

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
JUST JOHNSON'S, INC.**

Services:

Community Activities Support Services- PK5330

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

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alton Kitay, Supervisor
Jennifer Bernard, Lead Auditor
Chai Saechao, Auditor

JUST JOHNSON’S, 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 Incorrect Billings and Failure to Bill	7
Attachment B – Response from Vendor	8
Attachment C – Evaluation of Vendor Response	9

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Just Johnson's, Inc. (JJI). The audit was performed upon the Community Activities Support Services audited 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: Community Activities Support Services- Incorrect Billings and Failure to Bill

The review of JJI's Community Activities Support Services, Vendor Number PK5330, revealed that JJI billed hours to Kern Regional Center (KRC) that were deemed to be non-direct care services, which resulted in incorrect billings. It was also revealed that there was, in some cases, appropriate support for services performed that JJI failed to bill to KRC. As a result, JJI had a total of \$430,849.67 in incorrect billings and a total of \$9,397.26 for which it failed to bill.

The net total of incorrect billings amounts to \$421,452.41 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 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 JJI'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 contract with JJI 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 JJI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of JJI'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 JJI complied with W&I Code and CCR, Title 17. Also, any complaints that DDS' Audit Branch was aware of regarding non-compliance of laws and regulations were reviewed and investigated during the course of the audit. The audit scope was determined by reviewing the programs and services provided to KRC, which utilized JJI's services during the audit period.

JJI provided one type of service which DDS audited. Analyzing information received during a pre-audit meeting with the vendor, an internal control questionnaire filled-out by the vendor and a DDS risk analysis, it was determined that a two month sample period would be sufficient to fulfill the audit objectives. However, based on the significant amount of incorrect billings within the initial two month sample, DDS expanded the two month sample period to include the entire two year audit period.

Community Activities Support Services

During the audit period, JJI operated a Community Activities Support Services, Vendor Number PK5330, Service Code 063. The audit included the review of this program and testing was performed for the two years period, July 1, 2011, through June 30, 2013.

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 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(s).
- Analysis of the vendor's payroll and attendance/service records to determine if the payroll substantiated the audited hours.

CONCLUSION

Based upon items identified in the Finding and Recommendation section, JJI did not comply with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft of the audit report on October 23, 2014. The findings in the audit report were discussed at a formal exit with Ryan Johnson, JJI's President and Julie Collamer, JJI's General Manager, on October 30, 2014. Subsequent to the meeting, Mr. Johnson responded on November 26, 2014, that JJI accepted the audit report.

RESTRICTED USE

This audit report is solely for the information and use of DDS, Department of Health Care Services, KRC and JJI. 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 – Incorrect Billings and Failure to Bill

The review of JJI's Community Activities Support Services, Vendor Number PK5330, for the sample months of July and December 2012, revealed that JJI had significant incorrect billings to KRC. Upon review of these sample months, it was determined to expand the audit to include the full two year audit period of July 1, 2011, through June 30, 2013.

Incorrect billings occurred due to JJI billing for hours that were not direct care hours per the program design and approved by KRC. The failure to bill occurred when JJI had appropriate supporting documentation, but failed to bill KRC. The following are the amounts identified:

It was revealed that JJI had billed KRC for hours that were not allowable direct care service hours per JJI's program design. These hours occurred when the consumers arrived prior to their start time and sat in the JJI cafeteria until it was time for them to work. This particular period of time cannot be included as direct service time.

Upon completion of review, it was found that JJI was able to provide appropriate supporting documentation for direct care service hours it provided and, subsequently, paid to the consumers via payroll for a majority of the audited hours. However, it was determined that 11,880.90 hours of services were incorrectly billed and deemed to be non-direct care services. This incorrect billing resulted in an amount of \$430,849.67.

In addition, JJI provided appropriate supporting documentation for 262.71 hours of direct care service, but failed to bill to KRC. This resulted in an unbilled amount of \$9,397.26.

