

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
VALLEY LIGHT INDUSTRIES, INC.**

Programs and Services:

Adult Development Center – H69681
Adult Development Center – HP5122
Supported Employment Program – HP3560
Transportation-Additional Component – H28695 and HP5285

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

Audit Branch

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

VALLEY LIGHT INDUSTRIES, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Valley Light Industries, Inc. (VLI). The audit was performed upon the Adult Development Center (ADC) consisting of center based and community based (Venture) programs, Transportation-Additional Component (Transportation), and Supported Employment Programs (SEP), audited for the period of July 1, 2011, through June 30, 2012.

The last day of fieldwork was January 10, 2013.

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 VLI's ADC program called Venture, Vendor Number H69681, revealed that VLI had both unsupported billings, as well as appropriate support for services that it failed to bill the San Gabriel/Pomona Regional Center (SGPRC). As a result, VLI had a total of \$964.50 of unsupported billings and a total of \$450.10 for which it failed to bill.

The total unsupported billings discrepancies identified in this audit amounts to \$514.40. A detailed discussion of this finding is contained in the Finding and Recommendation 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 VLI's ADC, Transportation-Additional Component, and SEP were compliant with the W&I Code, California Code of Regulations (CCR), title 17, and the SGPRC contract with VLI for the period of July 1, 2011, through June 30, 2012.

VLI was vendorized by SGPRC, and also provided services to Eastern Los Angeles Regional Center, Frank D. Lanterman Regional Center, Inland Regional Center, Regional Center of Orange County, and South Central Los Angeles Regional Center. Audit staff reviewed the programs and services provided to SGPRC.

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

Programs

During the audit period, VLI operated four Day Programs. The audit included the review of three of VLI's Day Programs. Testing was done for the months of July 2011 and June 2012. The programs audited are listed below:

- ADC (Venture), Vendor Number H69681, Service Code 510
- ADC, Vendor Number HP5122, Service Code 510
- SEP, Vendor Number HP3560, Service Code 950

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

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

Program:

During the audit period, VLI operated two Miscellaneous Programs. The audit included the review of both of VLI's Miscellaneous Programs. Testing was done for the months of July 2011 and June 2012. The programs audited are listed below:

- Transportation – Additional Component for SEP Group, Vendor Number H28695, Service Code 880
- Transportation – