

DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
SOUTHWESTERN TRANSPORTATION
MANAGEMENT SERVICES, LLC
(SWT)

Transportation:
Transportation Broker – PJ3262

(Audit Period: July 1, 2007 through June 30, 2010)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
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Bashir Ahmad, Lead Auditor
Soi Ly, Audit Staff

**SOUTHWESTERN TRANSPORTATION
MANAGEMENT SERVICES, LLC
(SWT)**

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) audited Southwestern Transportation Management Services, LLC (SWT). The audit was performed for Transportation Broker Services for the period of July 1, 2007 through June 30, 2010.

The last day of fieldwork was November 19, 2010.

The results of the audit disclosed the following issues of non-compliance:

Finding 1: Unsupported Transportation Assessment Contract Billing

The audit revealed that SWT billed IRC \$949,566.18 to “assess, develop, implement, and manage routing and time schedules to meet consumer transportation needs” for 3,024 consumers. However, the review of SWT’s billing for the assessment revealed a lack of supporting documentation to substantiate the work performed. This is not in compliance with California Code of Regulations (CCR), title 17, sections 54326(a)(3), (4), and (10) and 50604 (d) and (e).

Finding 2: Service Provided Before Vendorization

The review of SWT’s vendorization documents revealed that IRC approved SWT’s application for vendorization on June 12, 2008. However, during the review of SWT’s Purchase of Service (POS) payments for the months of April, May, and June of 2008, it was found that IRC made payments to SWT for transportation assessments prior to vendorization. This is not in compliance with CCR, title 17, sections 54310 (a) (10) (A), 54326 (d) (4) (A) (B), and 58513.

Finding 3: Transportation Services Provided Under Transportation Broker Service Code 883

SWT was vendored as a Transportation Broker, Service Code 883, to provide broker services to IRC. These broker services included the development of routes and time schedules for the transport of consumers, safety reviews, and quality assurance. As a Transportation Broker, SWT is not allowed to provide transportation services. However, it was found that SWT was providing transportation services through the use of transportation subcontractors. This is not in compliance with CCR, title 17, section 54342(a) (83).

Finding 4: Broker Fees Over Billed

SWT was authorized to bill a broker fee of \$50 per consumer. The review of the billings for October, November, and December of 2008 found that SWT had billed a \$100 broker fee for its non-ambulatory consumers. This \$50 over billing of the broker fee for non-ambulatory consumers resulted in total of \$15,050 over billed.

Finding 5: Services Overpaid

In a sample review of SWT's transportation subcontractor, Hemada, daily route logs for December 2008 indicated that although three consumers were absent for the month of services, those consumers were billed. The amount of over billing for the three consumers totaled \$1,598.81 for December 2008. This is not in compliance with CCR, title 17, section 54326 (a) (3) and (10) and section 50604 (d) and (e).

The total of the audit findings identified in this audit report amounts to \$966,214.99. Of this amount, \$949,566.18 should be reimbursed to IRC, as this is identified for recovery from IRC in an audit of the regional center. The remaining \$16,648.81 must be reimbursed to DDS. 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 (Lanterman 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 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 persons with developmental disabilities.

OBJECTIVE, SCOPE, AND METHODOLOGY

The audit was conducted to determine whether SWT, a Transportation Broker, was compliant with the Lanterman Developmental Disabilities Act (Lanterman Act), Title 17 of the California Code of Regulations (Title 17), and IRC's contracts with SWT for the period of July 1, 2007 through June 30, 2010.

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 SWT, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of SWT'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 SWT complied with required statutes, regulations, and its contracts with IRC.

Transportation Broker

DDS audited SWT, a Transportation Broker, Vendor Number PJ3262, Service Code 883.

The procedures performed at IRC, the vendoring regional center, and SWT included, but were not limited to, the following:

- Review of IRC vendor files for contracts, rate agreement, purchase of service (POS) authorizations, and correspondence pertinent to the audit.
- Interview of IRC staff for vendor background information and to gain an understanding of the SWT's billing processes.
- Interview of SWT staff and management to gain an understanding of its accounting procedures and processes for billings.