As a result, a net amount of \$421,452.41 is due back to DDS for the incorrect 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 . . .”

Also, 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.”

Recommendation:

JJI must reimburse to DDS the net amount of \$421,452.41 for the incorrect billings, as well as develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to KRC. In addition, JJI must only bill for services outlined in its program design and during the set program service hours.

JJI’s Response:

Julie Collamer, JJI’s General Manager, stated via email to Edward Yan, DDS’ Audit Manager, dated November 26, 2014, that JJI agreed with the finding. A copy of the response is enclosed as Attachment B.

Just Johnson's, Inc. (JJI)
Summary of Incorrect Billings and Failure to Bill
Audit Period: July 1, 2011 through June 30, 2013

Attachment A

Finding #	Vendor	Svc Code	Description	Unit Type	Unit Rate	Incorrect Billings		Failure to Bill		Net Due to DDS
						Units	Amount	Units	Amount	Amount
						A	B	= A - B		
<u>Community Activities Support Services</u>										
1	PK5330	063	Community Activities Support Services KRC-Fiscal Year 2011-2012							
			July 2011	Hours	\$ 35.63	114.29	\$ 4,072.15	101.88	\$ 3,629.98	\$ 442.17
			August 2011	Hours	\$ 35.63	28.88	\$ 1,028.99	12.54	\$ 446.80	\$ 582.19
			September 2011	Hours	\$ 35.63	331.51	\$ 11,811.70	4.53	\$ 161.40	\$ 11,650.30
			October 2011	Hours	\$ 35.63	0.28	\$ 9.98	12.13	\$ 432.19	\$ (422.21)
			November 2011	Hours	\$ 35.63	1,027.99	\$ 36,627.28		\$ -	\$ 36,627.28
			December 2011	Hours	\$ 35.63	906.95	\$ 32,314.63		\$ -	\$ 32,314.63
			January 2012	Hours	\$ 35.63	418.14	\$ 14,898.33	3.65	\$ 130.05	\$ 14,768.28
			February 2012	Hours	\$ 35.63	431.17	\$ 15,362.59		\$ -	\$ 15,362.59
			March 2012	Hours	\$ 35.63	380.44	\$ 13,555.08	4.18	\$ 148.93	\$ 13,406.15
			April 2012	Hours	\$ 35.63	372.34	\$ 13,266.47	34.95	\$ 1,245.27	\$ 12,021.21
			May 2012	Hours	\$ 35.63	635.13	\$ 22,629.68	3.98	\$ 141.81	\$ 22,487.87
			June 2012	Hours	\$ 35.63	447.11	\$ 15,930.53	51.63	\$ 1,839.58	\$ 14,090.95
			Sub Total			5,094.23	\$ 181,507.41	229.47	\$ 8,176.02	\$ 173,331.39
	PK5330	063	KRC-Fiscal Year 2012-2013							
			July 2012	Hours	\$ 36.74	488.86	\$ 17,960.72	13.19	\$ 484.60	\$ 17,476.12
			August 2012	Hours	\$ 36.74	516.03	\$ 18,958.94	10.16	\$ 373.28	\$ 18,585.66
			September 2012	Hours	\$ 36.74	512.16	\$ 18,816.76	0.06	\$ 2.20	\$ 18,814.55
			October 2012	Hours	\$ 36.74	530.73	\$ 19,499.02		\$ -	\$ 19,499.02
			November 2012	Hours	\$ 36.74	527.29	\$ 19,372.63		\$ -	\$ 19,372.63
			December 2012	Hours	\$ 36.74	459.61	\$ 16,886.07	7.34	\$ 269.67	\$ 16,616.40
			January 2013	Hours	\$ 36.74	772.34	\$ 28,375.77		\$ -	\$ 28,375.77
			February 2013	Hours	\$ 36.74	577.39	\$ 21,213.31	0.20	\$ 7.35	\$ 21,205.96
			March 2013	Hours	\$ 36.74	632.32	\$ 23,231.44	0.79	\$ 29.02	\$ 23,202.41
			April 2013	Hours	\$ 36.74	517.37	\$ 19,008.17	1.50	\$ 55.11	\$ 18,953.06
			May 2013	Hours	\$ 36.74	742.35	\$ 27,273.94		\$ -	\$ 27,273.94
			June 2013	Hours	\$ 36.74	510.22	\$ 18,745.49		\$ -	\$ 18,745.49
			Sub-Total			6,786.67	\$ 249,342.26	33.24	\$ 1,221.24	\$ 248,121.02
TOTAL- COMMUNITY ACTIVITIES SUPPORT SERVICES						11,880.90	\$ 430,849.67	262.71	\$ 9,397.26	\$ 421,452.41



