

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
TOWARD MAXIMUM INDEPENDENCE, INC.**

Programs:

Adult Development Center – H27153
Supported Employment Program: Group - HQ0531
Residential Facility Serving Children - H27371 and H59078
Individual or Family Training – H50129
Independent Living Program – H14565
Supported Employment Program: Individual – HQ0404
Supported Living Services – H39459

Audit Period: July 1, 2011 through June 30, 2012

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Alton Kitay, Supervisor
Aaron Lomanto, Lead Auditor
Pardeep Deol, Auditor

TOWARD MAXIMUM INDEPENDENCE, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Toward Maximum Independence, Inc (TMI). The audit was performed upon TMI's Adult Development Center (ADC), Supported Employment Programs (SEP), Residential Facility Serving Children (Alternative Families/Foster Care), Individual or Family Training (Family Focused Support), Independent Living Program, and Supported Living Services (SLS), for the period of July 1, 2011, through June 30, 2012.

The last day of fieldwork was September 7, 2012.

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

Finding 1: Adult Development Center – Unsupported Billings and Failure to Bill

The review of TMI's ADC program, Vendor Number H27153, revealed that TMI had both unsupported billings, as well as appropriate support for services that it failed to bill the San Diego Regional Center (SDRC). As a result, TMI had a total of \$12,268.50 of unsupported billings and a total of \$4,984.74 for which it failed to bill.

Finding 2: Administration Overhead Expenses – Over 15 Percent of Total Expenses

The review of TMI's overhead expenses, for programs with negotiated rates, revealed that TMI's administration expenses exceeded the 15 percent of total expenses limit. As a result, TMI had \$7,099.75 in excess administration expenses.

Finding 3: Supported Employment Program - Group and Individual – Unsupported Billings and Failure to Bill

The review of TMI's SEP Group, Vendor Number HQ0531, revealed TMI had \$8,467.80 of unsupported billings and \$2,234.45 for which it failed to bill SDRC. The review of TMI's SEP Individual, Vendor Number HQ0404, revealed TMI had \$154.10 for which it failed to bill. As a result, TMI had a total of \$8,467.80 of unsupported billings and a total of \$2,388.55 for which it failed to bill.

Finding 4: Alternative Families/Foster Care and Family Focused Support Programs – Unsupported Billings

The review of TMI's Alternative Families/Foster Care program, Vendor Numbers H27371 and H59078, and Family Focused Support (FFS) program, Vendor Number H50129, revealed that TMI had unsupported billings for services that it billed the SDRC. As a result, TMI had a total of \$4,189.90 of unsupported billings.

Finding 5: Supported Employment Program – Group – Unsupported Staffing Ratio

The review of TMI's SEP Group program staffing ratios revealed a deviation from the required job coach-to-consumers ratio. As a result, TMI had a total of \$1,306.15 in unsupported billings.

The total unsupported billing discrepancies identified in this audit amounts to \$25,958.81 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 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

The audit was conducted to determine whether TMI's ADC, SEPs, Alternative Families/Foster Care, FFS, Independent Living Program, and SLS were compliant with the W&I Code, California Code of Regulations (CCR), title 17, and the SDRC contract with TMI for the period of July 1, 2011, through June 30, 2012.

TMI was vendorized by SDRC, Redwood Coast Regional Center (RCRC), and Inland Regional Center (IRC). Our audit reviewed the services provided to SDRC.

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 TMI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of TMI'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 TMI complied with CCR, title 17. Also, any complaints that DDS' Audit Branch was aware of regarding noncompliance of laws and regulations were reviewed and followed-up during the course of the audit.

Administration Overhead Expenses

During the audit period, TMI incurred overhead administration expenses, which were audited.

The procedures performed at TMI included, but were not limited to, the following:

- Review of TMI's general ledger, payroll, and trial balance.
- Interview of TMI's Director of Finance, for vendor background information and to gain understanding of accounting procedures and financial reports.