- Interview of SWT transportation subcontractors to gain an understanding of its business dealings with SWT and processes for billings.
- Review of SWT subcontractors' service/attendance records to determine if they had sufficient and appropriate evidence to support the services billed.
- Review of POS payments, SWT's bank statements, and the general ledger.
- Review of the Bureau of State Audits audit report dated August 24, 2010.
- Review of the SWT Assessment Contract dated August 29, 2008.

CONCLUSION

Based upon items identified in the Findings and Recommendation section, SWT did not comply with the requirements of Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on June 10, 2011. The findings in the report were discussed at the exit conference with SWT's President, William Ames, on June 13, 2011. The Audit Branch received SWT's response to the draft audit report, dated July 29, 2011 via email on July 29, 2011. The response included four-pages of narrative without any additional documentation to substantiate its narrative. In its written response to the draft, SWT disagreed with all the Findings identified therein.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Unsupported Transportation Assessment Contract Billing

SWT was awarded a contract in the amount of \$949,566.18¹ from IRC to “assess, develop, implement, and manage routing and time schedules to meet consumer transportation needs” for 3,024 consumers. SWT completed and provided IRC its assessment on IRC’s transportation needs. However, the DDS audit found that the information provided in the assessment was a high level review of IRC’s transportation services and no specific measurable details were discussed in the report. SWT was not able to produce any reports, summary schedules, or specific details to substantiate the work performed. As a result, DDS made the determination that SWT could not provide sufficient evidence to support the billings for the assessment contract. SWT did not sufficiently satisfy its contractual obligation of assessing, developing, implementing, and managing routing and time scheduling, as stated in the assessment contract.

CCR, title 17, section 54326 states in relevant part:

“(a) All vendors shall:

...(3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed.

(B) Records must include for each consumer the information specified in Section 50604 (d) (3) (A), (B), (C), (D), (E) or (F), as applicable.

(C) Data, as specified in Section 50604 (d)(3)(A), (B), (C), (D), (E) or (F), as applicable, for the billing period shall be submitted to the regional center with the billings/invoices...

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

Further, CCR title 17, section 50604 provides in pertinent part:

“... (d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but not be limited to:

(1) Information identifying each regional center consumer including the Unique Consumer Identifier and consumer name;

¹ See Attachment A.

(2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.

(3) A record of services provided to each consumer...

(B) For transportation services, the dates of service, city or county where service was provided, and the number of miles driven or trips provided.

... (e) All service providers' records shall be supported by source documentation..."

Recommendation:

SWT must reimburse DDS through IRC the \$949,566.18 it was paid for the unsupported assessment billing. In addition, SWT should develop and implement policies and procedures to ensure that proper documentation is maintained and on file to support the billings for the services performed as required by Title 17.

SWT's Response:

SWT alleges that "The written assessment/summary and documentation that was provided three years ago, along with the invoices, and other documents that did satisfy the Inland Regional Center, substantiated the work performed."

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

Finding 2: Service Provided Before Vendorization

The review of SWT's vendorization documents revealed that IRC approved SWT's application for vendorization on June 12, 2008. However, review of Purchase of Service (POS) documents revealed that IRC approved POS authorizations for services performed by SWT in the months of April, May, and June of 2008 and that IRC had made two payments to SWT in August 2008 totaling \$949,566.18, also for services provided in April, May, and June of 2008. This is the same amount noted in finding number one.

Pursuant to CCR, title 17 section 54310, SWT was required to be licensed and vendorized prior to providing services. SWT's business license was not effective until June 4, 2008. Pursuant to CCR, title 17, section 54326(d) (4) (A) and (B), IRC was prohibited from referring any consumer to SWT prior to approval of the vendor application and was further prohibited from reimbursing SWT for services provided prior to vendorization. Additionally, CCR, title 17, section 50612 (b) required IRC to approve and issue the POS authorizations in advance of the provision of any services by SWT. Dates of documents in support of finding:

