

DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
KINGS REHABILITATION CENTER, INC.

Day Programs:

Adult Development Program – H08726

Day Training Activity Center – H00898 and HC0357

(Audit Period: July 1, 2003 through September 30, 2005)

and

Transportation:

Additional Component – H00898

(Audit Period: July 1, 2003 through September 30, 2005)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits

Alton Kitay, Supervisor

Vi Tran, Lead Auditor

Rachel DeJesus

Assignment #6-VN-1-007

KINGS
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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Kings Rehabilitation Center, Inc. (KINGS). The audit was performed upon the two Day Programs operated by KINGS, which are the Adult Development Program (ADP) and the Day Training Activity Center (DTAC) for the period of July 1, 2003 through September 30, 2005 and Transportation-Additional Component for the period of July 1, 2003 through September 30, 2005. The last day of fieldwork was December 16, 2005.

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

1. KINGS was not able to provide enough supporting documentation of direct staff services as required to meet the agreed upon staff- to- consumer ratios for the ADP and DTAC programs. For both programs, the combined net total shortage of direct staff hours that was not provided by KINGS was 3,399.75 hours, which results in an overpayment of \$72,849.74.
2. KINGS could not provide supporting documentation for services billed and failed to bill for services it provided in its ADP and DTAC programs. This resulted in both over billings and under billings. The net effect of the billing discrepancies is a credit \$174.51 due to KINGS.
3. KINGS incorrectly billed Central Valley Regional Center (CVRC) for one consumer who attended the DTAC Day Program. The total incorrect billing amounted to \$1,961.44.

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 vendors and/or contractors. Per the Welfare and Institutions Code, Section 4648.1, the 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 KINGS' two day programs, the Adult Development Program (ADP) H08726 and the Day Training Activity Center (DTAC) H00898 /HC0357, and Transportation Additional Component H00898 were compliant with California Code of Regulations, Title 17 (Title 17) for the period of July 1, 2003 through September 30, 2005.

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 KINGS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of KINGS' 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 KINGS complied with the Title 17 regulations.

Day Program

The procedures performed upon ADP and DTAC day programs to determine whether KINGS was in compliance with Title 17 included, but were not limited to:

- Review of the vendor's service/attendance records that support the invoices submitted to CVRC for payment.
- Review of KINGS' program designs to determine if the types of services, the hours of operation, and the daily or hourly units were in compliance with Title 17.
- Rates were compared to DDS rate letters to ensure the correct payment rate was being utilized.
- Verified if the days from the attendance records equal the number of days billed on the turn-around invoices.
- Determined whether the daily rates on the turn-around invoices were in accordance with CVRC's authorizations for service.
- Performed an analysis of the KINGS' payroll and attendance/service records to determine if the provided direct service hours to consumers met or exceeded the amount required per the approved staffing ratio.

Transportation – Additional Component

The procedures performed to determine whether KINGS was in compliance with Title 17 included, but were not limited to:

- Review of policies/contracts for coverage of service.
- Review of the proof of adequate and up-to-date insurance documents.
- Review of KINGS' Department of Motor Vehicles information, such as vehicle registration and drivers' licenses.
- Reviewed the approved payment rate from the contract between CVRC and KINGS.
- Reviewed the consumers' attendance records and verified that the number of days attended equaled the number of days billed.
- Reconciled billing invoices to supporting documents.

CONCLUSION

Based upon the procedures we have performed, with the exception of the following findings, KINGS has complied with Title 17.

Day Programs:

Staffing Ratio

KINGS was not able to provide enough supporting documentation for direct staff hours required to meet the agreed upon staff-to-consumer ratios. The combined shortage of direct staff hours was 3,399.75 hours, which resulted in an overpayment of \$72,849.74.

Billing

KINGS could not provide supporting documentation for services billed and failed to bill for services it provided in its ADP and DTAC programs. This resulted in both over billings and under billings. The net effect of the billing discrepancies is a credit \$174.51 due to KINGS.

In addition, KINGS incorrectly billed CVRC for one consumer who attended the DTAC Day Program. The total incorrect billing amounted to \$1,961.44.