Programs

During the audit period, TMI operated thirteen programs vendored by SDRC, two programs vendored by RCRC, and three programs vendored by IRC. The audit included the review of seven of TMI's Programs, all vendored by SDRC. The programs audited are listed below:

- Adult Development Center, Vendor Number H27153, Service Code 510
- Supported Employment Program - Group, Vendor Number HQ0531, Service Code 950
- Residential Facility Serving Children, Vendor Numbers H27371 and H59078, Service Code 920
- Individual or Family Training, Vendor Number H50129, Service Code 102
- Independent Living Program, Vendor Number H14565, Service Code 520
- Supported Employment Program - Individual, Vendor Number HQ0404, Service Code 952
- Supported Living Services, Vendor Number H39459, Service Code 896

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

- Review of SDRC's vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interview of SDRC's staff for vendor background information and to obtain prior vendor audit reports.
- Interview of SDRC's staff and management to gain an understanding of its accounting procedures and processes for SDRC billings.
- Review of TMI's service/attendance records to determine if TMI had sufficient and appropriate evidence to support the direct care services billed to SDRC.
- An analysis of TMI's payroll and attendance/service records to determine if TMI provided the level of staffing required.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, TMI did not comply with the requirements of CCR, title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft report on September 6, 2013. The findings in the report were discussed at a formal exit conference with Rachel L. Harris, TMI's Executive Director, on September 12, 2013. Ms. Harris stated via an e-mail dated September 25, 2013, that TMI will not contest the draft audit report and advised DDS to send TMI the final invoice for payment.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Adult Development Center – Unsupported Billings and Failure to Bill

The review of TMI's ADC program, Vendor Number H27153, for the sample months of December 2011 and January 2012, revealed that TMI 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. Failure to bill occurred when TMI had appropriate supporting documentation, but it did not bill SDRC. The following are the discrepancies identified:

TMI was not able to provide appropriate supporting documentation for 199 days of services billed. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$12,268.50.

In addition, TMI provided appropriate supporting documentation for 81 days of service that was not billed to SDRC. This resulted in an unbilled amount of \$4,984.74.

As a result, a net amount of \$7,283.76 is due back to DDS. (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...”

Also, 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:

TMI must reimburse to DDS a net amount of \$7,283.76 for the difference between unsupported billings and failures to bill. In addition, TMI should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SDRC.

TMI's Response:

Rachel L. Harris, TMI's Executive Director, stated via an e-mail dated September 25, 2013, that TMI will not contest the draft audit report and advised DDS to send TMI the final invoice for payment. A copy of the email is enclosed as Attachment D.

Finding 2: Administration Overhead Expenses – Over 15 Percent of Total Expenses

The review of TMI's administration expenses for the negotiated rate programs, for the audited period of July 1, 2011, to June 30, 2012, revealed that TMI had an administration expense rate of 15.2 percent. This amounts to \$7,099.75 over the allowed administration expenses. (Attachment B.)

W&I Code, section 4629.7 states:

- “(a) Notwithstanding any other provision of law, all regional center contracts or agreements with service providers in which rates are determined through negotiations between the regional center and the service provider shall expressly require that not more than 15 percent of regional center funds be spent on administrative costs.”

Recommendation:

TMI must reimburse to DDS the \$7,099.75 for the incurred administration expenses over the 15 percent limit. Also, TMI must develop a plan to reduce its administrative overhead expenses to comply with W&I Code, section 4629.7.

TMI's Response:

Rachel L. Harris, TMI's Executive Director, stated via an e-mail dated September 25, 2013, that TMI will not contest the draft audit report and advised DDS to send TMI the final invoice for payment. A copy of the email is enclosed as Attachment D.

Finding 3: Supported Employment Program - Group and Individual – Unsupported Billings and Failure to Bill

The review of TMI's SEP Group program, Vendor Number HQ0531, for the sample months of December 2011 and January 2012, revealed that TMI 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 understanding of billable hours for 274.75 hours of services billed. The misunderstanding resulted in non-billable services to SDRC in the amount of \$8,467.80.

