

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES'
AUDIT
OF
LISTO, INC.**

Programs:

Personal Assistance – PE2088

Independent Living Program – HE0365

Adaptive Skills Trainer – PE2172

December 12th, 2017

Audit Period: July 1, 2015, through June 30, 2016

Audit Section

Auditors: Michael Masui, Chief of Vendor Audits
Ermias Tecele, Supervisor
Chai Saechao, Auditor
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LISTO, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Listo, Inc. (Listo). The audit was performed upon the Personal Assistance (PA) program, Independent Living Program (ILP), and Adaptive Skills Trainer (AST) program for the period of July 1, 2015, through June 30, 2016.

The audit disclosed the following issues of non-compliance:

Finding 1: Personal Assistance – Unsupported Billings and Failure to Bill

The review of Listo's PA program, Vendor Number PE2088, revealed that Listo had both unsupported billings and appropriate support for services that it failed to bill the Eastern Los Angeles Regional Center (ELARC). This amounted to a total of \$7,303 of unsupported billings and a total of \$284 for which it failed to bill.

Finding 2: Independent Living Program – Unsupported Billings

The review of Listo's ILP, Vendor Number HE0365, revealed that Listo had unsupported billings to ELARC. This amounted to a total of \$3,857 of unsupported billings.

Finding 3: Adaptive Skills Trainer – Unsupported Billings

The review of Listo's AST program, Vendor Number PE2172, revealed that Listo had unsupported billings to ELARC. This amounted to a total of \$1,250 of unsupported billings.

The net total of unsupported billings identified in this audit amounts to \$12,126 due back to DDS. A detailed discussion of these findings is contained in the Findings and Recommendations section of this 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 integrated lives. DDS contracts with 21 private, nonprofit regional centers (RCs) that provide fixed points of contact in the community for serving eligible individuals with developmental disabilities and their families in California. In order for RCs 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 Listo's PA program, ILP, and AST program were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the RCs' contracts with Listo for the period of July 1, 2015, through June 30, 2016.

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 Listo, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of Listo'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 Listo complied with the W&I Code and CCR, Title 17. Any complaints that DDS' Audit Section 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 two RCs that utilized Listo's services during the audit period. Of the two RCs, DDS audited services provided to ELARC. The RC was chosen due to the large volume of services utilized by the center as measured by Purchase of Service (POS) expenditures.

In addition, Listo provided three different types of services, of which, DDS audited all three. The three services chosen by DDS were based on the amount of POS expenditures invoiced by Listo. By analyzing the information received during a pre-audit meeting with the vendor, an internal control questionnaire, and a risk analysis, it was determined that a two-month sample period would be sufficient to fulfill the audit objectives.

Personal Assistance

During the audit period, Listo operated one PA program. The audit included the review of Listo's PA program, Vendor Number PE2088, Service Code 062 and testing was done for the sampled months of July and August 2015.

Independent Living Program

During the audit period, Listo operated an ILP program. The audit included the review of Listo's ILP, Vendor Number HE0365, Service Code 520 and testing was done for the sampled months of July and August 2015.

Adaptive Skills Trainer

During the audit period, Listo operated one AST program. The audit included the review of Listo's AST program, Vendor Number PE2172, Service Code 605 and testing was done for the sampled months of July and August 2015.

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:

- Reviewed vendor files for contracts, rate letters, program designs, POS authorizations and correspondence pertinent to the review.
- Interviewed RC staff for vendor background information and to obtain insight into the vendor's operations.
- Interviewed vendor management to gain an understanding of its accounting procedures and processes for RC billing.
- Obtained and reviewed the vendor's internal control questionnaire.
- Reviewed vendor service/attendance records to determine if the vendor had sufficient and appropriate evidence to support the direct-care services billed to the RC.
- Analyzed the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.

- Reviewed the vendor's general ledger, payroll records, and trial balance to determine the vendor's costs.
- Interviewed the vendor's Executive Director for vendor background information and to gain understanding of Listo's accounting procedures and financial reporting process.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, Listo had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on August 23, 2017. The finding in the report was discussed at a formal exit conference with Armando Villegas, Listo's Executive Director, on August 29, 2017. Mr. Villegas indicated, via email dated September 18, 2017, that Listo does not dispute the findings.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Personal Assistance Program – Unsupported Billings and Failure to Bill

The review of Listo's PA program, Vendor Number PE2088, for the sampled months of July and August 2015, revealed that Listo had both unsupported billings and appropriate support for services that it failed to bill to ELARC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to ELARC. The failure to bill occurred when Listo had appropriate supporting documentation, but it did not bill ELARC.

Listo was not able to provide appropriate supporting documentation for 451 hours of services billed. The lack of Monthly Tracking Logs resulted in unsupported billings to ELARC in the amount of \$7,303.

In addition, Listo provided appropriate supporting documentation for 18 hours of service that were not billed to ELARC. This resulted in an unbilled amount of \$284; therefore, the net amount of \$7,019 is due back to DDS for the unsupported billings. (See Attachment A)

W&I Code, Section 4648.1(e)(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 that either of 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, in part:

- “(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, in part:

- “(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:

Listo must reimburse DDS \$7,019 for the unsupported billings. In addition, Listo should ensure that the number of direct-care hours reported in its Monthly Tracking Logs are consistent with the number of direct-care hours being billed to ELARC.