The total amount that KINGS owes DDS for the period reviewed is \$74,636.67. A detailed description of the findings is contained in the Findings and Recommendations section of this report.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued the draft audit report on January 8, 2008. In the KINGS response dated February 27, 2008, Carol Rogers, the Executive Director, questioned Finding 1 – Unsupported Direct Care Staffing Ratio, and Finding 2 – Unsupported Billing for Day Program Services. For Finding 3 – Overlapping Authorizations, KINGS concurred with the finding.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, Central Valley Regional Center, and Kings Rehabilitation Center, Inc.; it is not intended and should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

ARTHUR J. LEE, CPA
Manager
Audit Branch

FINDINGS AND RECOMMENDATIONS

FINDING 1: Unsupported Direct Care Staffing Ratio

KINGS has two day programs, an Adult Development Program (ADP) with a 1:3 staffing-to-consumer ratio and a Day Training Activity Center (DTAC) with a 1:8 staff-to-consumer ratio. The staffing ratios for both programs were calculated using a 6.0 hour operational day.

ADP:

For the audit sample period of July 1, 2003 through December 31, 2003, KINGS was not able to provide enough supporting documentation for direct care staff hours to meet the hours required. As a result, there were 1,538.25 unsupported direct care staff hours that equals an overpayment of \$32,780.11.

For the audit sample period of July 1, 2004 through December 31, 2004, KINGS was not able to provide enough supporting documentation for direct care staff hours to meet the hours required. As a result, there were 1,667.75 unsupported direct care staff hours that equals an overpayment of \$35,539.75.

The total unsupported direct care staff hours for ADP is 3,206.00 hours, which results in an overpayment of \$68,319.86.

DTAC:

For the audit sample period of July 1, 2003 through December 31, 2003, KINGS was not able to provide enough supporting documentation for direct care staff hours to meet the hours required. As a result, there were 193.75 unsupported direct care staff hours that equals an overpayment of \$4,529.88.

For the audit sample period of July 1, 2004 through December 31, 2004, KINGS provided enough supporting document to meet the required direct care staff hours.

The total unsupported direct care staff hours for the DTAC are 193.75 hours, which results in an overpayment of \$4,529.88.

The combined total unsupported direct care staff hours during the sample period for both the ADP and DTAC programs results in an overpayment of \$72,849.74.

KINGS' ADP program design dated November 1990 states:

“Kings Rehabilitation Center’s Day Training Activity Center is currently funded for utilizing a 1:8 staffing ratio, and the Adult Development Program maintains a 1:3 staff to client ratio.”

KINGS' DTAC program design dated November 1992 states:

“Kings Rehabilitation Center’s Day Training Activity Center is currently funded for and maintaining a 1:8 staff-to-client ratio.”

Title 17, Section 50606 (b)(4)(A) states:

“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”

When the staff-to-consumer ratio has not been met, an overpayment has been made, and Title 17 contains provisions for determining the amount of overpayment. Specifically, Title 17, Section 50606 (b)(4)(B) states:

“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.
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.”

The Executive Director for KINGS indicated that management staff provided direct care hours to maintain the required staffing ratios. However, KINGS could not provide any documentation to support that any management staff provided direct care hours.

RECOMMENDATION:

KINGS should track and monitor the direct service hours to ensure that the approved staffing ratio is being met. As a result of its understaffing, KINGS should return the overpayment of \$72,849.74 to the DDS.

AUDITEE'S RESPONSE

In the response to this finding, KINGS disagreed with 1) the ADP staffing ratio used by DDS and 2) the number of program hours DDS used to calculate the staffing ratio compliance:

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

FINDING 2: Unsupported Billing and Failure to Bill for Day Program Services

The examination of daily attendance documentation identified that KINGS did not properly bill for Day Program services. Because of unsupported billings, KINGS over and under billed for Day Program services for both the ADP and DTAC Programs.

ADP:

For the audit sample period July 1, 2003 through December 31, 2003, KINGS met the requirements.

For the audit sample period July 1, 2004 through December 31, 2004, we identified that KINGS had a net over billing of seven days for the ADP, which results in an overpayment of \$422.45.

The total over billing for the ADP is seven days for \$422.45.

DTAC:

For the audit sample period July 1, 2003 through December 31, 2003, we identified that KINGS had a net under billing of one day for the DTAC, which results in an underpayment of \$42.64.

For the audit sample period July 1, 2004 through December 31, 2004, we identified that KINGS had a net under billing of 13 days for the DTAC, which results in an underpayment of \$554.32.

The total failure to bill for DTAC is 14 days for \$596.96.

The total amount of both the ADP and DTAC combined for an underpayment of \$174.51.
(See Attachment B.)

Title 17, Section 54326 (a) states:

“All vendors shall:

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

RECOMMENDATION:

KINGS is due a credit of \$174.51, which will be netted against any other outstanding amounts due to DDS. In addition, KINGS should develop policies and procedures to prevent or detect errors in billing invoices before they are submitted for payment.