In addition, TMI provided appropriate supporting documentation for 72.50 hours of service that was not billed to SDRC. This resulted in an unbilled amount of \$2,234.45.

As a result, a net amount of \$6,233.35 is due back to DDS. (See Attachment A.)

The review of TMI's SEP Individual program, Vendor Number HQ0404, for the sample months of December 2011 and January 2012, revealed that TMI had appropriate support for services that it failed to bill to SDRC.

TMI provided appropriate supporting documentation for five hours of service that was not billed to SDRC. This resulted in an unbilled amount of \$154.10.

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...”

Also, 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:

TMI must reimburse to DDS a net amount of \$6,233.35 for the difference between the non-billable services and failure to bill for SEP Group. TMI should discuss with SDRC the amount it failed to bill for SEP Individual. In addition, TMI should develop and implement policies and procedures to ensure SEP Group billings comply with CCR, title 17.

TMI's Response:

Rachel L. Harris, TMI's Executive Director, stated via an e-mail dated September 25, 2013, that TMI will not contest the draft audit report and advised DDS to send TMI the final invoice for payment. A copy of the email is enclosed as Attachment D.

Finding 4: Alternative Families/Foster Care and Family Focused Support Programs – Unsupported Billings

The review of TMI’s Alternative Families/Foster Care program, Vendor Numbers H27371 and H59078, and FFS program, Vendor Number H50129, for the sample months of December 2011 to January 2012, revealed that TMI had unsupported billings to SDRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SDRC.

TMI was not able to provide appropriate supporting documentation for 39.75 hours of Alternative Families/Foster Care services billed. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$1,494.52.

Also, TMI was not able to provide appropriate supporting documentation for 57.25 hours of FFS services billed. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$2,695.38.

As a result, \$4,189.90 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...”

Also, 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:

TMI must reimburse to DDS the \$4,189.90 for the unsupported billings. In addition, TMI should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SDRC.

TMI’s Response:

Rachel L. Harris, TMI’s Executive Director, stated via an e-mail dated

September 25, 2013, that TMI will not contest the draft audit report and advised DDS to send TMI the final invoice for payment. A copy of the email is enclosed as Attachment D.

Finding 5: Supported Employment Program – Group – Unsupported Staffing Ratio

The review of TMI’s SEP Group, Vendor Number HQ0531, for the sample months of December 2011 and January 2012, revealed that TMI did not meet the required staffing ratio. The vendor receives payment based on the number of job coach hours, not the number of consumers.

The total direct care hours provided, for the sample months of December 2011 and January 2012 with a 1:2 job coach-to-consumer ratio, were 113.75 and 84.75 hours respectively. However, the W&I Code requires a minimum of a 1:3 job coach-to-consumer ratio for the SEP Group and allows a 90-day grace period for the group to revert back to the minimum 1:3 ratio. Testing was performed on prior months to determine when the group dropped to a 1:2 ratio. The group dropped to a 1:2 ratio in October 2011 and reverted back to a 1:3 ratio in February 2012. Therefore, December 2011 was within the 90 day grace period. This resulted in 42.38 hours of unsupported direct care billing in January 2012.

The total unsupported direct care staffing hours of 42.38 hours multiplied by the rate of \$30.82, amounts to \$1,306.15 due back to DDS. (See Attachment C.)

The W&I Code, section 4851(r) states:

“(r) "Group services" means job coaching in a group supported employment placement at a job coach-to-consumer ratio of not less than one-to-three nor more than one-to-eight where services to a minimum of three consumers are funded by the regional center or the Department of Rehabilitation....”

