

**DEPARTMENT  
OF  
DEVELOPMENTAL SERVICES  
AUDIT  
OF  
MAGIC SUPPORT SERVICES**

**Program and Service:**

Supported Living Service – ZS0750

Audit Period: July 1, 2012, through June 30, 2013

**Audit Branch**

**Auditors:** Michael Masui, Chief of Vendor Audits  
Alimou Diallo, Supervisor  
Wilfredo Golez, Lead Auditor  
Pardeep Deol, Auditor

# MAGIC SUPPORT SERVICES

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Magic Support Services (MSS). The audit was performed upon the Supported Living Service (SLS) for the period of July 1, 2012, through June 30, 2013.

The audit disclosed the following issue of non-compliance:

### **Finding 1: Supported Living Service – Unsupported Billings and Failure to Bill**

The review of MSS' SLS, Vendor Number ZS0750, revealed that MSS had both unsupported billings, as well as appropriate support for services that it failed to bill the Regional Center of the East Bay (RCEB) and San Andreas Regional Center (SARC). As a result, MSS had a total of \$16,999 of unsupported billings and a total of \$5,607 for which it failed to bill.

The net total of unsupported billings identified in this audit amounts to \$11,392 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 MSS' SLS was compliant with the W&I Code, California Code of Regulations, Title 17 (CCR, Title 17), and the regional centers' contract with MSS for the period of July 1, 2012, 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 MSS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of MSS' 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 MSS complied with W&I Code 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 two regional centers that utilized MSS' services during the audit period. DDS audited services provided to RCEB and SARC; these two regional centers were chosen due to the large volume of services utilized by the centers as measured by Purchase of Service (POS) expenditures.

In addition, MSS provided four different types of services. Of the four different types of services, DDS audited one. The service chosen by DDS was based on the amount of POS expenditures invoiced by MSS. Analyzing the information received during the pre-audit meeting with the vendor, information in the internal control questionnaire and risk analysis, it was determined that a two months sample period would be sufficient to fulfill the audit objectives.

## **Supported Living Service**

During the audit period, MSS operated one SLS. The audit included the review of MSS' SLS, Vendor Number ZS0750, Service Code 896 and testing was done for the months of July 2012 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 findings and conclusions in relation to the audit objectives. The procedures performed included, but were not limited to, the following:

- Review of vendor files for contracts, rate letters, program designs, POS 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 centers.
- Analysis of the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.

## **CONCLUSION**

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued the audit report as a draft on March 5, 2015. The finding in the audit report was discussed at a formal exit conference with Sean DeWitt, MSS' Executive Director, on March 13, 2015. Mr. DeWitt stated via an e-mail dated April 4, 2015, that MSS is declining a dispute to the findings in the audit report.

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### **Finding 1: Supported Living Service – Unsupported Billings and Failure to Bill**

The review of MSS' SLS program, Vendor Number ZS0750, for the sample months of July 2012 and June 2013, revealed that MSS had both unsupported billings, as well as appropriate support for services that it failed to bill to RCEB and SARC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to RCEB and SARC. The failure to bill occurred when MSS had appropriate supporting documentation, but it did not bill RCEB and SARC. The following are the discrepancies identified:

MSS was not able to provide appropriate supporting documentation for 1,396 hours of services billed. The lack of documentation resulted in unsupported billings to RCEB and SARC in the amount of \$16,999.

In addition, MSS provided appropriate supporting documentation for 559 hours of service that was not billed to RCEB and SARC. This resulted in an unbilled amount of \$5,607.

As a result, \$11,392 is due back to DDS for the unsupported billings.  
(See Attachment A.)

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:**

MSS must reimburse to DDS the \$11,392 for the unsupported billings. In addition, MSS should ensure that proper documentation is maintained to support the amounts billed to RCEB and SARC.

**MSS' Response:**

Mr. DeWitt stated via an e-mail dated April 4, 2015, that MSS is not disputing the findings in the audit report. A copy of the response is enclosed as Attachment B.



**Magic Support Services**  
**Summary of Unsupported Billings and Failure to Bill**  
**Audit Period: July 1, 2012, 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	
<b>1</b>	<b><u>Supported Living Service (SLS) Program</u></b>									
	<b><u>July 2012</u></b>									
	ZS0750	896	Supported Living Service (MILE)	Miles	\$ 0.31	178	\$ 55	38	\$ (12)	\$ 43
			Supported Living Service (PAHA)	Hours	16.85	32	539	23.50	(396)	143
			Supported Living Service (PAHA2)	Hours	10.11	125	1,259	2	(20)	1,239
			Supported Living Service (SLP)	Hours	10.91	74	807	171	(1,866)	(1,059)
			Sub-Total July 2012			<u>409</u>	<u>\$ 2,660</u>	<u>235</u>	<u>\$ (2,294)</u>	<u>\$ 366</u>
	<b><u>June 2013</u></b>									
	ZS0750	896	Supported Living Service (MILE)	Miles	\$ 0.31	30	\$ 9	17	\$ (5)	\$ 4
			Supported Living Service (PAHA)	Hours	16.85	672	11,323	-	-	11,323
			Supported Living Service (PAHA2)	Hours	10.11	135	1,370	52	(526)	844
			Supported Living Service (SLP)	Hours	10.91	150	1,637	255	(2,782)	(1,145)
			Sub-Total June 2013			<u>987</u>	<u>\$ 14,339</u>	<u>324</u>	<u>\$ (3,313)</u>	<u>\$ 11,026</u>
<b>FINDING 1: Total - Supported Living Service</b>						<u><b>1,396</b></u>	<u><b>\$ 16,999</b></u>	<u><b>559</b></u>	<u><b>\$ (5,607)</b></u>	<u><b>\$ 11,392</b></u>

**From:** Sean Dewitt [mailto:dewittsmagic@yahoo.com]  
**Sent:** Saturday, April 04, 2015 10:32 AM  
**To:** Deol, Pardeep@DDS  
**Subject:** Re: Magic Support Services Draft Report

Dear Pardeep:

I am submitting this message based on our exit interview regarding your audit findings. Please note Magic Support Services is declining a dispute to your findings. Please inform me as to the next step of your procedure.

Thank you,

Sean DeWitt

**DEPARTMENT OF DEVELOPMENTAL SERVICES'  
EVALUATION OF MAGIC SUPPORT SERVICES' RESPONSE**

As a part of the audit report process, Magic Support Services (MSS) was afforded the opportunity to respond to the draft of the audit report and provide a written response to the Department of Developmental Services (DDS) with regards to the finding. On April 4, 2015, MSS submitted an emailed response to DDS, not disputing the finding in the audit report.