- June 4, 2008–SWT Business Registration Certificate for Riverside County business license effective June 4, 2008 for “Transportation Management Services.”
- June 11, 2008–Letter from IRC to SWT dated June 11, 2008, which states, “Your program design for transportation management services has been approved and accepted by Inland Regional Center (IRC). I will contact you to initiate the vendor application process.”
- June 11, 2008–Vendor application with a date stamp of June 11, 2008 and a signature date of April 1, 2008. Notation at top states “eff. 4/1/2008”.
- June 11, 2008–Page 6 of Confidentiality/Privacy Agreement date stamped June 11, 2008 with a signature date of April 1, 2008, and IRC’s Executive Director’s signature date of May 26, 2005 [*sic*].
- June 12, 2008–Vendor Approval Letter from IRC to SWT dated June 12, 2008, with an effective date listed as April 1, 2008.
- June 15, 2008–IRC faxed Rate Agreement with fax date and time stamp of June 15, 2008. Rate Agreement is hand-dated June 10, 2008. Rate Agreement states, “This rate is effective beginning: 4/1/08...” Applicant signature date of April 1, 2008.
- Unknown date due to four different dates on document–Copy of the original Rate Agreement was faxed from IRC on June 15, 2008. This copy contains a date stamp of June 11, 2008. The original Rate Agreement date of June 10, 2008 has been crossed out and replaced by April 1, 2008. The signature of the “Inland Regional Center Designee” appears at the bottom of the agreement with an original signature date of June 11, 2008. However, the June 11, 2008 date has been crossed out and replaced by April 1, 2008.
- June 30, 2008–IRC approved all POS authorizations for SWT on June 30, 2008. However, the POS authorizations were for services performed by SWT in the months of April, May, and June of 2008, prior to the time SWT submitted its vendor application and prior to the time the vendor application was approved.

CCR, title 17, section 50612 provides in relevant part:

“(a) A purchase of service authorization shall be obtained from the regional center for all services purchase out of center funds.

(b) The authorization shall be in advance of the provision of service...”

Also, CCR, title 17, section 54326 states in pertinent part:

“(d) Regional centers shall not:

(4) Except as specified in Section 54324 of these regulations:

(A) Refer any consumer to an applicant until the vendor application is approved; or

(B) Reimburse a vendor for services provided before vendorization.”

Further, CCR, title 17, section 54310 (a) states in relevant part:

“An applicant who desires to be vendored shall submit Form DS 1890 (8/04), entitled Vendor Application, and the information specified in (1) through (10) below, as applicable, to the vendoring regional center....

(10) Copies of:

(A) Any license, credential, registration, certificate or permit required for the performance or operation of the service, or proof of application for such document...”

Recommendation:

SWT shall ensure it is properly vendorized pursuant to Title 17 before providing any future regional center services. The \$949,566.18 referenced in this finding is the amount noted in finding number one which must be reimbursed to DDS through IRC.

SWT’s Response:

SWT stated that “This is an inaccurate finding. Timely and quality service was provided at the request of the Inland Regional Center. The first payment made to Southwestern Transportation Management Services was July 30, 2008, after vendorization.”

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

Finding 3: Transportation Services Provided Under Transportation Broker Service Code 883

SWT was vendored as a Transportation Broker, Service Code 883, to provide broker services to IRC. These broker services included the development of routes and time schedules for the transport of consumers, safety reviews, and quality assurance. As a Transportation Broker, SWT is not allowed to provide transportation services.

However, it was found that SWT was providing transportation services through the use of transportation subcontractors. This is not in compliance with CCR, title 17, section 54342 (a) (83).

CCR, title 17, section 54342 (a)(83) states in relevant part:

“...A regional center shall classify a vendor as a Transportation Broker if the vendor:

(A) Is not the transportation service provider; and

(B) Develops routing and time schedules for the transport of consumers to and from their day program;

(C) In addition to performing the duties specified in (A) and (B) above, a Transportation Broker may:

1. Conduct monitoring and quality assurance activities; and/or
2. Perform safety reviews; and/or
3. Assist the regional center in implementing contracted transportation services.”

Also, CCR, title 17, section 58501 (a) (11) states in pertinent part:

“Transportation Service means the conveyance of a consumer including boarding and exiting the vehicle.”

Recommendation:

SWT shall cease providing transportation services under the 883 service code designation. SWT should contact IRC to amend its current broker services agreement to ensure it is in compliance with the responsibilities and duties of a Transportation Broker pursuant to the Lanterman Act and Title 17.

SWT’s Response:

SWT stated “Contrary to the finding, Southwestern Transportation Management Services did not provide transportation services under its agreement with the Inland Regional Center.

