

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
FIERRO LIVING SERVICES, INC.**

Program and Service:

Independent Living Program – HE0212

Audit Period: July 1, 2011, through June 30, 2012

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alimou Diallo, Supervisor
Wilfredo Golez, Lead Auditor

FIERRO LIVING SERVICES, INC.

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
Finding and Recommendation	5-6
Attachment A – Summary of Unsupported Billings and Failure to Bill.....	7
Attachment B – FLS’ Response	8-9
Attachment C – Evaluation of FLS’ Response	10

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Fierro Living Services, Inc. (FLS). The audit was performed upon the Independent Living Program for the period of July 1, 2011, through June 30, 2012.

The audit disclosed the following issue of non-compliance:

Finding 1: Independent Living Program - Unsupported Billings and Failure to Bill

The review of FLS' Independent Living Program, Vendor Number HE0212, revealed that FLS had both unsupported billings, as well as appropriate support for services that it failed to bill Eastern Los Angeles Regional Center (ELARC). As a result, FLS had a total of \$912 of unsupported billings and a total of \$63 for which it failed to bill.

The net total of unsupported billings identified in this audit amounts to \$849 and is due back to DDS. A detailed 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, contractors, or both. 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 FLS' Independent Living Program was compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, Title 17), and the regional centers' contracts with FLS for the period of July 1, 2011, through June 30, 2012.

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 FLS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of FLS' 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 FLS 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 program and services provided to ELARC, which utilized FLS' services during the audit period. In addition, FLS provided one type of service for which DDS audited. Analyzing the information received during the pre-audit meeting with the vendor, information in the internal control questionnaire and a risk analysis, it was determined that a two month sample period would be sufficient to fulfill the audit objectives.

Independent Living Program

During the audit period, FLS operated one Independent Living Program. The audit included the review of FLS' Independent Living Program, Vendor Number HE0212, Service Code 520, and testing was done for the months of November 2011 and March 2012.

Methodology

The following methodology was 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 included, but were not limited to, the following:

- Review of vendor files for contracts, rate letters, program designs, Purchase of Service (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 vendor service/attendance records to determine if the vendor had sufficient and appropriate evidence to support the direct care services billed to the regional center.
- Analysis of the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.

CONCLUSION

Based upon the item identified in the Finding and Recommendation section, FLS had a finding of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on March 19, 2015. The finding in the audit report was discussed with FLS in the exit conference conducted via phone on March 26, 2015. FLS concurred with the finding and agreed to send a check representing the amount due to DDS. FLS subsequently remitted a check for the full amount of \$849 on May 19, 2015, which was received by DDS on May 20, 2015.

RESTRICTED USE

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

FINDING AND RECOMMENDATION

Finding 1: Independent Living Program – Unsupported Billings and Failure to Bill

The review of FLS' Independent Living Program, Vendor Number HE0212, for the sample months of November 2011 and March 2012, revealed that FLS had both unsupported billings, as well as appropriate support for services that it failed to bill to ELARC.

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

FLS was not able to provide appropriate supporting documentation for 29 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC in the amount of \$912.

In addition, FLS provided appropriate supporting documentation for two hours of service that were not billed to ELARC. This resulted in an unbilled amount of \$63.

As a result, \$849 (\$912 - \$63) is due back to DDS for the unsupported billings. (See Attachment A)

CCR, Title 17, Sections 54326(a)(3) and (10) state in part:

“(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, Sections 50604(d) and (e) state in part:

“(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:

FLS must reimburse to DDS the \$849 for the unsupported billings. In addition, FLS should ensure that the number of direct care hours reported in its Monthly Attendance Sheets is consistent to the number of direct care hours reported in its Daily Case Notes.

Auditee's Response:

FLS concurred with the finding and agreed to send a check representing the amount due to DDS.

Fierro Living Services, Inc.
Summary of Unsupported Billings and Failure to Bill
Audit Period: July 1, 2011, through June 30, 2012

Attachment A

Finding #	Vendor	Svc Code	Description	Unit Type	Unit Rate	<u>Unsupported Billings</u>		<u>Failed to Bill</u>		<u>Net Due to DDS</u>
						Units	Amount A	Units	Amount B	Amount = A + B
<u>Independent Living Program</u>										
1	HE0212	520								
			November 2011	Hour	\$ 31.44	21	\$ 660	2	\$ (63)	\$ 597
			March 2012	Hour	31.44	8	252	-	-	252
FINDING 1: Total - Independent Living Program						29	\$ 912	2	\$ (63)	\$ 849

Fierro Living Services' Response to Draft Report

As part of the audit report process, Fierro Living Services was afforded the opportunity to respond to the draft audit report and provide a written response to the finding(s) identified. However, Fierro Living Services waived its right to respond and instead submitted a check for the full amount identified in the draft audit report.

FLS accepts the audit finding and has agreed to reimburse DDS the total amount identified in the draft audit report. See Attachment B for the confirmation email.

-----Original Message-----

From: Rudy Fierro [mailto:fierrorudy@aol.com]

Sent: Monday, May 11, 2015 2:13 PM

To: Golez, Wilfredo@DDS

Cc: Rudy Fierro

Subject: audit 2014

Hi Wilfredo,

Thank you for the call regarding our 2014 audit. This email is to inform you that Fierro Living Services Inc., will be mailing a check paid in full in the amount owed back to DDS as stated in our audit report.

Once again, we thank you, it was a pleasure meeting and working with you.

Best Regards,

Rudy Fierro

CEO of Fierro Living Services Inc.

626-975-6585

**DEPARTMENT OF DEVELOPMENTAL SERVICES'
EVALUATION OF FIERRO LIVING SERVICES' RESPONSE**

As a part of the audit report process, Fierro Living Services (FLS) was afforded the opportunity to respond to the draft of the Audit Report and provide a written response to the Department of Developmental Services (DDS) with regards to the finding. On May 11, 2015, FLS submitted an emailed response to DDS, not disputing the finding in the audit report.