

DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
LIFE STEPS FOUNDATION, INC. (LIFE STEPS)

Supported Living Services:

Supported Living Service (SLS) – P24390/P24391, and PW0018

Miscellaneous Programs:

Community Integration Training (CIT) – P66941, PH0095, and PH0617

Individual/Family Training – H17102 and P66941

Socialization Training – H17102 and P66941

Day Program:

Independent Living Service (ILS) – H17102

(Audit Period: July 1, 2006 through June 30, 2007)

Audit Branch

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Assignment # 08-VN-2-003

LIFE STEPS FOUNDATION, INC. (LIFE STEPS)

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Life Steps Foundation, Inc. (Life Steps). The audit was performed upon the following programs: Supported Living Services, Miscellaneous Programs (Community Integration Training, Individual/Family Training, and Socialization Training), and the Independent Living Service for the period of July 1, 2006 through June 30, 2007.

The last day of fieldwork was June 3, 2008.

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

Finding 1: Supported Living Services (SLS) – Unsupported Billing and Failure to Bill

The review of Life Steps' SLS programs revealed a lack of supporting documentation for services billed for Vendor Numbers P24390/P24391 and PW0018 and unbilled services provided for Vendor Number PW0018. The total unsupported billing was \$13,042.99 and the total under billing was \$24.99. The net total of the billing discrepancies resulted in unsupported billings of \$13,018.

Finding 2: Community Integration Training – Unsupported Billing

The review of Life Steps' Community Integration Training program revealed a lack of supporting documentation for services billed. The total unsupported billing was \$149.77.

The net total of the billing discrepancies identified in this audit is \$13,167.77 of unsupported billings to Life Steps. A detailed discussion of these findings is 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 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 Steps' Supported Living Services, Community Integration Training, Individual/Family Training, Socialization Training, and Independent Living Program were compliant with the applicable Welfare and Institutions Code (W&I), California Code of Regulations Title 17 (Title 17), and the regional centers' contracts with Life Steps for the period of July 1, 2006 through June 30, 2007.

As a result of the discrepancies identified in the initial sample of the SLS program, it was necessary to audit the period of August 2005 through December 2005 for the Supported Living Services vendored by Regional Center of Orange County and Westside Regional Center.

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

Supported Living Services

During the audit period, Life Steps operated six Supported Living Services. Our audit included the review of three of Life Steps' Supported Living Services. The specific programs audited are listed below:

- Supported Living Services, Vendor Numbers P24390/P24391, and PW0018, Service Code 896

The procedures performed at Harbor, the vendoring regional center, other centers, and Life Steps included, but were not limited to, the following:

- Reviewed various regional centers' vendor files for contracts, rate letters, cost statements, program designs, purchased of service authorizations, and correspondence pertinent to the review.
- Interviewed various regional centers staff for vendor background information and to obtain prior vendor audit reports.
- Interviewed Life Steps staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Reviewed Life Steps service/attendance records to determine if Life Steps had sufficient, competent and relevant evidence to support the direct care services billed to the regional centers.
- Performed an analysis of Life Steps' employee payroll and monthly billing consumer data to determine if the total payroll hours were equal to or more than the total consumer service hours billed.
- Compared the "monthly billing consumer data" to the billing spreadsheets generated from Life Steps' time keeping system (Kronos) to determine the process being used to bill the regional centers.
- Compared units billed on a flat rate basis against the POS payment units.

Miscellaneous Programs

During the audit period, Life Steps operated 10 Miscellaneous Programs. The audit included the review of three of Life Steps' Miscellaneous Programs. The programs audited are listed below:

- Community Integration Training, Vendor Numbers P66941, PH0095, and PH0617, Service Code 055
- Individual/Family Training, Vendor Numbers H17102 and P66941, Service Code 102
- Socialization Training, Vendor Numbers H17102 and P66941, Service Code 028

The procedures performed at Harbor, the vendoring regional center, other centers and Life Steps included, but were not limited to, the following:

- Reviewed various regional centers' vendor files for contracts, rate letters, program designs, purchased of service authorizations, and correspondence pertinent to the review.
- Interviewed various regional center staff for vendor background information and to obtain prior vendor audit reports.

