

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
LIBERTY SOCIAL SERVICE SPECIALISTS, INC.**

Programs and Services:

Independent Living Services – HQ0649

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

Audit Branch

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Liberty Social Service Specialists, Inc. (LSSS). The audit was performed upon the Independent Living Services Program for the period of July 1, 2011, through June 30, 2013.

The audit disclosed the following issue of non-compliance:

Finding 1: Independent Living Services - Unsupported Billings and Failure to Bill

The review of LSSS' Independent Living Services Program, Vendor Number HQ0649, revealed that LSSS had both unsupported billings, as well as appropriate support for services that it failed to bill San Diego Regional Center (SDRC). As a result, LSSS had a total of \$100,049 of unsupported billings and a total of \$367 for which it failed to bill.

The net total of unsupported billings identified in this audit amounts to \$99,682 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 LSSS' Independent Living Services Program was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional center contract with SDRC 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 LSSS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of LSSS' 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 LSSS complied with W&I Code, Section 4648.1 and CCR, Title 17. Also, any complaints that DDS' Audit Branch was aware of regarding non-compliance with laws and regulations were reviewed and followed-up on during the course of the audit. The audit scope was determined by reviewing the programs and services provided to SDRC, which utilized LSSS' services during the audit period.

In addition, LSSS provided one type of service which was audited by DDS. Analyzing the information received during a pre-audit meeting with the vendor and a risk analysis, it was determined that a four-month sample period would be sufficient to fulfill the audit objectives.

Independent Living Services

During the audit period, LSSS operated one Independent Living Services Program. The audit included the review of LSSS' Independent Living Services Program, Vendor Number HQ0649, Service Code 520, and testing was done for the months of March and April 2012, and May and June 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 finding and conclusion 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.
- Analysis of the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.

CONCLUSION

Based upon items identified in the Finding and Recommendation section, LSSS had a finding of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on July 22, 2015. However, LSSS did not submit a response to the draft audit report. The draft audit report was mailed to LSSS' last known address by certified mail, but was returned to DDS. DDS attempted to contact LSSS through all available sources of contact to no avail.

RESTRICTED USE

This audit report is solely for the information and use of DDS, the Department of Health Care Services, SDRC, and LSSS. This restriction is not intended to limit distribution of this audit report, which is a matter of public record.

FINDING AND RECOMMENDATION

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

The review of LSSS' Independent Living Services Program, Vendor Number HQ0649, for the sample months of March and April 2012, and May and June 2013, revealed that LSSS had both 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 LSSS had appropriate supporting documentation, but it did not bill SDRC.

LSSS was not able to provide appropriate supporting documentation for 3,289 hours of services billed. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$100,049. In addition, LSSS provided appropriate supporting documentation for 12 hours of service which was not billed to SDRC. This resulted in an unbilled amount of \$367. As a result, \$99,682 is due back to DDS for the unsupported 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 . . .”

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:

LSSS must reimburse to DDS \$99,682 for the unsupported billings. In addition, all billings must be supported by sufficient documentation.

LSSS' Response:

LSSS did not submit a response to the draft audit report. The draft audit report was mailed to LSSS' last known address by certified mail, but was returned to DDS. DDS attempted to contact LSSS through all available sources of contact to no avail.

Liberty Social Service Specialists, Inc.
Summary of Unsupported 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	<u>Unsupported Billings</u>		<u>Failed to Bill</u>		<u>NET TOTAL</u>
						Units	Amount	Units	Amount	Amount*
						A		B	= A + B	
1	<u>Independent Living Services</u>									
	HQ0649	520	Independent Living Services	Hours	\$ 30.28	2,780	\$ 84,165	-	\$ -	\$ 84,165
					\$ 31.22	509	\$ 15,884	12	\$ (367)	\$ 15,517
FINDING 1: Total - Independent Living Services						<u>3,289</u>	<u>\$ 100,049</u>	<u>12</u>	<u>\$ (367)</u>	<u>\$ 99,682</u>
Grand Total of Unsupported Billings										<u>\$ 99,682</u>

*Rounded to the nearest dollar

LSSS' Response to Draft Report

As part of the audit report process, LSSS was afforded the opportunity to respond to the draft audit report and provide a written response to the finding identified. However, LSSS did not submit a response to the draft audit report. The draft audit report was mailed to LSSS' last known address by certified mail, but was returned to DDS as undeliverable. DDS attempted to contact LSSS through all available sources of contact to no avail. Therefore, DDS issued the report as final.

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES'
EVALUATION OF LSSS' RESPONSE**

LSSS did not submit a response to the draft audit report. Therefore, the draft audit report is issued as final. LSSS must reimburse the outstanding amount due to DDS.