

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
J.I.L. Homes, Inc. (LIFE)**

Day Program:

Independent Living Program (ILP) – HQ0282
Adult Development Program (ADP) – HQ0479

(Audit Period: July 1, 2009 through June 30, 2011)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alimou Diallo, Audit Supervisor
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Jennifer Bernard, Auditor

J.I.L. Homes, Inc. (LIFE)

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited J.I.L. Homes, Inc. (LIFE). The audit was performed upon LIFE's Independent Living Program (ILP) and Adult Development Program (ADP) for the period of July 1, 2009 through June 30, 2011.

The last day of fieldwork was July 1, 2011.

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

Finding 1: Independent Living Program – Unsupported Billings

The review of LIFE's ILP, Vendor Number HQ0282, revealed a lack of supporting documentation for services billed to San Diego Regional Center (SDRC). The total of unsupported billings was \$334,523.90.

Finding 2: Adult Development Program – Unsupported Billings and Failure to Bill

The review of LIFE's ADP, for the Vendor Number HQ0479, revealed that LIFE had both unsupported billings as well as appropriate support for services that is failed to bill the SDRC. LIFE had a total of \$21,638.97 of unsupported billings and a total of \$5,914.06 for which it failed to bill.

Finding 3: Adult Development Program – Unsupported Staffing Ratio

The review of LIFE's ADP, Vendor Number HQ0479, revealed staffing ratios that had a lack of supporting documentation for its required direct care staffing hours. This resulted in a shortage of 1,524.00 direct care staffing hours for a total of \$15,453.36.

The net total of the unsupported billing discrepancies identified in this audit amounts to \$365,702.17 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 (W&I) 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 LIFE's Independent Living Program (ILP) and Adult Development Program (ADP) are in compliance with the applicable W&I Code, California Code of Regulations, Title 17 (Title 17), and San Diego Regional Center's (SDRC) contracts with LIFE for the period of July 1, 2009 through June 30, 2011.

The initial review of LIFE's ILP and ADP programs consisted of a two-month sample period selected from the audit period of July 1, 2009 through June 30, 2011. Within the two months that were selected (November and December 2010), the audit sample demonstrated a large percentage of unsupported billings. As a result, the audit period was expanded to include all billings for the period of July 1, 2009 through June 30, 2010.

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 LIFE, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of LIFE's 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 LIFE complied with required regulations.

Day Programs

During the audit period, LIFE operated two Day Programs. The audit included the review of both of LIFE's Day Programs. The programs audited are listed below:

- Independent Living Program, Vendor Number HQ0282, Service Code 520
- Adult Development Program, Vendor Number HQ0479, Service Code 510

The procedures performed at SDRC, the vendoring regional center, and LIFE included, but were not limited to, the following:

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

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on February 8, 2012. The findings in the report were discussed at the exit conference with LIFE's Vice President/CFO, Cristi Smith, on February 16, 2012. The Audit Branch received a fax on April 6, 2012 from Robert N. Hocker, LIFE's Attorney, stating "without more specific information about the questioned charges, there is simply no way for my client to respond in a detailed manner under the timelines unilaterally set by DDS." Mr. Hocker made some general comments about the audit findings in the report, but did not express any disagreement with the findings identified therein.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, SDRC, and LIFE. 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 Program – Unsupported Billings

The review of LIFE's ILP, Vendor Number HQ0282, for the months of July 2009 through June 2010 and November 2010 through December 2010 revealed that LIFE had unsupported billings to SDRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SDRC, as well as billing for appointments that were cancelled or conducted by telephone.

LIFE was not able to provide appropriate supporting documentation for 11,954.75 hours of services billed. This lack of documentation resulted in unsupported billings to SDRC in the amount of \$334,523.90. (See Attachment A.)

CCR, title 17, section 54326(a) states in pertinent part:

“(a) All vendors shall:

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

(B) Records must include for each consumer the information specified in section 50604 (d) (3) (A), (B), (C), (D), (E) or (F), as applicable...

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

Further, CCR, title 17, section 50604(d) and (e) provides in relevant part:

“(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers' billing/invoicing shall include, but not be limited to:

(1) Information identifying each regional center consumer including the Unique Consumer Identifier and consumer name;

(2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center;

(3) A record of services provided to each consumer...