- Interviewed Life Steps’ staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Reviewed Life Steps’ service/attendance records to determine if Life Steps had sufficient, competent, and relevant evidence to support the direct care services billed to the regional centers.
- Performed an analysis of Life Steps’ employee payroll and the “monthly billing consumer data” to determine if the total payroll hours were equal to or more than the total consumer service hours billed.
- Compared the “monthly billing consumer data” to the billing spreadsheets generated from the Kronos system to determine the process being used to bill the regional centers.
- Compared units billed on a flat rate basis against the POS payment units.

Day Program

- During the audit period, Life Steps operated 10 Day Programs. The audit included the review of one of Life Steps’ Day Programs. The Independent Living Service, Vendor Number H17102, Service Code 520.

The procedures performed at Harbor, the vendoring regional center, other user centers, and Life Steps included, but were not limited to, the following:

- Reviewed various regional center vendor files for contracts, rate letters, program designs, purchased of service authorizations, and correspondence pertinent to the review.
- Interviewed various regional center staff for vendor background information and to obtain prior vendor audit reports.
- Interviewed Life Steps’ staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Reviewed Life Steps’ service/attendance records to determine if Life Steps had sufficient, competent and relevant evidence to support the direct care services billed to the regional centers.
- Compared the “monthly billing consumer data” to the billing spreadsheets generated from the Kronos system to determine the process being used to bill the regional centers.

CONCLUSION

Based upon the procedures performed, we have determined that except for the items identified in the Findings and Recommendation section, Life Steps complied with requirements of Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on July 8, 2009. In the response dated August 28, 2009, Life Steps, Inc. responded to the draft audit report. Life Steps, Inc. indicated a disagreement with Finding 1, Unsupported Billing and Failure to Bill-Supported Living Services, and accepted a portion of Finding 2, Unsupported Billing-Community Integration Training.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, Harbor Regional Center, and Life Steps. Additionally, 10 user regional centers, which referred consumers to Life Steps and were affected by the audit results, will be sent a copy of the report. This report 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.

FINDINGS AND RECOMMENDATIONS

Finding 1: Supported Living Service - Unsupported Billing and Failure to Bill

The review of Life Steps' SLS programs for the sample period, revealed a lack of supporting documentation for services billed under Vendor Numbers P24390/P24391 and PW0018.

Life Steps was not able to provide supporting documentation for 853.55 hours of services billed. This lack of documentation resulted in unsupported billings to the regional centers in the amount of \$13,042.99.

In addition, it was found that Life Steps had failed to bill for three hours of service that were properly authorized by the regional center and provided to consumers under Vendor Number PW0018.

The total unbilled service provided by Life Steps was \$24.99. The net total of the billing discrepancies resulted in \$13,018 of unsupported billings. (See Attachment A.)

Title 17, Section 54326(a) states:

“All vendors shall:

(3) Maintain records of service 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, Title 17, Sections 50604(d) and (e) state:

”(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:

Life Steps should reimburse to DDS the \$13,018 of unsupported billings. In addition, Life Steps should develop and implement policies and procedures to ensure that proper documentation are maintained and on file to support the amounts billed.

Life Step's Response:

Life Steps did not agree with Finding 1 and indicated that “not all Life Steps monthly billing consumer data (billing sheets) are included in a tally of Units/hours service provided....” See Attachment B for the full text of Life Steps’ response to the draft audit report.

Finding 2: Community Integration Training – Unsupported Billing

The review of Life Steps’ Community Integration Training program, Vendor Number PH0617, for the sample period revealed a lack of supporting documentation for one unit of service billed. This lack of documentation resulted in unsupported billings to the regional center in the amount of \$149.77. (See Attachment A.)

Title 17, Section 54326(a) states:

“All vendors shall:

(3) Maintain records of service 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, Title 17, Sections 50604(d) and (e) state:

”(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:

Life Steps should reimburse to DDS the \$149.77 of unsupported billings. In addition, Life Steps should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed.

Life Step's Response:

Life Steps indicated it provided the monthly billing to resolve a portion of the finding, therefore, the total amount due to DDS is \$149.77. See Attachment B for the full text of Life Steps’ response to the draft audit report.