...Southwestern Transportation Management Services does not employ, or provide drivers that transport consumers. Each subcontractor, clearly illustrated below, operates independently of Southwestern Transportation Management Services.”

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

Finding 4: Broker Fees Over Billed

IRC authorized SWT to charge a broker fee of \$50 per consumer. The review of the billings for October, November, and December of 2008 found that SWT billed \$100 per non-ambulatory consumer, which is \$50 over the broker fee allowed per consumer. IRC pays double the zonal rate for non-ambulatory consumers. However, this does not allow SWT to claim double the \$50 broker fee. This over billing of the broker fee for non-ambulatory consumers resulted in a total of \$15,050 over billed. (See Attachment A.)

Per the Contract Agreement with IRC, Operative Provisions, Section 1.3.1 states:

“Contractor’s Administrative Fee—Contractor shall retain \$50.00 (Fifty Dollars) per consumer from the applicable RATES, asset [*sic*] out above in Paragraph 1, RATE at subsection 1.1, the same to be Contractor’s administrative fee for coordinating and administering the provision of the Services to the consumers pursuant to this Agreement, and subject to periodic review; and”

Recommendation:

SWT must reimburse DDS \$15,050 for the over billed broker fees for non-ambulatory consumers. In addition, SWT must ensure it is billing the correct rates for its services.

SWT’s Response:

SWT stated “*This is an inaccurate finding. Southwestern did not overbill for services. Southwestern was overpaid.*”

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

Finding 5: Services Overpaid

The sample review of SWT’s transportation subcontractor, Hemada, found that daily route logs for December 2008 indicated that three for services, those consumers were billed. The amount over billing for the three consumers totaled \$1,598.81. (See Attachment A.)

It was noted that the transportation subcontractors submitted monthly billings to SWT for payment, but no verification of the monthly billings was performed by SWT prior to payment. This billing practice increases the risk of payments for service not provided.

CCR, title 17, section 54326 states in pertinent part:

“(a) All vendors shall:

... (3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed...

(B) Records must include for each consumer the information specified in section 50604 (d) (3) (A), (B), (C), (D), (E) or (F), as applicable...

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

Further, CCR, title 17, section 50604 provides in relevant part:

“... (d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but not be limited to:

(1) Information identifying each regional center consumer including the Unique Consumer Identifier and consumer name;

(2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center;

(3) A record of services provided to each consumer...

(e) All service providers’ records shall be supported by source documentation...”

Recommendation:

SWT must reimburse DDS the \$1,598.81 for the unsupported transportation costs. In addition, SWT should develop and implement policies and procedures to ensure that proper documentation is maintained and that route logs are reconciled with billings.

SWT’s Response:

SWT stated “*We disagree and have requested information to support this finding. To date, we have not received the evidence required to further help us investigate the finding.*”

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

Southwestern Transportation Management Services
Summary of Audit Findings
Fiscal Years 2007-08, 2008-09, and 2009-10

<i>Finding Number</i>	<i>Description</i>	Finding Amount	Total Due
1	<u>Unsupported Transportation Assessment Contract Billing</u> ¹ Assessment Contract	\$ 949,566.18	
5	<u>Broker Fees Over Billed</u> ² PJ3262 883 Transportation Broker	15,050.00	
6	<u>Services Over Billed</u> ² PJ3262 883 Transportation Broker - Hemada	1,598.81	
Total Audit Findings:			\$ 966,214.99

¹This finding amount shall be reimbursed to DDS through IRC.

²Payments for these findings shall be made directly to DDS.

**Southwestern Transportation Management Services, LLC (SWT)
Response to Draft Report**

This section contains a copy of SWT's response to the draft report.

SOUTHWESTERN TRANSPORTATION MANAGEMENT SERVICES

250 E Rincon Street, Suite 203, Corona CA 92879 Office # 951 340 3325 Fax # 951 340 3317

July 29, 2011

Edward Yan, Manager
Department of Developmental Services Audit Branch
1600 Ninth Street, Room 230, MS 2-10 Sacramento, CA 95814

Dear Mr. Yan,

It was a pleasure to personally meet you on June 13, 2011.

Thank you again for granting me the extra time to review and respond to the Department of Developmental Services' Findings and Recommendations of Southwestern Transportation Management Services' audit.