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

Recommendation:

LIFE must reimburse DDS the \$334,523.90 in unsupported billings. In addition, LIFE should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SDRC.

Auditee's Response:

LIFE did not express any disagreement with the audit findings nor did they provide any additional documentation to support any adjustments to the audit findings identified in the report.

See Attachment D for the full text of LIFE's response and Attachment E for DDS' Evaluation of LIFE's comments.

Finding 2: Adult Development Program – Unsupported Billings and Failure to Bill

The review of LIFE's ADP, Vendor Number HQ0479, for the months of July 2009 through June 2010 and November 2010 through December 2010 revealed that LIFE had unsupported billings as well as appropriate support for services that it failed to bill to SDRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SDRC. The failure to bill occurred when LIFE had appropriate documentation reflecting services provided, but did not bill SDRC.

LIFE was not able to provide appropriate supporting documentation for 368 hours of services billed. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$21,638.97.

In addition, LIFE provided appropriate supporting documentation for 100 hours of service which was not billed to SDRC. This resulted in an unbilled amount of \$5,914.06.

The net total of the billing discrepancies resulted in \$15,724.91 of unsupported billings due back to DDS. (See Attachment B.)

CCR, title 17, section 54326(a) states in pertinent part:

- “(a) All vendors shall:

- (3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed...
 - (B) Records must include for each consumer the information specified in section 50604 (d) (3) (A), (B), (C), (D), (E) or (F), as applicable...
- (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center..."

Further, CCR, title 17, section 50604(d) and (e) provides in relevant part:

- “(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but not be limited to:
 - (1) Information identifying each regional center consumer including the Unique Consumer Identifier and consumer name;
 - (2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center;
 - (3) A record of services provided to each consumer...
- (e) All service providers’ records shall be supported by source documentation...”

Recommendation:

LIFE must reimburse to DDS the \$15,724.91 for the unsupported billings. In addition, LIFE should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SDRC.

Auditee’s Response:

LIFE did not express any disagreement with the audit findings nor did they provide any additional documentation to support any adjustments to the audit findings identified in the report.

See Attachment D for the full text of LIFE’s response and Attachment E for DDS’ Evaluation of LIFE’s comments.

Finding 3: Adult Development Program - Unsupported Staffing Ratio

The review of LIFE’s ADP, Vendor Number HQ0479 revealed that for the months of July 2009 through June 2010 and November 2010 through December

2010, LIFE did not meet the required 1:3 staffing ratio. LIFE's ADP serves both regional center and non-regional center consumers and was required based on the 1:3 staffing ratio to provide a total of 30,336 hours of direct care staffing for both regional center and non-regional center consumers. The hours LIFE actually provided were 28,479.75 hours.

This resulted in 1,856.25 hours of unsupported direct care staffing. Of the 1,856.25 hours, 332.25 were allocated to non-regional center consumers. The remaining unsupported direct care staffing hours for regional center consumers amounted to 1,524.00 (1,856.25 – 332.25). The unsupported direct care staffing hours for the regional center consumers multiplied by the average salary of \$10.14 amounted to \$15,453.36 due back to DDS. (See Attachment C.)

LIFE's program design for vendor number HQ0479 states in part that:

“Vocational development and support will be provided at a 1:3 staff to individual ratio.”

CCR, title 17, section 50606(b)(4)(A) states in pertinent part:

- “(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....”

Further, CCR, title 17, section 50606(b)(4)(B) states in part:

“(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.

(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:

LIFE must reimburse to DDS the \$15,453.36 for the unsupported direct care staffing hours. In addition, LIFE should develop policies and procedures to ensure it has sufficient staffing to meet the direct care staffing ratio.

Auditee’s Response:

LIFE did not express any disagreement with the audit findings nor did they provide any additional documentation to support any adjustments to the audit findings identified in the report.

See Attachment D for the full text of LIFE’s response and Attachment E for DDS’ Evaluation of LIFE’s comments.

