

**DEPARTMENT  
OF  
DEVELOPMENTAL SERVICES  
AUDIT  
OF  
HELP ENCOURAGE ADVOCATE RESOURCE TRAINING SUPPORT  
CONNECTION  
ALSO KNOWN AS H.E.A.R.T.S. CONNECTION**

**Services:**

Communication Aides Services – P94112

Audit Period: July 1, 2011, through June 30, 2013

**Audit Branch**

**Auditors:** Mike Masui, Chief of Vendor Audits  
Alton Kitay, Supervisor  
Ermiyas Teclé, Lead Auditor  
Christopher Lee, Auditor

# H.E.A.R.T.S. CONNECTION

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## **EXECUTIVE SUMMARY**

The Department of Developmental Services (DDS) has conducted an audit of Help Encourage Advocate Resource Training Support Connection, also known as H.E.A.R.T.S. Connection (H.E.A.R.T.S.). The audit was performed on the Communication Aides services for the period of July 1, 2011, through June 30, 2013.

The results of the audit disclosed the following issue of non-compliance:

### **Finding 1: Communication Aides Services – Unauthorized Billings**

The review of H.E.A.R.T.S. Communication Aides services, under Vendor Number P94112, revealed that H.E.A.R.T.S. had unauthorized billings for services billed to Kern Regional Center (KRC), which totaled \$657,372.

The total unauthorized billings identified in this audit amounts to \$657,372 and are 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 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 H.E.A.R.T.S. Communication Aides services was compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, Title 17), and the regional center's contract with H.E.A.R.T.S. for the period of July 1, 2011, 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 H.E.A.R.T.S., nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of H.E.A.R.T.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 H.E.A.R.T.S. complied with 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 H.E.A.R.T.S. Communication Aides services and the services provided to KRC during the audit period. Based on an internal control questionnaire and a risk analysis, it was determined that a two-month sample period would be sufficient to fulfill the audit objectives. However, due to H.E.A.R.T.S. contracting with KRC, DDS, and California Department of Education (CDE) for similar services, an expansion of the audit period was deemed necessary to thoroughly review and assess H.E.A.R.T.S. Communication Aides services and its other contracts for any similarities in service and billing. Therefore, the original audit period of July 1, 2012, through June 30, 2013, was expanded to include July 1, 2011, through June 30, 2012.

## **Communication Aides Services**

During the audit period, H.E.A.R.T.S. operated one Communication Aides service. The audit included the review of H.E.A.R.T.S. Communication Aides services, Vendor Number P94112, Service Code 112. Testing was originally performed for the months of July and December 2012. However, the audit team expanded its testing to include all months for the entire audit period.

## **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 all funding 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 vendor 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.
- Conducted a query in AS/400 (Application Systems/400) to identify all consumers who received POS Authorizations to obtain service from the vendor.

## **CONCLUSION**

Based upon the item identified in the Finding and Recommendation Section, H.E.A.R.T.S. did not comply with the requirements of CCR, Title 17.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on May 15, 2015. The findings in the audit report were discussed at a formal exit with Susan Graham, H.E.A.R.T.S. Connections' Director, on May 26, 2015. DDS did not receive a response to the audit report. On June 25, 2015, a request for a time extension for the response was received by Edward Yan, Manager, from Heather Zakson, H.E.A.R.T.S. Connection's Attorney. That request was denied.

## **RESTRICTED USE**

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

## **FINDING AND RECOMMENDATION**

### **Finding 1: Communication Aides Services - Unauthorized Billings**

The review of H.E.A.R.T.S. Communication Aides services, Vendor Number P94112, for the audit period of July 1, 2011, through June 30, 2013, revealed that H.E.A.R.T.S. had unauthorized billings. The unauthorized billings occurred when H.E.A.R.T.S. billed KRC for providing services to consumers who were not authorized to receive Communication Aide services from H.E.A.R.T.S. Communication Aides services, Service Code 112, is specifically designated for assisting persons with hearing, speech, and/or vision impairment.

H.E.A.R.T.S. was located within the KRC building until May 31, 1991, and contracted with DDS to provide Early Intervention Services through a Family Resource Center (FRC) grant in the amount of \$55,375 per fiscal year. H.E.A.R.T.S. was also vendored by KRC to receive an additional \$27,390.50 per month (\$328,686 annually) in purchase of service funds to provide Communication Aides services. H.E.A.R.T.S. Director stated that the vendor contract for Communication Aides services was executed because KRC's prior Executive Director felt that the grant funding was insufficient to provide the services required by the DDS FRC grant.