Life Steps Foundation, Inc
Summary of Over and Under Billings
Fiscal Year 2006-07

Finding #	Vendor	Svc Code	Description	A Rate	B		C = A*B		D		E = A*D		F = C+E
					Units/Hours		Amount	Units/Hours		Amount	NET TOTAL		
					<u>Unsupported Billings¹</u>		<u>Failed to Bill²</u>				<u>Amount</u>		
1 Supported Living Service													
	P24391	896	Supported Living Service	Various*	681.75		\$ 10,539.22	-	\$ -			\$ 10,539.22	a
	PW0018	896	Supported Living Service	Various*	171.80		\$ 2,503.77	(3.00)	\$ (24.99)			\$ 2,478.78	b
			<i>Total Supported Living Service</i>		<u>853.55</u>		<u>\$ 13,042.99</u>	<u>(3.00)</u>	<u>\$ (24.99)</u>			<u>\$ 13,018.00</u>	<u>Σab</u>
2 Community Integration Training													
	PH0617	055	Community Integration	149.77	1.00		149.77	-	-			149.77	
			<i>Total Miscellaneous Program</i>		<u>1.00</u>		<u>\$ 149.77</u>	<u>-</u>	<u>\$ -</u>			<u>\$ 149.77</u>	<u>c</u>
TOTAL OVER (UNDER) BILLINGS:											\$ 13,167.77	Σabc	

¹These payments were authorized by the RC(s), were paid to the vendor but were not provided by the vendor.

²These payments were authorized by the RC(s), were provided by the vendor but the vendor failed to bill.

* Negotiated Rate which includes Direct Labor Cost plus percentage of General and Administrative Costs

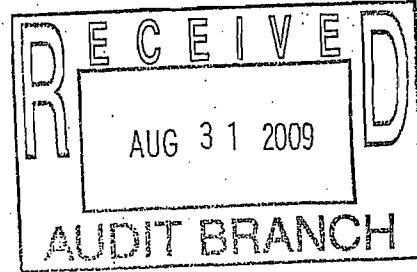
**Life Steps Foundation, Inc.
Response to the Draft Report**

In responding to the draft audit report, Life Steps provided a response dated August 28, 2009. Certain documents provided by Life Steps as attachments are not included in this report due to the voluminous amount of documents submitted. However, the attachments submitted by Life Steps in support of its disagreement are in the audit work papers.

LIFE STEPS  FOUNDATION

August 28, 2009

Alimou Diallo
Lead Auditor
Vendor Audit Section
Department of Developmental Services
1600 Ninth Street, Room 230, MS 2-10
Sacramento, CA 95814



Re: Response to the DDS draft Audit Report

Dear Mr. Diallo,

The intent of this letter is to response and describes action plan that has been implemented to comply with your audit findings letter dated on July 8, 2009.

Finding #1: Supported Living Service Vendor #P24390, P24391, and PW0018

We found out that not all Life Steps monthly billing consumer data (billing sheets) are included in a tally of Units/hours service provided. I have enclosed those billing sheets for your review. In addition to that, Westside RC mistakenly paid Life Steps with a rate of \$8.33 per hour for servicing Ms. [REDACTED] (vendor #PW0018). When Ms. [REDACTED] had a roommate, Life Steps authorized service hours were reduced in half, but Westside RC mistakenly reduced the hourly rate in half as well.

This has resulted in unsupported billings to regional center in the amount of \$10,012.80 and the total unbilled/underpaid for services provided by Life Steps were \$7,235.36. The total net amount due to DDS is \$2,777.44 (See attachment A).

Finding #2: Community Integration Training – Vendor #P66941 and PH 0617

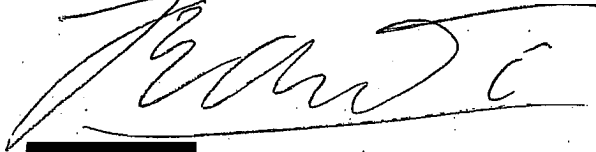
We enclosed Life Steps monthly billing consumer data (billing sheets) for serving [REDACTED] [REDACTED] as supporting document for billing. Therefore, the total amount due to DDS is \$149.77 (see attachment B)


We have created policy and procedure for billing and implemented it to ensure that proper documentation are maintained and on file to support amount billed (see attachment C).