The audit process and those involved have taught us very valuable lessons for which we are sincerely grateful.

Thank you,

A handwritten signature in black ink, appearing to be the name 'William Ames', written in a cursive style.

William Ames
Southwestern Transportation Management Services
250 E Rincon Street, Ste. 203
Corona CA 92879
951-340-3325

SOUTHWESTERN TRANSPORTATION MANAGEMENT SERVICES

250 E Rincon Street, Suite 203, Corona CA 92879 Office # 951 340 3325 Fax # 951 340 3317

July 29, 2011

Edward Yan, Manager
Department of Developmental Services Audit Branch
1600 Ninth Street, Room 230, MS 2-10 Sacramento, CA 95814

Dear Mr. Yan,

The Department of Developmental Services (DDS) audited Southwestern Transportation Management Services, LLC (SWT). The audit was performed for Transportation Broker Services for the period of July 1, 2007 through June 30, 2010. The last day of fieldwork was November 19, 2010.

Listed below are the Headings of five findings of Department of Developmental Services:

- Finding # 1: Unsupported Transportation Assessment Contract Billing
- Finding # 2: Service Provided Before Vendorization
- Finding # 3: Transportation Services Provided Under Transportation Broker Service Code 883
- Finding # 4: Broker Fees Over Billed
- Finding # 5: Services Overpaid

Listed below are the Headings, Explanations, and Responses to the findings of the Department of Developmental Services:

- **Finding # 1: Unsupported Transportation Assessment Contract Billing**

The audit revealed that SWT billed IRC \$949,566.18 to "assess, develop, implement, and manage routing and time schedules to meet consumer transportation needs" for 3,024 consumers. However, the review of SWT's billing for the assessment revealed a lack of supporting documentation to substantiate the work performed. This is not in compliance with California Code of Regulations (CCR), title 17, sections 54326 (a) (3), (4), and (10).and 50604 (d) and (e).

- **Response to Finding # 1:**

The written assessment/summary and documentation that was provided three years ago, along with the invoices, and other documents that did satisfy the Inland Regional Center, substantiated the work performed.

- **Finding # 2: Service Provided Before Vendorization**

The review of SWT's vendorization documents revealed that IRC approved SWT's application for vendorization on June 12, 2008. However, during the review of SWT's Purchase of Service (POS) payments for the months of April, May, and June of 2008, it was found that IRC made payments to SWT for transportation assessments prior to vendorization. This is not in compliance with CCR, title 17, sections 54310 (a) (10) (A), 54326 (d) (4) (A) (B), and 58513.

- **Response to Finding # 2:**

This is an inaccurate finding. Timely and quality service was provided at the request of the Inland Regional Center. The first payment made to Southwestern Transportation Management Services was July 30, 2008, after vendorization.

- **Finding # 3: Transportation Services Provided Under Transportation Broker Service Code 883**

SWT was vendored as a Transportation Broker, Service Code 883, to provide broker services to IRC. These broker services included the development of routes and time schedules for the transport of consumers, safety reviews, and quality assurance. As a Transportation Broker, SWT is not allowed to provide transportation services. However, it was found that SWT was providing transportation services through the use of transportation subcontractors. This is not in compliance with CCR, title 17, section 54342(a) (83).

- **Response to Finding # 3:**

Contrary to the finding, Southwestern Transportation Management Services did not provide transportation services under its agreement with the Inland Regional Center.

Southwestern Transportation Management Services is classified as a broker through Service Code 833 and is not the transportation service provider as classified under Service Code 875.

As a broker, we develop routing and time schedules for the transport of consumers to and from their day programs. In addition, we conduct monitoring and quality assurance, perform safety reviews and assist the regional center in implementing other contracted transportation services.

Southwestern Transportation Management Services does not employ, or provide drivers that transport consumers. Each subcontractor, clearly illustrated below, operates independently of Southwestern Transportation Management Services.

Each subcontractor is providing transportation as Title 17 requires under Service Code 875.

