.75)	\$ (263.42)	\$ 1,410.59
2	Supported Living Services									
	H70194	896		Mar-12	19.20	37.40	\$ 718.08	-	\$ -	\$ 718.08
					21.23	31.78	\$ 674.68	-	\$ -	\$ 674.68
			Subtotal			69.18	\$ 1,392.76			\$ 1,392.76
3	Community Intergration									
	PB1139	055	Project Search 1:4	Dec-11	\$ 61.59	6.25	\$ 384.94	-	\$ -	\$ 384.94
				Mar-12	\$ 61.59	6.00	\$ 369.54	-	\$ -	\$ 369.54
			Subtotal			12.25	\$ 754.48	-	\$ -	\$ 754.48
TOTAL UNSUPPORTED BILLINGS:										\$ 3,557.83



eastbayinnovations
 2450 Washington Ave, Suite 240
 San Leandro, CA 94577
 Main: (510) 618-1580
 Fax: (510) 618-1570



Edward Yan
 Department of Developmental Services
 Audit Branch
 1600 Ninth Street Room 230, MS 2-10
 Sacramento, CA 9814

Dear Edward,

April 16, 2013

We understand and accept the audit findings outlined in your unit's draft audit report. However, we feel it important to point out that the DDS audit process focuses only on discrepancies between authorized POS hours and hours of service documented by the provider to each consumer when the hours provided are less than the authorized service hours. The audit does not look at SLS hours provided to a consumer that exceed authorized POS service hours.

Unfortunately, there are many incidences where supported living agencies provide support hours in excess of authorized POS hours. Among the reasons for this are:

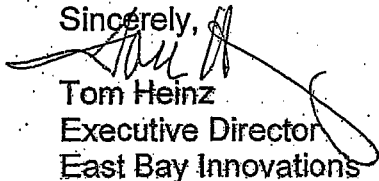
- Consumer is ill and cannot attend a day program or job;
- Family member providing unpaid support is scheduled but not available;
- Day program experiences closure days and consumer spends extra time at home;
- Transportation from day program comes home early;

Also unfortunately many consumers who have been utilizing supported living services for some time have SLS funding that has been "frozen". Over time some of these consumers support needs have increased but their POS service hours have not.

To illustrate this point, attached is just a 2 month breakdown (November and December 2012) of POS service hours vs. SLS service actually provided. In those 2 months EBI provided a total of 588 hours in excess of the authorized POS hours at an estimated loss to our agency of \$11,289.

As an aside, the auditing team that was assigned to our agency was efficient, respectful and very professional.

Sincerely,


 Tom Heinz
 Executive Director
 East Bay Innovations

cc: James Burton, Executive Director, Regional Center of the East Bay

SLS POS Hours vs. SLS Hours Provided

November	EBI SLS Consumer UCI	Hours Auth'd/mo	Hours Provided	Net Hours
	[REDACTED]	293	343	-50
	[REDACTED]	567	658	-91
	[REDACTED]	662	680	-18
	[REDACTED]	452	492	-40
	[REDACTED]	679	729	-50
	[REDACTED]	606	714	-108
Total Hrs Provided in Excess of POS				-357

December	EBI SLS Consumer UCI	Hours Auth'd/mo	Hours Provided	Net Hours
	[REDACTED]	293	307	-14
	[REDACTED]	567	636	-69
	[REDACTED]	662	629	33
	[REDACTED]	452	543	-91
	[REDACTED]	679	653	26
	[REDACTED]	606	722	-116
Total Hrs Provided in Excess of POS				-231

Total for 2 mo.s Hrs
Provided in Excess
of POS -588

Dollars lost over 2
mo.s = 588 hours X
\$19.20/hour \$11,289.60

THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF EAST BAY INNOVATIONS' RESPONSE

As part of the audit report process, EBI was afforded the opportunity to respond to the draft audit report and provide a written response to each finding identified therein. On April 16, 2013, EBI submitted a response to the draft audit report, which was received by DDS on April 23, 2013. The response included a one page letter and a one page attachment.

DDS evaluated EBI's written response to the draft audit report and determined that EBI agreed with the draft audit report. However, EBI then proceeded to state that, while it accepted the report, it wanted to point out that it provided hours of support, exceeding authorized purchase of service (POS) levels that were not addressed by DDS Audits. The reasons EBI gives to explain why it provided hours in excess of the authorized POS hours are as follows:

- Consumer was ill and could not attend their day program or job;
- The family member providing unpaid support was scheduled to provide hours but was not available;
- The Day program experienced closure days which resulted in the consumers spending extra time at home;
- The transportation provided from the day program dropped the consumers off early.

To support its claim, EBI provided a schedule that indicated it provided 588 hours in excess of authorized hours over a two month period. This resulted in \$11,289.60 in losses.

DDS' Evaluation:

It is the regional center's responsibility to determine the level of service that is necessary for its consumers. It is also the responsibility of the regional center to provide a written authorization to the vendor so it will know the amount of services it is allowed to provide to the consumer. Authorizations are a control feature of the billing system that prevents a vendor from billing excess hours for consumers without notifying and obtaining prior approval from the regional center.

CCR, title 17, section 50612 (a) states:

“A purchase of service authorization shall be obtained from the regional center for all services purchased out of center funds.”

Consequently, EBI's purported provision of excess hours for the two month period is not allowable or billable. If in fact EBI was providing excess hours to its consumers on a continual basis, it would require EBI to request additional hours be authorized from the regional center.

Although EBI has not requested an adjustment to the audit report findings, DDS noted that EBI did not provide sufficient auditable evidence that the excess hours were actually provided per EBI's schedule. Accordingly, DDS is unable to verify the number of excess hours of service EBI claims to have provided.

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES'
EVALUATION OF EAST BAY INNOVATIONS' RESPONSE**

DDS' Conclusion:

EBI did not request nor did it provide sufficient evidence that the audit report required any adjustments. Therefore, the draft audit report will be issued as final.