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Audit Branch
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November 26, 2014
Via Email: ed.yan@dds.ca.gov

RE: Audit Response

Dear Mr. Yan:

We would like to thank Al Kitay, Jennifer Bernard, and Chi Saechao for their courteous and respectful attitudes and actions during the audit process. We appreciate the time they took to understand how our program works, to listen to our stories, and to help us understand the complexities of the audit process and the audit findings. Even though we hope to never see them again under these circumstances, we wish them well and will be forever grateful for the information and education they provided while performing the audit.

Finding 1: Incorrect Billing: We would like to clarify the following.

- In the Audit Report, page 5, paragraph 3 it states "It was revealed that JJI had billed KRC for hours that were not allowable direct care service hours per JJI's program design. These hours occurred when the consumers arrived prior to their start time and sat in the JJI cafeteria until it was time for them to work."
 1. Due to their mode of transportation, Consumers often arrive early for their shift. During the early arrival period, Consumers are in the onsite Break Room. Many of them, have coffee and buy food from the Snack Bar for breakfast or lunch. Some of them may have been traveling more than 1 ½ hours to arrive at work. During this time, Direct Staff is on duty to supervise, coach and mentor the Consumers. Our program teaches employability skills, and proper behavior on company property during early arrival is an important skill.
 2. It was our understanding that we were obligated to provide the early arrival services, because it would be unsafe and irresponsible to let Consumers remain outside the building unsupervised until their shift time. Although documentation was provided to support this service, it was determined during the audit process that the documentation was insufficient.
 3. Consumers were not paid wages during the early arrival time.

We believe that direct services were provided to the consumers for the hours billed for early arrival. However, the fact Consumers were not paid during this time was inconsistent with the current program design. Therefore, we accept the findings. After meeting to discuss the issue with KRC, we have revised our Service Delivery Plan to extend the work shift hours, eliminating the early arrival period. Consumers are now paid wages for the total hours they are in attendance.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Ryan Johnson', is written over a horizontal line.

Ryan Johnson, President

**DEPARTMENT OF DEVELOPMENTAL SERVICES
EVALUATION OF
JUST JOHNSON'S, INC.**

As part of the audit process, Just Johnson's, Inc. (JJI) was afforded the opportunity to respond to the draft of the audit report and provide a written response to each finding identified. The draft of the audit report was issued on October 23, 2014. The Audit Branch received JJI's response, by e-mail on November 26, 2014. Upon receipt of JJI's response, DDS evaluated the response and determined that JJI accepted the audit report finding.

Finding 1: Incorrect Billings

JJI accepted the finding; however, they did offer some explanation for why the billings included hours that were disallowed by DDS. Finding 1 included hours for which some of the consumers arrived early due to transportation. JJI stated that when the consumer arrived before their scheduled shift they went into the cafeteria, where they received services. However, JJI could neither provide sufficient documentation that services were provided nor were the consumers paid during this time, which was also inconsistent with the program design.

DDS' Conclusion:

DDS did not receive documentation to support that services were provided in the cafeteria; thus, no hours will be allowed.