

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
HOPE REHABILITATION SERVICES**

Programs and Services:

Independent Living Program – H83045 and HS0244

Supported Living Service – Z18527

Adult Development Center – H75572 and HS0270

Activity Center – H90945

Behavior Management Program – HS0271

Infant Development Program – H10658

(Audit Period: July 1, 2010, through May 31, 2011)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits

Alton Kitay, Supervisor

Ermias Tecele, Lead Auditor

Soi Ly, Auditor

Wilfredo Golez, Auditor

HOPE REHABILITATION SERVICES

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Hope Rehabilitation Services (Hope). The audit was performed upon the following programs: Independent Living Program (ILP), Supported Living Service (SLS), Adult Development Center, Activity Center, Behavior Management Program and Infant Development Program.

The last day of fieldwork was July 8, 2011.

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

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

The review of Hope's ILP, Vendor Numbers H83045 and HS0244, revealed that Hope had both unsupported billings as well as appropriate support for services that it failed to bill the San Andreas Regional Center (SARC). As a result, Hope had a total of \$4,162.20 of unsupported billings and a total of \$570.93 for which it failed to bill.

Finding 2: Supported Living Service – Unsupported Billings and Failure to Bill

The review of Hope's SLS program, Vendor Number Z18527, revealed that Hope had both unsupported billings as well as appropriate support for services that it failed to bill SARC. As a result, Hope had a total of \$180.50 of unsupported billings and a total of \$2,222.18 for which it failed to bill.

Finding 3: Adult Development Center - Unsupported Staffing Ratio

The review of Hope's Adult Development Center, Vendor Number HS0270, revealed a lack of supporting documentation for its required direct care staffing hours. This resulted in a shortage of 78.50 direct care staffing hours for a total of \$936.51 of unsupported billings.

The total of the unsupported billings and staffing ratio discrepancies identified in this audit amount to \$4,708.28 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 Hope's ILP, SLS, Adult Development Center, Activity Center, Behavior Management Program and Infant Development Program were compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, title 17), and the SARC contracts with Hope for the period of July 1, 2010, through May 31, 2011.

Hope was vendorized by SARC and provides services to Golden Gate Regional Center (GGRC), Alta California Regional Center (ACRC) and Central Valley Regional Center (CVRC). Audit staff reviewed the programs and services provided to SARC'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 Hope, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of Hope'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 Hope 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 on during the course of the audit.

Day Programs:

During the audit period, Hope operated four Day Programs. The audit included the review of all four of Hope's Day Programs. The initial review of Hope's Day Programs consisted of a one month sample (February 2011) selected from the audit period of July 1, 2010, through May 31, 2011. Within that month, the audit sample demonstrated a small percentage of unsupported billings. As a result, the testing sample was not expanded. The programs audited are listed below:

- ILP, Vendor Numbers H83045 and HS0244, Service code 520
- Adult Development Centers, Vendor Numbers H75572 and HS0270, Service Code 510

- Activity Center, Vendor Number H90945, Service Code 505
- Behavior Management Program, Vendor Number HS0271, Service Code 515

The procedures performed at SARC and Hope included, but were not limited to, the following:

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

Supported Living Service:

During the audit period, Hope operated one SLS program, Vendor Number Z18527, Service Code 896, which was audited. The initial review of Hope's SLS program consisted of a two-month sample (January and February 2011) selected from the audit period of July 1, 2010, through May 31, 2011. Within the two months that were selected, the audit sample demonstrated a small percentage of unsupported billings. As a result, the testing sample was not expanded.

The procedures performed at SARC and Hope included, but were not limited to, the following:

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

Infant Development Program:

During the audit period, Hope operated one Infant Development Program, Vendor Number H10658, Service Code 805, which was audited. The initial review of Hope's Infant Development Program consisted of a one month sample (February 2011) selected from the audit period of July 1, 2010, through May 31, 2011. Within that month, the audit sample demonstrated no unsupported billings. As a result the testing sample was not expanded.

The procedures performed at SARC and Hope included, but were not limited to, the following:

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

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on January 3, 2013. The findings in the report were discussed in a telephone exit conference with Hope's CEO, John Christensen, on January 11, 2013. DDS did not receive a written response to the draft report within the 30 day appeal period. However, on March 12, 2013, Rex Zimmerman, Vice President, confirmed via an e-mail that Hope is in full agreement with the findings and recommendations of the draft audit report.

RESTRICTED USE

This report is solely for the information and use of the DDS, Department of Health Care Services, SARC, GGRC, ACRC, CVRC, and Hope. This restriction is not intended to limit distribution of this report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

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

The review of Hope's ILP programs, Vendor Numbers H83045 and HS0244, for the sample month February 2011, revealed that Hope had both unsupported billings and appropriate support for services that it failed to bill SARC.