Should you have any question or need further information, please feel free to contact me at (310) 491 – 9003 or email me at aramli@lifestepsfoundation.org.

LIFE STEPS  FOUNDATION

Best regards,




Controller

Enclosures:

- Attachment A
- Attachment B
- Attachment C
- Attachment D

- Copies of Monthly Billing Consumer Data
- Copy of Policy and Procedure for Billing

The Department of Developmental Services' (DDS) Evaluation of Life Steps' Response

As part of the audit report process, Life Steps was afforded the opportunity to respond to the draft audit report and provide a written response to each finding.

On August 31, 2009, Life Steps submitted a response to the draft audit report. In responding to the draft report, Life Steps provided additional service logs and detail schedules to address each finding.

DDS evaluated the written response and determined that Life Steps disagrees with Findings 1 and 2. The response also indicates that Life Steps has taken steps to address both of the issues identified in the draft audit report and has updated its policy and procedure for billing.

Finding 1: Supported Living Service - Unsupported Billing and Failure to Bill

Life Steps had two exceptions to this finding. The first exception states, "We found out that not all Life Steps monthly billing consumer data (billing sheets) are included in a tally of Units/hours service provided..."

In the analysis of the additional documentation that was provided Life Steps, adjustments were made to include any additional hours that were not initially included during the fieldwork stage of the audit. Based upon our evaluation of Life Steps monthly billing consumer data (billing sheets) submitted with its response, the following adjustments will be made to the draft audit report:

1. For the vendor number P24390/P24391 (Regional Center of Orange County), 36.50 service hours were credited due to additional documents being submitted. The result of the additional 36.50 hours results in a reduction of \$793.54 to the amount of unsupported billings for Finding 1. This reduction is reflected in the final audit report. (See Attachment D.)
2. For the vendor number PW0018 (Westside Regional Center), 32.25 service hours were credited due to additional documents being submitted. The result of the additional 32.25 hours results in a reduction of \$547.39 to the amount of unsupported billings for Finding 1. This reduction is reflected in the final audit report. (See Attachment D.)

The second exception to Finding 1 was that Life Steps believes Westside Regional Center mistakenly paid them at the rate of \$8.33 per hour for servicing consumer B. B., UCI #7594296, when she had a roommate. Life Steps indicates that their authorized services were reduced in half, but Westside mistakenly reduced the rate instead of the service hours.

However, Life Steps did not provided any documentation to support their assertion that Westside mistakenly reduced their rate. DDS based its computation on the contract rate agreed upon. Therefore, no adjustments are made to the final audit report for this second exception to Finding 1.

Finding 2: Community Integration Training – Unsupported Billing

In response to Finding 2, Life Steps provided additional documentation to support one unit of service for Vendor Number P66941 that was noted as unsupported in the draft audit report. For Vendor Number PH0617, Life Steps agreed to reimburse DDS the amount of \$149.77.

As a result, the final report will reflect the one unit of unsupported billing for Vendor Number PH0617 for the amount of \$149.77.

Conclusion:

After reviewing the additional documentation that was provided by Life Steps, adjustments were made to include additional hours that were not initially provided during the fieldwork stage of the audit. Based on the evaluation of the additional documents (billing sheets) submitted with Life Steps' response, the following adjustments will be made to the draft audit report:

1. Finding 1 was credited \$1,340.94 to reduce the finding from \$14,358.94 to \$13,018.
2. Finding 2 was credited \$241.44 to reduce the finding from \$391.21 to \$149.77.

Life Steps should reimburse DDS \$13,167.77 for the unsupported billings. This amount will be reflected in the final audit report. (See Attachment A.)