AUDITEE'S RESPONSE

In response to both ADP and DTAC program findings, KINGS stated it disagreed with the finding. KINGS also states that the main document for billing should be the attendance sheets. Included in KINGS' response was additional documentation to support the hours billed.

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

FINDING 3: Overlapping Authorizations

The examination of monthly invoices for the DTAC program provided by KINGS was reconciled to the payments it received from the CVRC. This comparison revealed several duplicate or double billings made to KINGS. The double billings occurred from December 2003 through March 2004. On December 16, 2003, CVRC issued an authorization, number 04179467, to allow a consumer to attend three days per week at KINGS for the period from December 1, 2003 through March 10, 2004. This authorization was subsequently canceled on March 11, 2004.

On April 27, 2004, CVRC issued another authorization, number 04185529, which allowed the same consumer to attend five days per week for the period of December 1, 2003 through June 30, 2004. This authorization was to replace the one that was canceled on March 11, 2004. Unfortunately, the authorization period for this second authorization overlapped with the first authorization number 04179467, which allowed the double payment to be made by CVRC.

Since KINGS was authorized by CVRC to provide 5 days a week of service and KINGS had sufficient support to document 5 days a week of service, the authorization number 04179467 for 3 days a week is the authorization that was overpaid. The total amount of double billing due to the overlapping authorizations is \$1,961.44 for the time period of December 31, 2003 through March 10, 2004.

Title 17, Section 54326 (a) states:

“All vendors shall:

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

RECOMMENDATION:

KINGS should repay DDS \$1,961.44 for the double payment that was billed under authorization number 04179467. In addition, KINGS should develop policies and procedures to prevent or detect errors in billing invoices before they are submitted for payment.

AUDITEE'S RESPONSE

KINGS agreed with this finding.

KINGS REHABILITATION CENTER, INC.
 Unsupported Direct Care Staffing Ratio
 For The Audit Period July 1, 2003 Through September 30, 2005

Attachment A

JULY			AUGUST			SEPTEMBER			OCTOBER			NOVEMBER			DECEMBER			Final Unsupported Hours E+H+K+N+ Q+T	Average Salary per Cost Stmt	Overpayment Amount U * V
DRAFT	ADJ.	FINAL C - D	DRAFT	ADJ.	FINAL F - G	DRAFT	ADJ.	FINAL I - J	DRAFT	ADJ.	FINAL L - M	DRAFT	ADJ.	FINAL O - P	DRAFT	ADJ.	FINAL R - S			
C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W

ADP - H08726 SC 510

July 1, 2003 through December 31, 2003

Provided Direct Hours:	937.75	67.00	870.75	752.00	52.00	700.00	764.75	57.00	707.75	806.00	60.50	745.50	647.50	48.00	599.50	755.25	61.00	694.25			
Less: Required Direct Hours:	1,079.00	81.00	998.00	1,024.83	64.83	960.00	1,102.83	84.83	1,018.00	1,154.83	82.83	1,072.00	890.50	66.50	824.00	1,063.83	79.83	984.00			
Under Provided Hours:	(141.25)	(14.00)	(127.25)	(272.83)	(12.83)	(260.00)	(338.08)	(27.83)	(310.25)	(348.83)	(22.33)	(326.50)	(243.00)	(18.50)	(224.50)	(308.58)	(18.83)	(289.75)	(1,538.25)	\$21.31	(\$32,780.11)

July 1, 2004 through December 31, 2004

Provided Direct Hours:	763.00	67.00	696.00	797.25	58.25	739.00	762.25	58.00	704.25	868.75	65.75	803.00	854.50	63.50	791.00	875.50	60.50	815.00			
Less: Required Direct Hours:	1,050.83	72.83	978.00	1,146.17	80.17	1,066.00	1,107.17	71.17	1,036.00	1,105.00	51.00	1,054.00	1,096.33	72.33	1,024.00	1,124.50	66.50	1,058.00			
Under Provided Hours:	(287.83)	(5.83)	(282.00)	(348.92)	(21.92)	(327.00)	(344.92)	(13.17)	(331.75)	(236.25)	14.75	(251.00)	(241.83)	(8.83)	(233.00)	(249.00)	(6.00)	(243.00)	(1,667.75)	\$21.31	(\$35,539.75)
TOTAL ADP																		(3,206.00)		(\$68,319.86)	