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

Vendor Number H83045

Hope was not able to provide appropriate supporting documentation for 78.85 units of service billed under Vendor Number H83045. The lack of documentation resulted in unsupported billings to SARC in the amount of \$3,114.58.

In addition, Hope provided appropriate supporting documentation for 8.50 units of service under Vendor Number H83045, which was not billed to SARC. This resulted in an unbilled amount of \$335.75.

Vendor Number HS0244

Hope was not able to provide appropriate supporting documentation for 24.50 units of service billed under Vendor Number HS0244. The lack of documentation resulted in unsupported billings to SARC in the amount of \$1,047.62.

In addition, Hope provided appropriate supporting documentation for 5.50 units of service under Vendor Number HS0244, which was not billed to SARC. This resulted in an unbilled amount of \$235.18.

As a result, \$3,591.27 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 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...”

Also, CCR, title 17, section 50604 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:

Hope must reimburse to DDS the \$3,591.27 for the unsupported billings. In addition, Hope should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SARC.

Hope’s Response:

Hope indicated in the exit conference, held on January 11, 2013, that they are in full agreement with the finding and recommendation. Rex Zimmerman followed-up with an e-mail on March 12, 2013, in which he confirmed that Hope is in agreement with the finding. A copy of the email is enclosed as Attachment C.

Finding 2: Supported Living Service – Unsupported Billings and Failure to Bill

The review of Hope’s SLS program, Vendor Number Z18527, for the sample months January and February 2011, revealed that Hope had both unsupported billings and appropriate support for services that it failed to bill SARC.

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

Hope was not able to provide appropriate supporting documentation for 10.08 hours of services billed. The lack of documentation resulted in unsupported billings to SARC in the amount of \$180.50.

In addition, Hope provided appropriate supporting documentation for 132.83 hours of service, which was not billed to SARC. This resulted in an unbilled amount of \$2,222.18.

As a result, Hope must reimburse to DDS the \$180.50 for the unsupported billings and will need to contact SARC for the \$2,222.18 regarding the services it failed to bill. (See Attachment A.)

CCR, title 17, section 54326 (a) states:

“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...”

Also, CCR, title 17, section 50604 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:

Hope must reimburse to DDS the \$180.50 for the unsupported billings. In addition, Hope should discuss with SARC the \$2,222.18 it failed to bill. Also, Hope should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SARC.

Hope’s Response:

Hope indicated in the exit conference, held on January 11, 2013, that they are in full agreement with the finding and recommendation. Rex Zimmerman followed-up with an e-mail on March 12, 2013, in which he confirmed that Hope is in agreement with the finding. A copy of the email is enclosed as Attachment C.

Finding 3: Adult Development Center – Unsupported Staffing Ratio

The review of Hope’s Adult Development Center Day Programs, for the sample month of February 2011, revealed that Hope did not meet the required 1:3 staffing ratio for one of its programs, Vendor Number HS0270.

The total direct care hours required for the sample month of February 2011 was 1,012.00 hours. The hours Hope actually provided were 933.50 hours. This resulted in 78.50 hours of unsupported direct care staffing.

The total unsupported direct care staffing hours of 78.50 multiplied by the average salary of \$11.93 amounts to \$936.51 due back to DDS. (See Attachment B.)

Hope’s program design for HS0270 Adult Development Center states:

“In order to stay in compliance with Community Care Licensing, the program maintains at least a 1:3 consumer to staff person ratio.”

CCR, title 17, section 50606(b)(4)(A) and (B) states:

“(b) Audits shall be performed to accomplish any or all of the following objectives as applicable to the specific service provider:

- (4) Verification through analysis of payroll and consumer service records that staff-to-consumer ratios required by regulation, contract, or agreement are met.
 - (A) Verification that the required staff-to-consumer ratios are being met shall be determined as follows:
 - (1) For activity centers, adult development centers, and behavior management programs:
 - (a) For each month of the audit period multiply the number of actual consumer days of attendance by the number of direct service hours operated per day;
 - (b) Divide the total computed in a. by the approved staffing ratio to compute the number of direct care staff hours required during the approved program hours each month to maintain the approved staffing ratio; and...
 - (B) If a determination is made that the approved staff-to-consumer ratio has not been met, the amount of any overpayments shall be determined as follows:
 - (1) Subtract the number of direct care staff hours actually provided during the audit period from the number of direct care staff hours required pursuant to (A)1. or (A)2.;
 - (2) Multiply the amount computed in 1. by the average hourly salary and wage and fringe benefit costs reported pursuant to Sections 57434 (a)(1)(A) and (a)(2) and which were utilized to calculate the vendor's rate of reimbursement received during the audit period."