Also, the W&I Code, section 4860 states:

“(b) ... When the number of consumers in a supported employment placement group drops to fewer than the minimum required in subdivision (r) of Section 4851, the regional center may terminate funding for the group services in that group, unless, within 90 days, the program provider adds one or more regional centers, or Department of Rehabilitation-funded supported employment consumers to the group.”

CCR, title 17, section 50606(b)(4) states:

“(b) Audits shall be performed to accomplish any or all of the following objectives as applicable to the specific service provider:

- (4) Verification through analysis of payroll and consumer service records that staff-to-consumer ratios required by regulation, contract, or agreement are met.”

Also, CCR, title 17, section 58830(d) states:

“(d) Group services shall be limited to:

- (1) Job coaching provided at the worksite;
- (2) Employment placements at a job coach-to-consumer ratio not less than one-to-four nor more than one-to-eight except for those groups that may be authorized by the passage of the Trailer Bill to the Budget Act Fiscal Year 2004-05 to grandfather specific groups at a one-to-three job coach-to-consumer ratio.”

Recommendation:

TMI must reimburse to DDS \$1,306.15 for the unsupported direct care staffing hours. In addition, TMI should develop policies and procedures to ensure it meets the direct care staffing ratio.

TMI’s Response:

Rachel L. Harris, TMI’s Executive Director, stated via an e-mail dated September 25, 2013, that TMI will not contest the draft audit report and advised DDS to send TMI the final invoice for payment. A copy of the email is enclosed as Attachment D.

Toward Maximum Independence, Inc.
Summary of Unsupported Billings & Failure to Bill
Audit Period: July 1, 2011 through June 30, 2012

Finding #	Vendor	Svc Code	Description	Sample Months	A	B	C=A*B	D	E=A*D	Amount Due to DDS
					Rate	Units	Amount	Units	Amount	Net
						Unsupported Billings		Failure to Bill		
1	Adult Development Center									
	H27153	510		Dec-11	various	82.00	\$ 5,046.28	58.00	3,569.32	\$ 1,476.96
				Jan-12	various	117.00	\$ 7,222.22	23.00	1,415.42	\$ 5,806.80
						199.00	\$ 12,268.50	81.00	4,984.74	\$ 7,283.76
3	Supported Employment Program - Group									
	HQ0531	950	Job Coach-to Consumer 1:2	Dec-11	30.82	38.25	\$ 1,178.87	4.00	123.28	\$ 1,055.59
				Jan-12	30.82	44.50	\$ 1,371.49	3.25	100.17	\$ 1,271.33
						82.75	\$ 2,550.36	7.25	223.45	\$ 2,326.91
			Job Coach-to Consumer 1:3	Dec-11	30.82	94.25	\$ 2,904.79	33.50	1,032.47	\$ 1,872.32
				Jan-12	30.82	97.75	\$ 3,012.66	31.75	978.54	\$ 2,034.12
						192.00	\$ 5,917.44	65.25	2,011.01	\$ 3,906.44
						274.75	\$ 8,467.80	72.50	2,234.45	\$ 6,233.35
3	Supported Employment Program - Individual									
	HQ0404	952		Dec-11	\$30.82	-	\$ -	-	-	\$ -
				Jan-12	\$30.82	-	\$ -	5.00	154.10	\$ (154.10)
						-	\$ -	5.00	154.10	\$ (154.10)
			Suuported Employment Programs							
			Total			274.75	\$ 8,467.80	77.50	2,388.55	\$ 6,079.25

Toward Maximum Independence, Inc.
Summary of Unsupported Billings & Failure to Bill
Audit Period: July 1, 2011 through June 30, 2012