The audit revealed that H.E.A.R.T.S. provided primarily Early Intervention Services to consumers of KRC. However, the consumers that H.E.A.R.T.S. provided services to were not authorized by KRC for Communication Aides services. H.E.A.R.T.S. was not able to provide documentation to support that the consumers it provided services to had been authorized by KRC. This was further verified when the Audit Branch team ran a query of DDS' database, and found that there were no consumers authorized for service during the audit period. The audit also revealed that the POS authorization for H.E.A.R.T.S. was for a generic Unique Consumer Identifier (UCI) "CONTRACT." The generic UCI "CONTRACT" enabled H.E.A.R.T.S. to bill KRC for consumers who were not authorized to receive services.

CCR, Title 17, Section 54326(a)(10), states that a vendor shall "bill only for services which are actually provided to consumers and which have been authorized by the referring regional center . . ."

Additionally, H.E.A.R.T.S. did not know if the services it provided were reflected in the consumer's Individual Program Plan (IPP) which needs to be certified upon billing. Consequently, on H.E.A.R.T.S. invoices to KRC, the Director of H.E.A.R.T.S., crossed-off language in the certification statement that certified "to the best of the Provider's knowledge, services it provided were in accordance to consumer's written IPP." By crossing off this certification language on the invoice, the Director of H.E.A.R.T.S. was indicating that H.E.A.R.T.S. was not aware the Communication Aides services' billings to KRC were authorized in the consumers' written IPP.

As a result, \$657,372 is due back to DDS for the unauthorized billings.  
(See Attachment A)

W&I Code, Section 4648.1(e)(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 of 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, Sections 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, Sections 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 54302(a)(52) states:

“(52) ‘Purchase of Service Funds’ means those funds identified in the Budget Act for the purpose of purchasing services, provided by vendors, for consumers.”

**Recommendation:**

H.E.A.R.T.S. must reimburse \$657,372 to DDS for the unauthorized billings to KRC. In addition, H.E.A.R.T.S. should develop and implement policies and procedures to ensure that it has specific consumer authorizations allowing it to bill KRC, as well as ensure the consumers’ IPPs reflect the need for its services.

**H.E.A.R.T.S. Response:**

No response was received by H.E.A.R.T.S.

**H.E.A.R.T.S. Connection**  
**Summary of Unauthorized Billings**  
**July 1, 2011 through June 30, 2013**

Attachment A

<u>Finding #</u>	<u>Vendor</u>	<u>Svc Code</u>	<u>Description</u>	<u>Month</u>	<u>Unauthorized Billings</u>	<u>Failure to Bill</u>	<u>Amount</u>
					<u>Amount</u>	<u>Amount</u>	<u>Due to DDS</u>
							<u>Net</u>
1	<b>Communication Aides</b>						
	P94112	112		Jul 2011	\$ 27,390.50	-	\$ 27,390.50
				Aug 2011	27,390.50	-	27,390.50
				Sep 2011	27,390.50	-	27,390.50
				Oct 2011	27,390.50	-	27,390.50
				Nov 2011	27,390.50	-	27,390.50
				Dec 2011	27,390.50	-	27,390.50
				Jan 2012	27,390.50	-	27,390.50
				Feb 2012	27,390.50	-	27,390.50
				Mar 2012	27,390.50	-	27,390.50
				Apr 2012	27,390.50	-	27,390.50
				May 2012	27,390.50	-	27,390.50
				Jun 2012	27,390.50	-	27,390.50
			<i>Fiscal Year 2011/2012 Subtotal:</i>		<u>\$ 328,686.00</u>	<u>-</u>	<u>\$ 328,686.00</u>
				Jul 2012	\$ 27,390.50	-	\$ 27,390.50
				Aug 2012	27,390.50	-	27,390.50
				Sep 2012	27,390.50	-	27,390.50
				Oct 2012	27,390.50	-	27,390.50
				Nov 2012	27,390.50	-	27,390.50
				Dec 2012	27,390.50	-	27,390.50
				Jan 2013	27,390.50	-	27,390.50
				Feb 2013	27,390.50	-	27,390.50
				Mar 2013	27,390.50	-	27,390.50
				Apr 2013	27,390.50	-	27,390.50
				May 2013	27,390.50	-	27,390.50
				Jun 2013	27,390.50	-	27,390.50
			<i>Fiscal Year 2012/2013 Subtotal:</i>		<u>\$ 328,686.00</u>	<u>\$ -</u>	<u>\$ 328,686.00</u>
<b>TOTAL Unauthorized Billings</b>					<u><u>\$ 657,372.00</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 657,372.00</u></u>