Recommendation:

Hope must reimburse to DDS the \$936.51 for the unsupported direct care staffing hours. In addition, Hope should develop policies and procedures to ensure it has sufficient staffing to meet the direct care staffing ratio. Hope should also review records subsequent to Fiscal Year 2010-11 to determine if adjustments are necessary.

Hope's Response:

Hope indicated in the exit conference, held on January 11, 2013, that they are in full agreement with the finding and recommendation. Rex Zimmerman followed-up with an e-mail on March 12, 2013, in which he confirmed that Hope is in agreement with the finding. A copy of the email is enclosed as Attachment C.

HOPE REHABILITATION SERVICES
 Summary of Unsupported Billings and Failure to Bill
 Audit Period: July 1, 2010 through May 31, 2011

Attachment A

<u>Finding #</u>	<u>Vendor</u>	<u>Svc Code</u>	<u>Rate</u>	<u>Unsupported Billings</u>		<u>Failure to Bill</u>		<u>Amount Due to DDS</u>
				<u>Units</u>	<u>Amount</u>	<u>Units</u>	<u>Amount</u>	
1	<u>Independent Living Program</u>							
	H83045	520	\$ 39.50	78.85	\$ 3,114.58	8.50	\$ (335.75)	\$ 2,778.83
	HS0244	520	\$ 42.76	24.50	\$ 1,047.62	5.50	\$ (235.18)	\$ 812.44
	Total Independent Living Program			103.35	\$ 4,162.20	14.00	\$ (570.93)	\$ 3,591.27
2	<u>Supported Living Services</u>							
	Z18527	896	Various	10.08	\$ 180.50	132.83	\$ (2,222.18)	\$ (2,041.68)
	Total Supported Living Services			10.08	\$ 180.50	132.83	\$ (2,222.18)	\$ (2,041.68)
TOTAL UNSUPPORTED BILLINGS:								\$ 1,549.59

HOPE REHABILITATION SERVICES
 Unsupported Staffing Ratio and Overpayment Amounts
 Audit Period: July 1, 2010 through May 31, 2011

Attachment B

Finding #	February 2011	Unsupported Direct Care Service Hours	Average Salary per Cost Statement	Overpayment Amount
3	HS0270, SC 510 Adult Development Center			
	Required Direct Hours			
	1,012.00			
	Less: Provided Direct Hours			
	933.50			
	Unsupported Hours	78.50	\$ 11.93	\$ 936.51
	78.50			
TOTAL OVERPAYMENT				\$ 936.51
				Finding 1 \$3,591.27
				Finding 2 (\$2,041.68)
				Finding 3 <u>\$936.51</u>
GRAND TOTAL				<u>\$2,486.10</u>

Kitay, Al@DDS

From: Rex Zimmerman <RZimmerman@Hopeservices.org>
Sent: Tuesday, March 12, 2013 2:26 PM
To: Kitay, Al@DDS
Subject: FW: HOPE Audit attendees

Good afternoon:

Just confirming that HOPE does agree with the audit findings. Below is the original e-mail listing the phone conference attendees.

Rex

From: Rex Zimmerman
Sent: Friday, January 11, 2013 3:14 PM
To: ermias.tecle@dds.ca.gov
Subject: HOPE Audit attendees

Hi Ermias:

I'm forwarding you the list of HOPE staff that participated in the conference call this morning. Would you pls. forward it to Alton and provide me with his email address?

HOPE Staff present at Audit formal Exit teleconference on 1/11/2013:

John Christensen, CEO
Ray Abe, CFO
Rex Zimmerman, Vice President
Lori Arnberg, District Director, Central
Suanne Rinta, District Director, North
Cathy Bouchard, Director, Community Day Programs
Linda Siino, Director, Community Living Services,
Carly Wells, Manager of Community Living Services

Thanks again for all of your help.
Rex

Rex Zimmerman
Vice President of Programs and Services
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**DEPARTMENT OF DEVELOPMENTAL SERVICES
EVALUATION OF
HOPE'S RESPONSE**

As part of the audit process, Hope was afforded the opportunity to respond to the draft audit report and provide a written response to each finding identified therein. The draft audit report was issued on January 3, 2013. The Audit Branch received Hope's response via email on March 13, 2013.

DDS evaluated Hope's written response to the draft audit report upon receipt and determined that Hope agreed with the audit finding. (See attachment C to the final audit report for the full text of Hope's response)

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

Hope agreed with the audit finding.

Finding: Supported Living Service – Unsupported Billings and Failure to Bill

Hope agreed with the audit finding.

Finding: Adult Development Center – Unsupported Staffing Ratio

Hope agreed with the audit finding.

DDS' Conclusion:

Based on the evaluation of Hope's response, DDS determined that Hope must reimburse DDS \$4,708.28.