

**DEPARTMENT  
OF  
DEVELOPMENTAL SERVICES  
AUDIT  
OF  
EASTER SEALS OF SOUTHERN CALIFORNIA  
(Easter Seals)  
Glendale/Pasadena Offices**

**Supported Living Service:**  
Supported Living Service (SLS) – PD1504

**Miscellaneous Programs:**  
Community Integration Training H25245  
Socialization Training – PD0573

**Day Programs:**  
Adult Development Center (ADC) – H16780 and H16864  
Activity Center (AC) – H25121

(Audit Period: July 1, 2007 through June 30, 2008)

**Audit Branch**

Michael Masui, Chief of Vendor Audits  
Alton Kitay, Supervisor  
Alimou Diallo, Lead Auditor  
Ernesto Galasinao, Auditor  
Gini Corbitt, Auditor

**Assignment # 09-VN-2-006**

# EASTER SEALS OF SOUTHERN CALIFORNIA

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited the Glendale/Pasadena field office of Easter Seals of Southern California (Easter Seals). The audit was performed upon the following programs: Supported Living Service, Miscellaneous, and Day for the period of July 1, 2007 through June 30, 2008.

The last day of fieldwork was June 26, 2009.

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

### **Finding 1: Day Programs (ADC) – Unsupported Billing**

The review of Easter Seals' Day Programs, for Vendor Numbers H16864 and H16780, revealed that Easter Seals had unsupported billings for services billed to Frank D. Lanterman Regional Center (FDLRC). As a result, Easter Seals had a total of \$481.79 of unsupported billings.

### **Finding 2: Day Program (AC) – Unsupported Billing**

The review of Easter Seals' Day Program, for Vendor Number H25121, revealed that Easter Seals had unsupported billings for services billed to FDLRC. As a result, Easter Seals had a total of \$162.57 of unsupported billings.

### **Finding 3: Miscellaneous Program (Socialization Training) – Unsupported Billing**

The review of Easter Seals' Miscellaneous Program, Vendor Number PD0573, revealed that Easter Seals had unsupported billings for services billed to FDLRC. As a result, Easter Seals had a total of \$44.34 of unsupported billings.

The net total of the unsupported billing discrepancies identified in this audit amounts to \$688.70 due back to DDS. A detailed discussion of these findings is contained in the Findings and Recommendations section of this report.

## **BACKGROUND**

The Department of Developmental Services (DDS) is responsible, under the Lanterman Developmental Disabilities Services Act, for ensuring that persons with developmental disabilities receive the services and supports they need to lead more independent, productive, and normal lives. DDS contracts with 21 private, nonprofit regional centers that provide fixed points of contact in the community for serving eligible individuals with developmental disabilities and their families in California. In order for regional centers to fulfill their objectives, they secure services and supports from qualified service providers and/or contractors. Per Welfare and Institutions Code, Section 4648.1, DDS has the authority to audit those service providers and/or contractors that provide services and supports to the developmentally disabled.

## **OBJECTIVE, SCOPE, AND METHODOLOGY**

The audit was conducted to determine whether Easter Seals' Supported Living Service, Community Integration Training, Socialization Training Program, Adult Development Center, and Activity Center Program were compliant with the applicable Welfare and Institutions Code (W&I), California Code of Regulations Title 17 (Title 17), and FDLRC and other user regional centers' contracts with Easter Seals for the period of July 1, 2007 through June 30, 2008.

Easter Seals operates multiple locations in the Los Angeles area. However, based upon the risk assessment and the review of Easter Seals' internal controls, our audit sample was limited to FDLRC's catchments area, which includes Glendale, Pasadena, and West Hollywood.

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 Easter Seals, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of Easter Seals' internal controls to gaining an understanding of the transaction flow and invoice preparation process as necessary to develop appropriate auditing procedures. The audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that Easter Seals complied with required regulations.

### **Supported Living Services**

During the audit period, Easter Seals operated three Supported Living Services. Our audit included the review of two of Easter Seals' Supported Living Services. The specific programs audited are listed below:

- Supported Living Services Vendor Administrator, Vendor Number PD1504, Service Code 894
- Supported Living Services, Vendor Number PD1504, Service Code 896

The procedures performed at FDLRC, the vendoring regional center, and Easter Seals included, but were not limited to, the following:

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

### **Miscellaneous Programs**

During the audit period, Easter Seals operated 23 Miscellaneous Programs. The audit included the review of two of Easter Seals’ Miscellaneous Programs. The programs audited are listed below:

- Community Integration Training, Vendor Number P25245, Service Code 055
- Socialization Training, Vendor Number PD0573, Service Code 028

The procedures performed at FDLRC, the vendoring regional center, and Easter Seals included, but were not limited to, the following:

- Reviewed FDLRC’s vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interviewed FDLRC staff for vendor background information and to obtain prior vendor audit reports.
- Interviewed Easter Seals staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Reviewed Easter Seals service/attendance records to determine if Easter Seals had sufficient and appropriate evidence to support the direct care services billed to the regional centers.