J.I.L Homes, Inc (LIFE)
Summary of Unsupported Billing
Fiscal Year- 2009-10 ; November 2010-December 2010

<u>Finding #</u>	<u>Vendor</u>	<u>Svc Code</u>	<u>Description</u>	<u>Sample Months</u>	<u>A</u>	<u>B</u>	<u>C=A*B</u>	<u>Amount Due to DDS</u>
					<u>Rate</u>	<u>Unsupported Billings</u>		
						<u>Units</u>	<u>Amount</u>	
1	Day Program							
	HQ0282	520	Independent Living Program (ILP)					
				Jul-09	\$ 59.31	895.00	\$ 25,077.90	
				Aug-09	59.31	729.50	20,440.59	
				Sep-09	59.31	925.50	25,932.51	
				Oct-09	59.31	1,054.50	29,547.09	
				Nov-09	59.31	909.00	25,470.18	
				Dec-09	59.31	1,056.00	29,589.12	
				Jan-10	59.31	812.75	22,773.26	
				Feb-10	59.31	644.00	18,044.88	
				Mar-10	59.31	922.00	25,834.44	
				Apr-10	59.31	838.50	23,494.77	
				May-10	59.31	867.00	24,293.34	
				Jun-10	59.31	1,056.00	29,589.12	
				Nov-10	58.54	509.50	14,092.77	
				Dec-10	58.54	735.50	20,343.93	
			Total Independent Living Program			11,954.75	\$334,523.90	\$334,523.90

J.I.L Homes, Inc (LIFE)
Summary of Unsupported Billing and Failure to Bill
Fiscal Year- 2009-10 ; November 2010-December 2010

<i>Finding #</i>	<i>Vendor</i>	<i>Svc Code</i>	<i>Description</i>	<i>Sample Months</i>	<i>A</i>	<i>B</i>		<i>C=A*B</i>	<i>D</i>	<i>E=A*D</i>	<i>F = C+E</i>
					<i>Rate</i>	<u>Unsupported Billings</u>		<u>Failure to Bill</u>		<i>Amount</i>	<i>Due to DDS</i>
						<i>Units</i>	<i>Amount</i>		<i>Units</i>	<i>Amount</i>	
2	Day Program										
	HQ0479	510	Adult Development Program (ADP)								
				Jul-09	\$ 59.31	22.00	\$ 1,304.82		(2.00)	\$ (118.62)	
				Aug-09	59.31	5.00	296.55		(6.00)	(355.86)	
				Sep-09	59.31	8.00	474.48		(9.00)	(533.79)	
				Oct-09	59.31	8.00	474.48		(5.00)	(296.55)	
				Nov-09	59.31	4.00	237.24		(4.00)	(237.24)	
				Dec-09	59.31	8.00	474.48		(4.00)	(237.24)	
				Jan-10	59.31	7.00	415.17		(1.00)	(59.31)	
				Feb-10	59.31	9.00	533.79		(6.00)	(355.86)	
				Mar-10	59.31	8.00	474.48		(3.00)	(177.93)	
				Apr-10	59.31	20.00	1,186.20		(13.00)	(771.03)	
				May-10	59.31	8.00	474.48		(20.00)	(1,186.20)	
				Jun-10	59.31	18.00	1,067.58		(5.00)	(296.55)	
				Nov-10	58.54	107.00	6,263.78		(21.00)	\$ (1,229.34)	
				Dec-10	58.54	136.00	7,961.44		(1.00)	\$ (58.54)	
			Total Adult Development Program			368.00	\$21,638.97		(100.00)	\$ (5,914.06)	\$15,724.91

J.I.L Homes, Inc (LIFE)
Summary of Unsupported Staffing Ratio
Fiscal Year- 2009-10 ; November 2010-December 2010

Finding #	Vendor	Svc Code	Description	<u>A</u> Unsupported Direct Hours	<u>B</u> Average Salary	<u>C = A * B</u> Overpayment Amount	<u>Amount Due to DDS</u>
3	<u>Day Program</u>						
	HQ0479	510	Adult Development Program (ADP)				
			Required Direct Hours	30,336.00			
			Less: Provided Direct Hours	(28,479.75)			
			Total				
			Less: Non DDS Consumers	(332.25)			
			Unsupported Direct Care Hours DDS consumers only	1,856.25	\$10.14	\$15,453.36	
			Total Adult Development Program	1,524.00			<u>\$15,453.36</u>
<u>Total Findings</u>							
	Attachment A, Finding 1		Unsupported Billing				\$334,523.90
	Attachment B, Finding 2		Unsupported Billing and Failure to Bill				15,724.91
	Attachment C, Finding 3		Unsupported Staffing Ratio				15,453.36
							<u>\$365,702.17</u>

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April 6, 2012

Via Fax to 916.654.1588

Edward Yan, Manager
Department of Developmental Services
Audit Branch
1600 Ninth Street, Rm. 230, MS 210
Sacramento, CA 95814

Re: Audit of JIL Homes, Inc. (LIFE)

Dear Mr. Yan:

We have reviewed the information you provided and write to respond.