Listo’s Response:

Armando Villegas, Listo’s Executive Director, submitted a response on September 18, 2017, stating that Listo acknowledges the findings and does not dispute them.

See Attachment B for the full text of Listo’s response to the draft audit report and Attachment C for DDS’ evaluation of Listo’s response.

Finding 2: Independent Living Program – Unsupported Billings

The review of Listo’s ILP, Vendor Number HE0365, for the sampled months of July and August 2015, revealed that Listo had unsupported billings to ELARC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to ELARC.

Listo was not able to provide appropriate supporting documentation for 122 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC in the amount of \$3,857, which is due back to DDS. (See Attachment A)

W&I Code, Section 4648.1(e)(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 that either of 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, in part:

“(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, in part:

- “(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:

Listo must reimburse DDS \$3,857 for the unsupported billings. In addition, Listo should ensure that the number of direct care hours reported in its Monthly Tracking Logs are consistent with the number of direct-care hours being billed to ELARC.

Listo’s Response:

Armando Villegas, Listo’s Executive Director, submitted a response on September 18, 2017, stating that Listo acknowledges the findings and does not dispute them.

See Attachment B for the full text of Listo’s response to the draft audit report and Attachment C for DDS’ evaluation of Listo’s response.

Finding 3: Adaptive Skills Trainer Program – Unsupported Billings

The review of Listo’s AST program, Vendor Number PE2172, for the sampled months of July and August 2015, revealed that Listo had unsupported billings to ELARC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to ELARC.

Listo was not able to provide appropriate supporting documentation for 44 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC in the amount of \$1,250, which is due back to DDS. (See Attachment A)

W&I Code, Section 4648.1(e)(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 that either of 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, in part:

- “(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, in part:

- “(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:

Listo must reimburse DDS \$1,250 for the unsupported billings. In addition, Listo should ensure that the number of direct-care hours reported in its Monthly Tracking Logs is consistent with the number of direct-care hours being billed to ELARC.

Listo’s Response:

Armando Villegas, Listo’s Executive Director, submitted a response on September 18, 2017, stating that Listo acknowledges the findings and does not dispute them.

See Attachment B for the full text of Listo’s response to the draft audit report and Attachment C for DDS’ evaluation of Listo’s response.

Listo, Inc.
Summary of Unsupported Billings and Failure to Bill
Audit Period: July 1, 2015, through June 30, 2016

Attachment A

Finding #	Vendor #	Svc Code	Description	Unit Type	<u>Unsupported Billings</u>		<u>Failure to Bill</u>		<u>NET TOTAL</u>
					Units ₁	Amount ₁	Units ₁	Amount ₁	Amount ₁
1	<u>Personal Assistance</u>								
	PE2088	062	Personal Assistance						
			July 2015	Hours	249	\$ 4,033	12	\$ 195	\$ 3,838
			August 2015	Hours	202	\$ 3,270	6	\$ 89	\$ 3,181
			Sub Total		<u>451</u>	<u>\$ 7,303</u>	<u>18</u>	<u>\$ 284</u>	<u>\$ 7,019</u>
2	<u>Independent Living Program</u>								
	HE0365	520	Independent Living Program						
			July 2015	Hours	39	\$ 1,233	-	\$ -	\$ 1,233
			August 2015	Hours	83	\$ 2,624	-	\$ -	\$ 2,624
			Sub Total		<u>122</u>	<u>\$ 3,857</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 3,857</u>
3	<u>Adaptive Skills Trainer</u>								
	PE2172	605	Adaptive Skills Trainer						
			July 2015	Hours	20	\$ 568	-	\$ -	\$ 568
			August 2015	Hours	24	\$ 682	-	\$ -	\$ 682
			Sub Total		<u>44</u>	<u>\$ 1,250</u>	<u>-</u>	<u>\$ -</u>	<u>\$ 1,250</u>
			GRAND TOTAL OF ALL PROGRAMS		<u>617</u>	<u>\$ 12,410</u>	<u>18</u>	<u>\$ 284</u>	<u>\$ 12,126</u>

Notes:

1. All amounts and units have been rounded to the nearest whole number.

Listo's Response to Draft Report

As part of the audit report process, DDS afforded Listo the opportunity to respond to the draft audit report and provide a written response to the findings identified. On September 18, 2017, Listo submitted a written response, via email, to the draft audit report.

The response included a one-page email. The following page contains Listo's written response.

Saechao, Chai@DDS

From: Listo Inc. <ListoInc@hotmail.com>
Sent: Monday, September 18, 2017 9:45 AM
To: Saechao, Chai@DDS
Subject: Re: DDS audit - Final Review

Hello Chai.

Per our phone conversation on August 29th, 2017, I acknowledge your office's findings regarding the 2016 audit of Listo, Inc., and do not dispute them.

Please let me know if you have any questions, comments or instructions at this time.

Thank you,

Armando Villegas
Listo Inc.

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES'
EVALUATION OF LISTO'S RESPONSE**

Listo's response, dated September 18, 2017, acknowledged the findings and accepted DDS' recommendations.