DTAC - HC0357 SC505

July 1, 2003 through December 31, 2003

Provided Direct Hours:	403.00	31.00	372.00	396.50	36.50	360.00	381.00	28.50	352.50	Met	Met	Met	353.00	25.50	327.50	Met	Met	Met			
Less: Required Direct Hours:	464.75	28.25	436.50	445.25	26.00	419.25	442.00	31.00	411.00	Staffing	Staffing	Staffing	367.25	28.25	339.00	Staffing	Staffing	Staffing			
Under Provided Hours:	(61.75)	2.75	(64.50)	(48.75)	10.50	(59.25)	(61.00)	(2.50)	(58.50)	Ratio	Ratio	Ratio	(14.25)	(2.75)	(11.50)	Ratio	Ratio	Ratio	(193.75)	\$23.38	(\$4,529.88)
TOTAL DTAC																		(193.75)		(\$4,529.88)	

COMBINED ADP AND DTAC OVERPAYMENT **(3,399.75)** **(\$72,849.74)**

KINGS REHABILITATION CENTER, INC.
Unsupported Billing For Day Program Services
For The Audit Period July 1, 2003 Through September 30, 2005

	A	B	C	D	(C x D)
Month	Attendance Paid Days	Actual Attendance Days	Over (Under) Billed Days (A-B)	Rate	Over (Under) Billed Amount

Vendor Number H008726 -- ADP**July 1, 2003 Through December 31, 2003**

July 2003	500	498	2		
August	481	479	2		
September	509	516	(7)		
October	536	537	(1)		
November	412	412	0		
December 2003	498	494	4		
Total ADP 2003	2936	2936	0	\$60.35	\$0.00

July 1, 2004 Through December 31, 2004

July 2004	474	474	0		
August	536	535	1		
September	520	518	2		
October	527	527	0		
November	512	511	1		
December 2004	529	526	3		
Total ADP 2004	3098	3091	7	\$60.35	\$422.45
				TOTAL ADP 2003-04	\$422.45

Vendor Number H00898 -- DTAC**July 1, 2003 Through December 31, 2003**

July 2003	582	582	0		
August	563	561	2		
September	548	548	0		
October	577	580	(3)		
November	453	453	0		
December 2003 *	528	528	0		
Total	3,251	3,252	(1)	\$42.64	(\$42.64)

Vendor Number HC0357 -- DTAC**July 1, 2004 Through December 31, 2004**

July 2004	497	497	0		
August	398	398	0		
September	353	353	0		
October	387	386	1		
November	350	364	(14)		
December 2004	375	375	0		
Total DTAC 2004	2360	2373	(13)	\$42.64	(\$554.32)
				Total DTAC 2003-04	(\$596.96)
				Total ADP and DTAC Underpayment	(\$174.51)

KINGS REHABILITATION CENTER, INC.
Overlapping Authorizations - HC0357
For The Audit Period July 1, 2003 Through September 30, 2005

Attachment C

Month	Billed Under Authorization Number 04179467 (1)
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December 1, 2003 through March 31, 2004

December 2003	\$639.60
January 2004	554.32
February 2004	511.68
March 2004	255.84
Total	<u><u>\$1,961.44</u></u>

Footnotes:

- (1) **Issue Date: December 16, 2003**
Covered Period: December 2003 through March 10, 2004
Authorized Days: 3 days per week
Canceled Date: March 11, 2004

KINGS Response to Draft Report

Certain documents provided by KINGS as attachments to their response are not included in this report due to the detailed and confidential nature of the information.



**KINGS
Rehabilitation
CENTER
INC.**



EXECUTIVE BOARD:

PAT VESTAL - President
RICHARD KLIEVER - Vice P
RENEE CASTRO - Secretary
ROBERT KNUDSON - Treasu

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CAROLYN O'ROURKE
JERRY PALMER
RICHARD SIEVERS

CAROL A. ROGERS, Executiv

Date: February 27, 2008

Re: RESPONSE TO DDS AUDIT
CONDUCTED DECEMBER 2005

Audit Period: July 1, 2003 through September 30, 2005

FINDING #1:

Finding #1 makes two statements that are in error. They are:

1. ADP ratio of 1:3
2. ADP program hours are 6.5

ADP Program Hours

Kings Rehabilitation Center (KRC) has included in this section authorization records that show ADP having billable hours of 6. Coupled with the authorizations, are program designs for the same period.