Life Steps Foundation, Inc.
 Evaluation of Life Steps' Response to the Draft Audit Report
 Finding One

User Regional Center: Regional Center of Orange County
 Vendor Number: P24391

August 2006

		A	B	C = A+B
No.	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$109.80	\$0.00	\$109.80
2		\$255.65	\$0.00	\$255.65
SubTotal		\$365.45	\$0.00	\$365.45

September 2006

		A	B	C = A+B
No.	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$2,715.55	(\$188.26)	\$2,527.29
SubTotal		\$2,715.55	(\$188.26)	\$2,527.29

October 2006

		A	B	C = A+B
No.	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$5.78	\$0.00	\$5.78
2		\$255.65	\$0.00	\$255.65
3		\$117.72	\$0.00	\$117.72
4		\$206.61	(\$65.16)	\$141.45
5		\$2,422.30	\$0.00	\$2,422.30
SubTotal		\$3,008.06	(\$65.16)	\$2,942.90

November 2006

		A	B	C = A+B
No.	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$23.12	\$0.00	\$23.12
2		\$189.88	(\$29.23)	\$160.65
3		\$357.96	(\$174.72)	\$183.24
4		\$300.74	\$0.00	\$300.74
5		\$767.78	\$0.00	\$767.78
SubTotal		\$1,639.48	(\$203.95)	\$1,435.53

December 2006

		A	B	C = A+B
No.	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$92.47	\$0.00	\$92.47
2		\$394.51	(\$336.17)	\$58.34
3		\$601.24	\$0.00	\$601.24
4		\$1,158.78	\$0.00	\$1,158.78
SubTotal		\$2,247.00	(\$336.17)	\$1,910.83

Life Steps Foundation, Inc.
Evaluation of Life Steps' Response to the Draft Audit Report
Finding One

User Regional Center: Regional Center of Orange County
Vendor Number: P24391

March 2007

No.	UCI #	A Draft Report Amount	B Amount Debited/(Credited)	C = A+B Final Report Amount
1		\$102.19	\$0.00	\$102.19
2		\$117.72	\$0.00	\$117.72
3		\$803.98	\$0.00	\$803.98
4		\$333.33	\$0.00	\$333.33
SubTotal		\$1,357.22		\$1,357.22
Total Unsupported - P24391		\$11,332.76	(\$793.54)	\$10,539.22

Column B: Indicate Adjustments made based on Additional Document

Life Steps Foundation, Inc.
Evaluation of Life Steps' Response to the Draft Audit Report
Finding One

User Regional Center: Westside Regional Center
 Vendor Number: PW0018

September 2006

No.	UCI #	A	B	C = A+B
		Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$200.40	\$0.00	\$200.40
2		\$183.98	\$116.55	\$300.53
3		\$268.64	\$0.00	\$268.64
SubTotal		\$653.03	\$116.55	\$769.57

October 2006

No.	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$58.31	\$33.32	\$91.63
2		\$406.95	\$0.00	\$406.95
SubTotal		\$465.26	\$33.32	\$498.58

November 2006

No.	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$295.72	(\$32.29)	\$263.43
2		\$512.12	(\$438.96)	\$73.16
3		\$1,044.68	(\$226.01)	\$818.67
SubTotal		\$1,852.52	(\$697.26)	\$1,155.26

December 2006

No.	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$80.36	\$0.00	\$80.36
SubTotal		\$80.36	\$0.00	\$80.36

Total Unsupported - PW0018	\$3,051.16	(\$547.39)	\$2,503.77
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Column B: Indicate Adjustments made based on Additional Document

Total Unsupported Billing for Finding 1	
Regional Center of Orange County	\$10,539.22
Westside Regional Center	\$2,503.77
	<u>\$13,042.99</u>

Life Steps Foundation, Inc.
 Evaluation of Life Steps' Response to the Draft Audit Report
 Finding Two

Vendoring Regional Center: Harbor Regional Center
 Vendor Number: P66941

September 2006

		A	B	C = A+B
NO	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$241.44	(\$241.44)	\$0.00

Friendship Center - PH0617

		A	B	C = A+B
NO	UCI #	Draft Report Amount	Amount Debited/(Credited)	Final Report Amount
1		\$149.77	\$0.00	\$149.77

Total Unsupported - PH0617				\$149.77
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Column B: Indicate Adjustments made based on Additional Document