## **Day Programs**

During the audit period, Easter Seals operated 14 Day Programs. The audit included the review of four of Easter Seals' Day Programs. The programs audited are listed below:

- Glendale Office, Vendor Number H16780, Service Code 510
- Pasadena Office, Vendor Number H16864, Service Code 510
- West Hollywood Office, Vendor Number H16864, Service Code 510
- Activity Center/West Hollywood, Vendor Number, H25121, Service Code 505

The procedures performed at FDLRC, the vendoring regional center, and Easter Seals included, but were not limited to, the following:

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

## **CONCLUSION**

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

The DDS issued a draft audit report on May 4, 2010. The findings in the report were discussed at an exit conference with [REDACTED], the Regional Vice President of Easter Seals, on May 6, 2010. [REDACTED] indicated via e-mail dated June 15, 2010 that Easter Seals is in full agreement with the findings and recommendations of the draft report.

## **RESTRICTED USE**

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, FDLRC, and Easter Seals. Additionally, seven user regional centers, which referred consumers to Easter Seals and were affected by the audit results, will be sent a copy of the report. This report is not intended and should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

## FINDINGS AND RECOMMENDATIONS

### **Finding 1: Day Programs (ADC) - Unsupported Billing**

The review of Easter Seals' Day Programs, Vendor Numbers H16864 and H16780, for the sample months of October 2007 and May 2008, revealed that Easter Seals had unsupported billings to FDLRC.

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

Easter Seals was not able to provide appropriate supporting documentation for six days of services billed under Vendor Number H16864. This lack of documentation resulted in unsupported billings to FDLRC in the amount of \$413.46.

Easter Seals was also not able to provide appropriate supporting documentation for one day of service billed under Vendor Number H16780. This lack of documentation resulted in unsupported billings to FDLRC in the amount of \$68.33.

The net total of the billing discrepancies resulted in \$481.79 of overpayments due back to DDS. (See Attachment A.)

Title 17, Section 54326(a) states:

“All vendors shall:

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

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

Also, Title 17, 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.

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



**Recommendation:**

Easter Seals should reimburse to DDS the \$481.79 of unsupported billings. In addition, Easter Seals should review its policies and procedures to ensure that all proper documentation is maintained and on file to support the amounts billed to FDLRC.

**Easter Seal's Response:**

Easter Seals indicated via e-mail that they are in full agreement with the finding and recommendation.

**Finding 2: Day Program (AC) – Unsupported Billing**

The review of Easter Seals' Day Program, Vendor Number H25121, for the sample months of October 2007 and May 2008, revealed that Easter Seals had unsupported billings to FDLRC.

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

Easter Seals was not able to provide appropriate supporting documentation for three days of services billed. This lack of documentation resulted in unsupported billings to FDLRC in the amount of \$162.57 due back to DDS.  
(See Attachment A.)

Title 17, Section 54326(a) states:

“All vendors shall:

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

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

Also, Title 17, 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.

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

**Recommendation:**

Easter Seals should reimburse to DDS the \$162.57 of unsupported billings. In addition, Easter Seals should review its policies and procedures to ensure that all proper documentation is maintained and on file to support the amounts billed FDLRC.

**Easter Seal's Response:**

Easter Seals indicated via e-mail that they are in full agreement with the finding and recommendation.

**Finding 3: Miscellaneous Program (Socialization Training) – Unsupported Billing**

The review of Easter Seals' Miscellaneous Program, Vendor Number PD0573, for the sample month of October 2007 and May 2008, revealed that Easter Seals had unsupported billings to FDLRC.

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

Easter Seals was not able to provide appropriate supporting documentation for three hours of services billed. This lack of documentation resulted in unsupported billings to FDLRC in the amount of \$44.34 due back to DDS. (See Attachment A.)

Title 17, Section 54326(a) states:

“All vendors shall:

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

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

Also, Title 17, 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.

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

**Recommendation:**

Easter Seals should reimburse to DDS the \$44.34 of unsupported billings. In addition, Easter Seals should review its policies and procedures to ensure that all proper documentation is maintained and on file to support the amounts billed to FDLRC.

**Easter Seal's Response:**

Easter Seals indicated via e-mail that they are in full agreement with the finding and recommendation.

**Easter Seals of Southern California  
Glendale/Pasadena Offices  
Summary of Unsupported Billings  
Fiscal Year 2007-08**

<i>Finding</i>	<i>Svc</i>		<u>A</u>	<u>B</u>	<u>C = A*B</u>	<u>Amount</u>	
<i>Number</i>	<i>Vendor</i>	<i>Code</i>	<i>Description</i>	<i>Rate</i>	<i>Units/Hours</i>	<i>Unsupported Billings</i> <sup>1</sup>	<i>Due to DDS</i>
<b>1</b>	<b><u>Day Program (ADC)</u></b>						
	H16864	510	Adult Development Center	\$ 68.91	6.00	\$ 413.46	
	H16780	510	Adult Development Center	\$ 68.33	1.00	68.33	
			<b><i>Total Adult Development Center</i></b>		<b>7.00</b>		<b>\$ 481.79 a</b>
<b>2</b>	<b><u>Day Program (AC)</u></b>						
	H25121	505	Activity Center	\$ 54.19	3.00	162.57	
			<b><i>Total Activity Center</i></b>		<b>3.00</b>		<b>\$ 162.57 b</b>
<b>3</b>	<b><u>Miscellaneous Program</u></b>						
	PD0573	028	Socialization Training	\$ 14.78	3.00	44.34	
			<b><i>Total Socialization Training</i></b>		<b>3.00</b>		<b>\$ 44.34 c</b>
						<b>TOTAL UNSUPPORTED BILLINGS:</b>	<b>\$ 688.70 Σabc</b>

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