ADP Ratio

ADP opened its doors fall of 1987. The first permanent rate for ADP was set, May 1988, based on a 1:3 ratio. By 1992, ADP's program design stated a 1:4 ratio. September 1993, Don Larson, Executive Director wrote a letter to DDS asking for a correction to be made in ADP staffing ratio that appeared on a DDS letter.

Again March 1996, there is a letter from Mr. Larson to DDS asking for a correction to staffing ratio from 1:3 to 1:4. April 1996, DDS responded to said letter, but stated that the 89-90 cost statement reflected a ratio of 1:3. With that letter, though, DDS opened the door to correct the ratio by submitting a request for an "anticipated rate adjustment" to be sent to DDS. CVRC (Fresno) and KRC, have a copy of Mr. Larson's response explaining the ADP attendance history. He also attached a cost statement.

Mr. Larson's letter is the last document we can find on the issue. Neither CVRC nor KRC show evidence that DDS responded in kind.

In our estimation, KRC took the necessary steps to correct a problem with no apparent response from DDS. Program designs dating back to 1992; document a 1:4 ratio for ADP. The designs have been sent to CVRC for the past 16 years showing the 1:4 ratio. The ratio was known to CVRC and Community Care Licensing; it was not kept a secret.

I have enclosed a cost statement submitted in 1998 for ADP based on 1996 expenses. The expenses showed a 1:3.9 ratio and subsequent costs. When DDS audited the cost statement in 1999 (Joe Hanna) the term non-compliant ratio was used. The report also stated a permanent rate for ADP of \$44.05. I believe this was increased in 2001 due to a budget increase. I continue to look for documentation on the ratio issue between 2001 and 2003, but find nothing.

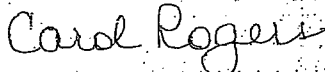
I joined KRC in June 2003, one day after [REDACTED] died of stomach cancer. Since my hire date we have a new comptroller and several other new players.

I was never informed of a discrepancy regarding ADP ratio. In the last five years, we have been reviewed by licensing and they are aware of the 1:4 ratio. I have not received any documentation from DDS in the last five years that had a 1:3 ratio on it that would have been a "red flag" for me. It was not until the December 2005, with the DDS audit, that I knew there was a potential problem.

Rates have been frozen since 2001. ADP barely breaks even. I can not change what another Executive Director did. Is there a non-monetary avenue we can take that will correct this problem? Please advise.

Thank you for your cooperation.

Sincerely,



Carol Rogers, Executive Director
Kings Rehabilitation Center

SUMMARY FOR FUNDING # 2
Unsupported Billing for Day Program Services

ADP

According to DDS audit of December 2005, KRC would like to present our review of documents presented:

	# of days invoices	# of days per audit	Over or under # of days	Rate	Amount in question
July 1, 2003 -- December 31, 2003					
Record per audit	2936	2915	21	60.35	\$ 1,267.35
Record per agency review	2936	2930	6	60.35	\$ 362.10
July 1, 2004 -- December 31, 2004					
Record per audit	3098	3060	38	60.35	\$ 2,293.30
Record per agency review	3098	3106	-8	60.35	\$ (482.80)
<hr/>					
Total per AUDIT:	6034	5975	59		\$ 3,560.65
<hr/>					
Total per agency review	6034	6036	-2		\$ (120.70)

- 1) To support our numbers, please find a copy of attendance sheets and transportation logs for each month audited. At the end of each row, is the total days attended. At the end of the sheet are total days attended for the month.
- 2) There is some discrepancy with the audited record. For example, attendance record for P. Lawson 18 days in attendance, but audit record shows 17 days.
- 3) It was discovered that even though auditors decided to use transportation logs as main source documents, there is no consistency in following this procedure. If the number of days is lower on the attendance sheet - attendance sheet is used, if the number is lower on the transportation log - that number is used. It appears that whichever number was lower - that number was picked up for consideration.
- 4) As we have explained, that main document for billing is and should be the attendance sheet. Cases exist in ADP where parents or caregivers bring the clients in. This is true for client doctor appointments. We have learned over the years that the best source for billing is the attendance sheet, and since there is no known regulation or policy stating which document is the source, we view the attendance sheet as consistently being the greater document.

SUMMARY FOR FUNDING # 2
Unsupported Billing for Day Program Services

DTAC:

According to the audit documentation presented in regards to this funding, we would like to present our review and reasons for our opinion.