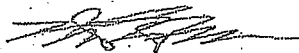
The information provided does not identify specific dates (or even clients or information that would allow us to do) and therefore we cannot respond to it. The information audited is contained in 10 to 15 banker's boxes of documents. Without more specific information about the questioned charges, there is simply no way for my client to respond in a detailed manner under the timelines unilaterally set by DDS. We would request specific information as to the date of each violation/variance so we can respond in detail. Nevertheless, my client would point out the following general comments.

In many cases, phone calls, in place of face-to-face meetings are disputed, yet these phone calls were necessary and were legitimate charges. The department's failure to consider whether these charges were necessary under the circumstances is not defensible.

Many of the charges disallowed by the department resulted from obvious typographical errors in the records. For example, if the dates were off between files notes, time cards and/or mileage records, even by one day, the department disallowed those charges. Review of the records clearly shows that many of these charges were appropriate and the department's findings in this regard were hyper technical.

Thank you for your attention to the above. We look forward to your response.

Sincerely,



Robert N. Hocker

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
J.I.L. Homes, Inc.'s (LIFE) RESPONSE**

As part of the audit process, J.I.L. Homes, Inc. (LIFE) was afforded the opportunity to respond to the draft audit report issued on February 8, 2012 and provide a written response to each finding identified therein.

On March 2, 2012, DDS Audit Branch received a fax from the Law Office of Hocker & Nalu Trial Lawyers that stated they were retained to represent LIFE. In the fax, Robert Hocker made two requests: One, he requested an extension of the due date for submitting LIFE's response the draft audit report. And two, he requested that DDS send a copy of the work papers that supported the audit findings.

On March 6, 2012, DDS Audit Branch responded by granting an extension and providing LIFE with the requested work papers. It was noted in the transmittal letter, that no further extensions would be granted and the new due date for the response would be April 6, 2012.

On April 6, 2012, DDS Audit Branch received a fax from LIFE which stated, in part that, "The information provided [in the work papers] does not identify specific dates (or even clients or information that would allow us to do) and therefore we cannot respond to it." LIFE also stated, "The information audited is contained in 10 to 15 banker's boxes of documents. Without more specific information about the questioned charges, there is simply no way for his client to respond in a detailed manner under the timelines unilaterally set by DDS."

DDS disagrees with LIFE's statements. The timelines are not unilaterally set by DDS, but are defined in regulation. Pursuant to CCR, title 50606 (d) (2) "The service provider shall be given thirty (30) days in which to respond to the audit report draft from time of its receipt."

LIFE was allowed more than thirty days to respond. The audit findings were presented to LIFE on October 21, 2011, during an informal exit conference. Between October 2011 and March 2012, LIFE had sufficient time to go through the 10 to 15 banker's boxes of documents. Furthermore, during the course of the audit, auditors held bi-weekly informal update meetings with LIFE's Vice President/CFO Cristi Smith, to ensure that the lines of communication were open and that LIFE was fully aware of any outstanding issues or missing documents that were needed by the auditors. At these meetings, LIFE was provided with detailed schedules reflecting how the auditors computed the amounts of each audit finding. LIFE was given the opportunity to review the audit work papers and provide additional supporting documentation on numerous occasions.

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
J.I.L. Homes, Inc.'s (LIFE) RESPONSE**

Conclusion:

The findings identified in the audit will remain unchanged. LIFE did not express any disagreement with the audit findings nor did they provide any additional documentation to support any adjustments to the audit findings identified in the report. Therefore, DDS did not make any adjustments to the report. LIFE must reimburse to DDS \$365,702.17 for the unsupported billings and staffing ratio.