

**DEPARTMENT  
OF  
DEVELOPMENTAL SERVICES  
AUDIT  
OF  
EMPLOYMENT THROUGH ADAPTATION, BAKERSFIELD, INC.**

**Programs and Services:**

Community Activities Support Services- PK3268

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

**Audit Branch**

**Auditors:** Michael Masui, Chief of Vendor Audits  
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# EMPLOYMENT THROUGH ADAPTATION, BAKERSFIELD

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## **EXECUTIVE SUMMARY**

The Department of Developmental Services (DDS) has audited Employment Through Adaptation, Bakersfield, Inc. (ETAB). The audit was performed upon the Community Activities Support Services program for the period of July 1, 2010, through June 30, 2013. However, due to the lack of response from ETAB, DDS is issuing the audit report without additional input from ETAB's staff and/or Executive management. The following is the result of the audit:

### **Finding 1: Community Activities Support Services – Unsupported Billings**

DDS was unable to obtain any documents in support of ETAB's services or to substantiate whether the Community Activities Support Services was provided by ETAB. Therefore, based on this lack of sufficient documentation, ETAB is required to reimburse DDS for the entire audit period of July 1, 2010, through June 30, 2013, for the amount of \$3,986,385.59.

A full discussion of this finding is contained in the Finding and Recommendation 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 ETAB's Community Activities Support Services was compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, Title 17), and the regional center's contracts with ETAB 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 ETAB, nor was this audit intended to express an opinion on the financial statements. The auditors were not able to review ETAB'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 ETAB complied with W&I and CCR, Title 17. Also, any complaints that the 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 sample period of two months was expanded to include the full audit period of July 1, 2010, through June 30, 2013, due to the lack of response and documentation provided by ETAB.

### **Community Activities Support Services**

During the audit period, ETAB operated one Community Activities Support Services, Vendor Number PK3268, Service Code 063, which was audited.

### **Methodology**

The following methodology would normally be used by DDS to ensure the audit objectives were met. The methodology was designed to obtain a 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 would normally include, but not be limited to, the following:

- Review of vendor files for contracts, rate letters, program designs, purchase of service 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 ETAB's management to gain an understanding of its accounting procedures and processes for KRC billings.
- Review and analysis of documents, which is part of the normal methodology, was not possible since ETAB did not provide the necessary supporting documents.

## **CONCLUSION**

Based upon the item identified in the Finding and Recommendation section, ETAB did not comply with the requirements of CCR, Title 17. ETAB did not provide any documents to support the services it billed to KRC.

## **VIEWS OF RESPONSIBLE OFFICIALS**

The DDS issued the audit report as a draft on July 29, 2014, and mailed to John Johnson, President of ETAB, at all known addresses, only to be returned to DDS.

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### Finding 1: Community Activities Support Services – Unsupported Billing

DDS met with ETAB's owner at the entrance conference meeting held on February 11, 2014. During this meeting, it was requested that all documentation supporting ETAB's billings for services to KRC be provided for the audit period. However, ETAB failed to provide any documentation to support its billings. Numerous attempts were made via email, telephone, and written correspondence to obtain the documentation. ETAB terminated services to KRC consumers as of April 2013.

Due to the lack of response and documentation from ETAB, DDS determined that ETAB must reimburse the billings for the entire audit period. As a result, \$3,986,385.59 is due back to DDS for the unsupported billings. (See Attachment A.)

W&I 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 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.”

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 . . .”

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.”

CCR, Title 17, Section 50605(a) states:

“(a) All service providers' financial and service records, including source documentation, shall be retained for a minimum of five years from the date of final payment for the State fiscal year in which services were rendered. This requirement may be satisfied by retaining an electronic record of the information in the record, if the record reflects accurately the information set forth in the record at the time it was first generated in its final form as an electronic record or otherwise, and the electronic record remains accessible for later reference.”

**Recommendation:**

ETAB must reimburse to DDS \$3,986,385.59 of unsupported billings for the audit period of July 1, 2010, through June 30, 2013.

**Employment Through Adaptation, Bakersfield, Inc. (ETAB)**  
**Summary of Unsupported Billing**  
**Audit Period: July 1, 2010 through June 30, 2013**

**Attachment A**

Finding #	Vendor	Svc Code	Description	<u>Unsupported Billings</u>	<u>Net Due to DDS</u>
				Amount <sup>1</sup>	Amount
<b><u>Community Activities Support Services Program</u></b>				<u>A</u>	
1	PK3268	063	Community Activities Support Program		
			Fiscal Year		
			KRC- 10/11	\$ 1,364,968.39	\$ 1,364,968.39
			KRC- 11/12	\$ 1,302,337.62	\$ 1,302,337.62
			KRC- 12/13	\$ 1,319,079.58	\$ 1,319,079.58
			Sub Total	<u>\$ 3,986,385.59</u>	<u>\$ 3,986,385.59</u>
<b><i>TOTAL-COMMUNITY ACTIVITIES SUPPORT SERVICES PROGRAM</i></b>				<b><u>\$ 3,986,385.59</u></b>	<b><u>\$ 3,986,385.59</u></b>

1. ETAB did not provide any support documentation, therefore amounts were taken in their entirety from the POS provided from DDS Data Extraction Unit.