	# of days invoices	# of days per audit	Over or under # of days	Rate	Amount in question
July 1, 2003 -- December 31, 2003					
Record per audit	3251	3189	62	42.64 \$	2,643.68
Record per agency review	3251	3255	-4	42.64 \$	(170.56)
July 1, 2003 -- December 31, 2003					
Record per audit	2360	2357	3	42.64 \$	127.90
Record per agency review	2360	2374	-14	42.64 \$	(596.96)
<hr/>					
Total per AUDIT:	5611	5546	65	\$	2,771.58
Total per agency review	5611	5629	-18	\$	(767.52)

1) To support our numbers, please find a copy of attendance sheets for each month audited. At the end of each row, for each specific client, is the total days attended. At the end of the sheet we have total days attended for the month.

Mistakes in calculations were found and explained below:

3) We strongly disagree that transportation logs should be as a primary source document for the following reasons:

- a) Some of the DTAC clients live close to our facility, and walk to our facility each day.
- b) Some of the clients use public transportation to get to the facility.
- c) Some of the clients use public transportation and on other days they use our transportation.
- d) Some of the clients use our transportation during the winter, but in the summer they ride a bike.
- e) Sometimes it happens that client have a meeting with their care providers or counselors and on that day their parents or caregivers will bring them in.
- f) Sometimes clients are not ready for pick up when our driver arrives, consequently, their parents or caregivers bring them to KRC.

4) It is our practice to use attendance sheets as the source for billing. We do not have regulations that state we are to use transportation logs for billing. We have found that attendance sheets are the best and most accurate source of documents.

5) Transportation logs, are not appropriate in all cases. Whereas, attendance sheets are appropriate whether the client walks, is transported by KRC vans, delivered by parents/caregivers or brought by public transportation.

FINDING #3

Kings Rehabilitation Center concurs with DDS findings on overlapping authorizations.

Carol Rogers	2/27/08
Signature	Date

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
KINGS REHABILITATION INC., RESPONSE**

As part of the vendor audit report process, KINGS was afforded the opportunity to respond to the draft audit report and provide a written response to each finding. Upon receipt of KINGS' written response to the draft audit report, DDS evaluated the response and determined that KINGS did not agree with Findings 1 and 2, but concurred with Finding 3:

Finding 1: Unsupported Direct Care Staffing Ratio

In the response to the draft audit report, KINGS responded to only the unsupported direct care staffing ratio of the Adult Development Program (ADP). There was no response to the Day Training Activity Center (DTAC) unsupported staffing ratio portion of the finding.

KINGS states it disagrees with the following statements made by DDS regarding the ADP:

- The ADP staffing ratio is 1:3.
- The ADP program hours are 6.5 hours per day.

ADP Staffing Ratio

In the response, KINGS states that "The first permanent rate for ADP was set May 1988, based on a 1:3 ratio." During subsequent years, KINGS wrote letters to DDS asking for a correction to be made in the ADP staffing ratio from 1:3 to 1:4. KINGS refers to a letter dated March 20, 1996 that was sent to DDS that requests assistance in correcting the staffing ratio from 1:3 to 1:4. See Attachment F for a copy of the March 20, 1996 letter.

Then KINGS refers to the DDS reply to this request dated April 10, 1996, indicating that DDS opened the door to correct the ratio by submitting a request for an "anticipated rate adjustment" to be sent to DDS. However, KINGS does not provide any documentation to show that DDS issued any approval for a change in the staffing ratio for ADP, and KINGS does not address the statements made in the April 10, 1996 letter from DDS that states:

"This is in response to your letter dated March 22, 1996, in which you request a correction to an error in the staffing ratio... In reviewing your request, it has been determined that information submitted does not substantiate your request and must be denied."

"...cost information upon which your rate of reimbursement is based, also reflects a 1:3 staffing ratio. Therefore, the approved 1:3 staffing ratio is not in error."

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
KINGS REHABILITATION INC., RESPONSE**

Therefore, the requests made by KINGS to change the staffing ratio for ADP was denied in the DDS letter dated April 10, 1996. The DDS approved staffing ratio for ADP is 1:3. A copy of this letter is in Attachment G.

KINGS indicates in the response that they took necessary steps to correct this problem with no apparent response from DDS and that program designs dating back to 1992 document a 1:4 ratio for ADP. In making this statement, KINGS overlooks the letter dated April 10, 1996 referenced above, which indicates the 1:3 approved staffing ratio for ADP is not in error.

KINGS also makes a reference to an audit that was performed in 1999 by [REDACTED] indicating that this was a DDS audit. This statement by KINGS is incorrect because Joe Hanna is the fiscal monitor for CVRC and the audit was performed by CVRC, not DDS. In addition, KINGS did not provide any documentation to demonstrate DDS was informed of the results of this 1999 audit performed by CVRC.