Finding #	Vendor	Svc Code	Description	Sample Months	A Rate	B Unsupported Billings		D Failure to Bill		E=A*D	Amount Due to DDS
						Units	Amount	Units	Amount	Net	
4	Residential Facility Serving Children										
	H27371	920		Dec-11	various	1.75	\$ 91.72	-	-		\$ 91.72
				Jan-12	various	8.25	\$ 368.15	-	-		\$ 368.15
						10.00	\$ 459.87	-	-		\$ 459.87
		H59078	920	Dec-11	various	17.75	\$ 619.83	-	-		\$ 619.83
				Jan-12	various	12.00	\$ 414.82	-	-		\$ 414.82
					29.75	\$ 1,034.65	-	-		\$ 1,034.65	
			Subtotal			39.75	\$ 1,494.52	-	-		\$ 1,494.52
4	Individual or Family Training										
	H50129	102		Dec-11	various	32.00	\$ 1,500.49	-	-		\$ 1,500.49
				Jan-12	various	25.25	\$ 1,194.89	-	-		\$ 1,194.89
			Subtotal			57.25	\$ 2,695.38	-	-		\$ 2,695.38
			Behavioral Training Programs Combined								
			Total			97.00	\$ 4,189.90	-	-		\$ 4,189.90
			TOTAL UNSUPPORTED BILLINGS:			\$ 570.75	\$ 24,926.20	\$ 158.50	\$ 7,373.29		\$ 17,552.91

Toward Maximum Independence, Inc. (TMI)
Administrative Expenses for Negotiated Rate Programs
Audit Period: July 1, 2011 through June 30, 2012

<u>Finding #</u>	<u>Description</u>	<u>A</u> <i>Direct Services Expenses</i>	<u>B</u> <i>Administrative Expenses</i>	<u>C= A + B</u> <i>Total Expenses</i>	<u>D</u> <i>Rate</i>	<u>E= C * D</u> <i>Maximum Allowed</i>	<u>F= B-E</u> <i>Disallowed</i>
2	<u>Administration Expenses</u>	\$ 2,758,936.08	\$ 495,223.72	\$ 3,254,159.79	15%	\$ 488,123.97	\$ 7,099.75
<u>Disallowed Administrative Expenses:</u>							\$ 7,099.75

Toward Maximum Independence, Inc. (TMI)
Unsupported Staffing Ratio
Audit Period: July 1, 2011 through June 30, 2012

<i>Finding #</i>	<i>Vendor</i>	<i>Svc Code</i>	<i>Description</i>	Month-Year		A	B	C= A*B
				<i>Dec-11</i>	<i>Jan-12</i>	Disallowed Billing Hours	Rate	Overpayment Amount
5			Supported Employment: Group					<i>Net</i>
	HQ0531	950	Adjusted Billed Job Coach Hours:	1,131.00	1,070.75			
			Less: Audited Job Coach Hours:	1,074.12	1,028.37			
			Adjusted Hours - Audited Hours:	56.88	42.38	42.38	\$ 30.82	\$ 1,306.15
			Allowed Billing Hours for Grace Period:	56.88	0.00			
			Disallowed Billing Hours:	0.00¹	42.38	42.38	\$ 30.82	\$ 1,306.15
								\$ 25,958.81
						Grand Total for Audit		

¹ December 2011 had 0 disallowed billing hours due to the staffing ratio being below the minimum required within the 90 day grace period that the W&I Code allows for a vendor to get back to the minimum required staffing ratio.

From: Rachel Harris [<mailto:rachelh@tmi-inc.org>]
Sent: Wednesday, September 25, 2013 3:08 PM
To: Kitay, Al@DDS; Louanne Miller; Ginger Cohen; Cathy Bishop; Niki Watkins
Subject: RE: DDS Audit for Toward Maximum Independence

Hello Al,

We are sending this email to inform you that we are NOT contesting the draft report that was sent to us dated September 6, 2013 totaling \$25,958.81. Please go ahead and send TMI the final invoice for payment.

Sincerely,

Rachel Harris

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

As part of the audit report process, TMI was afforded the opportunity to respond to the draft audit report and provide a written response to the finding. On September 25, 2013, TMI submitted a written response to the draft audit report. Upon receipt of TMI's written response, DDS evaluated the written response and determined that TMI accepted the draft audit report findings.