- Each subcontracted company is a legal entity
- Each subcontracted company is registered with the State of California as a legal business
- Each subcontracted company has their own business license
- Each subcontracted company has their own operating facility
- Each subcontracted company has their own insurance policy
- Each subcontracted company operates their own vehicles
- Each subcontracted company employees their own drivers
- Each subcontracted company is responsible for their own maintenance
- Each subcontracted company is responsible for their own transportation operation
- Each subcontracted company transports consumers to and from their day programs

- **Finding # 4: Broker Fees Over Billed**

SWT was authorized to bill a broker fee of \$50 per consumer: The review of the billings for October, November, and December of 2008 found that SWT had billed a \$100 broker fee for its non-ambulatory consumers. This \$50 over billing of the broker fee for non-ambulatory consumers resulted in total of \$15,050 over billed.

- **Response to Finding # 4:**

This is an inaccurate finding. Southwestern did not overbill for services. Southwestern was overpaid.

Southwestern Transportation Management Services identified the overpayment problem with its first payment and immediately brought it to the attention of the Inland Regional Center.

All overpayments have been deducted by the Inland Regional Center. (Paid in full)

- **Finding # 5: Services Overpaid**

In a sample review of SWT's transportation subcontractor, Hemada, daily route logs for December 2008 indicated that although three consumers were absent for the month of services, those consumers were billed. The amount of over billing for the three consumers totaled \$1,598.81 for December 2008. This is not in compliance with CCR, title 17, section 54326 (a) (3) and (10) and section 50604 (d) and (e).

- **Response to Finding # 5:**

We disagree and have requested information to support this finding. To date, we have not received the evidence required to further help us investigate the finding.

Thank you for allowing us the opportunity to review, interpret and respond to the findings presented by the Department of Developmental Services.

We look forward to working with you and the Inland Regional Center along with the Department of Developmental Services in the future.

Thank you,



William Ames / President
Southwestern Transportation Management Services

Attachment C
DDS Evaluation of
SWT's Response to the Draft Report

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
SOUTHWESTERN TRANSPORTATION MANAGEMENT SERVICES' (SWT)
RESPONSE**

As part of the audit process, Southwestern Transportation Management Services (SWT) was afforded the opportunity to respond to the draft audit report and provide a written response to each finding identified therein. The Audit Branch received SWT's response to the draft audit report, dated July 29, 2011 via email on the same date. The response included four-pages of narrative without any additional documentation to refute the report findings.

DDS evaluated SWT's written response to the draft audit report upon receipt and determined that SWT disagreed with all the findings. Provided below is the vendor's response and DDS's evaluation of the response.

Finding 1: Unsupported Transportation Assessment Contract Billing

SWT alleges, "The written assessment/summary and documentation that was provided three years ago, along with the invoices, and other documents that did satisfy the Inland Regional Center, substantiated the work performed."

SWT's alleges that its written assessment/summary substantiated the work it performed. The invoices SWT refers to in its response are "Provider of Care Claim forms," which are generated by IRC and are considered invoices. The Provider of Care Claim forms are standard forms used by the 21 regional centers and are not considered supporting documentation of SWT's work. SWT did not provide any source documentation to support its high level review, or provide specific details to substantiate the work performed.

The work performed in return for the POS funds must be substantiated. As previously stated in the audit report, CCR, title 17, section 54326(a)(83) states in relevant part that:

"All vendors shall maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed."

In presenting its exception to Finding 1, SWT did not provide any schedules or comparative data to prove or corroborate the work SWT stated it completed.

This information indicates that no work was done to merit the payment of \$949,566.18. Therefore, the finding amount of \$949,566.18 remains unchanged and SWT must reimburse DDS through IRC.

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
SOUTHWESTERN TRANSPORTATION MANAGEMENT SERVICES' (SWT)
RESPONSE**

Finding 2: Service Provided Before Vendorization.

SWT states, "This is an inaccurate finding. Timely and quality service was provided at the request of the Inland Regional Center. The first payment made to Southwestern Transportation Management Services was July 30, 2008, after vendorization."

The issue in Finding 2 is not about when SWT received its first payment; the issue in Finding 2 addresses the fact that IRC paid a substantial amount of POS funds to SWT for services purportedly provided in April, May, and June of 2008, when SWT was not a vendor.