KINGS indicates that the 1:4 ratio was known to CVRC and to Community Care Licensing. In making this statement, KINGS overlooks the fact that the approval of the ratio for staffing the ADP program must be received from DDS. In addition, it should be recognized that Community Care Licensing is not a subdivision of DDS. Community Care Licensing is a subdivision of the Department of Social Services.

The executive director for KINGS states in the response that she "was never informed of a discrepancy regarding the ADP ratio." She further states that KINGS has "not received any documentation from DDS in the last five years that had a 1:3 ratio on it that would have been a 'red flag' for KINGS." In reviewing documentation of letters sent to KINGS, we identified a DDS letter dated May 29, 2003. At the top of this letter, it identifies the subject of the letter is the vendor number H08726, which is for ADP, and that the staffing ratio is 1:3. See attachment H for a copy of this DDS letter dated May 29, 2003. Therefore, KINGS has received correspondence from DDS indicating that the approved ADP staffing ratio is 1:3.

Based upon the above, KINGS has been aware that the approved staffing ratio for ADP is 1:3. KINGS did make attempts to get approval to change this approved staffing ratio. However, the requests were denied.

ADP Program Hours

KINGS stated in its response that the ADP program hours should be 6 hours per day and not 6.5 hours per day that was identified in the audit. In support of this position, KINGS provided service authorization records that indicate the approved program hours of operation are 6 hours per day.

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
KINGS REHABILITATION INC., RESPONSE**

When performing the audit, DDS reviewed the ADP program design that indicated the program hours of operation were 6.5 hours per day. Upon review of the documentation submitted by KINGS and follow-up communication with CVRC, DDS recognizes that the approved program hours for the ADP are 6 hours per day.

The KING'S response did not address the DTAC program. However, upon further review of the documentation for DTAC and communication with CVRC, it has been determined that the program hours of operation for DTAC were also six hours per day, not the 6.5 hours identified in the draft report.

As a result, DDS has recomputed the direct service hours required by KINGS for the ADP and DTAC programs using the program time of 6 hours per day. The result is that the amount of under provided direct staff hours for Finding 1 has been reduced from 3,547.07 to 3,399.75 hours. From this reduction in the amount of under provided direct staff hours, the amount due for unsupported direct care staff hours in Finding 1 has been reduced from \$75,972.57 to \$72,849.74.

To prevent any future discrepancies between the ADP program design and the authorizations from DDS, KINGS should compare the program design with the DDS approvals and make appropriate corrections.

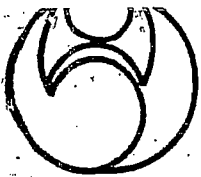
Finding 2: Unsupported Billing and Failure to Bill for Day Program Services

In response to the draft audit report, KINGS stated the auditors used transportation documents to support billing instead of the more appropriate attendance documents.

In reviewing the documentation and methodology used to verify and ensure KINGS' billing to the regional center was appropriate, DDS concurs that attendance logs should have been used as the source documentation for the billing review. As a result, reviewing the attendance logs, it has been identified that there is an under payment of \$174.51. Finding 2 has been revised accordingly.

Finding 3: Overlapping Authorizations

KINGS indicated that they concur with this finding.



KINGS
Rehabilitation
CENTER
INC.

March 20, 1996

EXECUTIVE BOARD:
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MARY FREDMORE
VIRGINIA SCOW

DONALD J. LARSON, Executive Director

Jimmy Dong
Department of Developmental Services
1600 9th Street
Sacramento, Ca. 95814

RE: Vendor # H08726
Service Code # 181

Dear Jimmy:

I am writing to correct an error in our staffing ratio for this program that was recently brought to my attention. We began this program in September, 1987. I am enclosing our copy of the original projected cost statement.

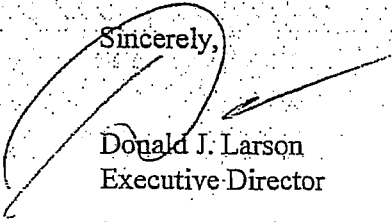
You will note on this cost statement 12 individuals were to receive services. These services were going to be provided by 3 staff members with the oversight of a program manager. I believe the program manager was inadvertently calculated into the client to staff ratio.

I am also enclosing a copy of the actual costs through April of 1988 when the permanent rate was established. You will note from the second cost statement the same scenario is true. We have 1 program manager and 3 instructors.

I would appreciate your assistance in correcting the staff ratio on my rate letters from 1 to 3 to the more appropriate 1 to 4.

If you require any further information, please do not hesitate to contact me.

Sincerely,


Donald J. Larson
Executive Director

DJL/slm

Enclosures:

cc: Davis Riester
Doris Zepezauer
Bill Hyatt
Lynn Gardner
Jose Chaparro

DEPARTMENT OF DEVELOPMENTAL SERVICES

1600 9TH STREET
SACRAMENTO, CA 95814
TTY (916) 654-2054
(916) 654-1961

April 10, 1996



VENDOR NAME : Kings Rehabilitation
Center, Inc.
VENDOR NUMBER : H08726
SERVICE CODE : 510
STAFFING RATIO : 1:3
REGIONAL CENTER: Central Valley

Don Larson, Executive Director
Kings Rehabilitation Center, Incorporated
490 East Hanford/Armona Road
P.O. Box 632
Hanford, California 93232-0632

Dear Mr. Larson:

This is in response to your letter dated March 22, 1996, in which you request a correction to an error in the staffing ratio for the above identified program. In reviewing your request, it has been determined that the information submitted does not substantiate your request and must be denied.

The program design on file with the Department reflects a staffing ratio of 1:3. The Fiscal Year 1989-90 cost information upon which your rate of reimbursement is based, also reflects a 1:3 staffing ratio. Therefore, the approved 1:3 staffing ratio is not in error.

If you wish to change the approved staffing ratio for your program from 1:3 to 1:4, you must resubmit your request as an anticipated rate adjustment request. Anticipated rate adjustments are due prior to December 1 of the year previous to the fiscal year when changes are expected to occur pursuant to Title 17, Section 57920 (b). When resubmitting your rate adjustment request, please use the enclosed cost statement to reflect the anticipated changes you propose to make.

You have the right to appeal this decision to the Deputy Director, Administration Division. However, appeals shall be submitted within 30 days after receipt of this letter. If the appeal is not filed within 30 days it shall be denied unless good cause is established pursuant to Section 57946 for community-based day programs.

"BUILDING PARTNERSHIPS, SUPPORTING CHOICES"

If you have any questions regarding this rate action, please call Dan Moreno of my staff. His number is (916) 654-1961.

Sincerely,

Glenda Davis

GLEND A DAVIS, Chief
Community Rate Section

Enclosure

cc: Abdul Mahmood
Central Valley
Regional Center

DEPARTMENT OF DEVELOPMENTAL SERVICES

1600 9TH STREET, ROOM 310, MS 3-21
SACRAMENTO, CA 95814
TTY 654-2054 (For the Hearing Impaired)
(916) 654-1961



May 29, 2003

VENDOR NAME : Kings Rehabilitation Center, Inc.
VENDOR NUMBER : H08726
SERVICE CODE : 510
STAFFING RATIO : 1:3
REGIONAL CENTER : Central Valley

Mr. Donald J. Larson
Kings Rehabilitation Center, Inc.
P.O. Box 719
Hanford, CA 93232

Dear Mr. Larson:

The Department received your unanticipated rate adjustment request on February 28, 2003. The basis of your request is the passage of Assembly Bill 749, which resulted in an increase to your workers' compensation insurance premium rates.

Pursuant to Section 57920(c)(1) of the California Code of Regulations (CCR), your request is complete and complies with the requirements outlined in Sections 57920 and 57922. Therefore, the Department has approved your rate adjustment request, increasing your rate \$0.07 per consumer per day, establishing the permanent payment rate at \$60.35, effective July 1, 2003.

The State of California Insurance Commissioner approved a maximum of 5.1% increase in workers' compensation premium rates as a result of AB 749. Therefore, your rate increase was changed to reflect this amount.

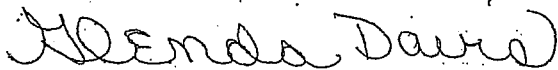
In accordance with Section 57940 through 57948, you may appeal this decision to the Deputy Director of the Administration Division. If the information is not submitted within 12 months after the receipt of this written notification, the appeal shall be denied unless good cause pursuant to Section 57946 is established.

"Building Partnerships, Supporting Choices"

Mr. Donald J. Larson
Page 2

Should you have any questions regarding this letter, please contact Mayra Jimenez of my staff at (916) 654-1961.

Sincerely,



GLEND A DAVIS, Chief
Community Rate Section

cc: Carmen Villegas
Abdul Mahmood
Central Valley Regional Center