Although SWT received payment in July of 2008, after the vendorization process was completed, SWT was not a vendor in April, May and June of 2008. This is an accurate finding based on the information reviewed during the audit. SWT must ensure it is properly vendorized pursuant to CCR, title 17 before providing regional center services.

Finding 3: Transportation Services Provided Under Transportation Broker Service Code 883

SWT states in part that, "Contrary to the finding, Southwestern Transportation Management Services did not provide transportation services under its agreement with the Inland Regional Center."

SWT stated that as they are a general contractor overseeing a number of subcontracted transportation providers, it is not providing transportation services. DDS disagrees with SWT's contention and considers SWT the transportation provider due to its relationship with its subcontracted transportation providers. In addition, transportation services are billed under SWT's vendor number and some of the vehicles used to transport IRC's clients are registered to SWT. This violates CCR, title 17, section 54342(a)(83)(A). Transportation Brokers cannot be the transportation service provider. No additional documentation was provided to amend this finding. Therefore, based on the information made available to the auditors, SWT is providing the transportation services.

SWT must cease providing transportation services under the 883 service code designation. SWT must contact IRC to amend its current broker services agreement to ensure it is in compliance with the responsibilities and duties of a Transportation Broker pursuant to the Lanterman Act and CCR, title 17.

Finding 4: Broker Fees Over Billed

SWT stated "This is an inaccurate finding. Southwestern did not overbill for services. Southwestern was overpaid."

**DEPARTMENT OF DEVELOPMENTAL SERVICES' (DDS)
EVALUATION OF
SOUTHWESTERN TRANSPORTATION MANAGEMENT SERVICES' (SWT)
RESPONSE**

Southwestern Transportation Management Services identified the overpayment problem with its first payment and immediately brought it to the attention of the Inland Regional Center. All overpayments have been deducted by the Inland Regional Center. (Paid in full.)”

IRC, in its initial review of payments made to SWT, determined that it had been paying SWT an additional \$50.00 fee per non-ambulatory consumer. SWT accepted payments without notifying IRC of any discrepancies. Furthermore, SWT’s argument regarding whether the funds were overbilled or overpaid is not the issue because SWT should have not been paid the additional funds per the contract with IRC. In either case, SWT provided no evidence to show that the amount identified in the draft report has been fully repaid or offset by IRC. Therefore, SWT must reimburse DDS the \$15,050.00.

Finding 5: Services Overpaid

SWT stated that “We disagree and have requested information to support this finding. To date, we have not received the evidence required to further help us investigate the finding.”

A list containing the UCI number for each of the consumers identified in this finding was provided to SWT on November 19, 2010, (See Exhibit A). This information was also discussed with SWT during the formal exit meeting held on June 13, 2011. SWT was responsible for having the supporting documentation for December of 2008 for each of the subcontracted companies. It is SWT’s responsibility to provide supporting evidence to resolve the finding. This finding amount remains unchanged and \$1,598.81 must be reimbursed to DDS.

Conclusion:

SWT’s response to the draft audit report did not provide any additional documentation to resolve the issues in the report. The funds paid by IRC for the Transportation assessment remains unsupported. SWT provided no evidence that it was not acting as a transportation service provider. No confirmation was provided to support SWT’s claim that it has paid IRC in full for the overbilled Broker fee and SWT failed to provide additional source documentation to refute its contention with regards to the vendor’s unsupported billings.

Consequently, DDS has made no adjustments to the report. As DDS has requested repayment from IRC, SWT must reimburse DDS through IRC the \$949,566.18 for the unsupported assessment billing and reimburse DDS directly for the \$16,648.81 in overpayments.

Southwestern Transportation Management Services, LLC. (SWT)
 List of Unsupported Billing
 Vendor Number PJ3262, SC 883
 Dec-08

		A	B	C=A-B	D=C/21	E	F=D*E	G=C-F
UCI	SUBCODE	POS AMOUNT	BROKER FEES &	TRANSPORTER POS AMOUNT	RATE PER DAY	DAYS ATTENDED	AUDITED AMOUNT	AMOUNT OVER-
	VHC30	705.92	143.28	562.64	26.80	1	26.8	535.84
	VHC30	705.92	143.28	562.64	26.80	3	80.4	482.24
	VHC30	829.66	152.12	677.54	32.27	3	96.81	580.73
								<u>1,598.81</u>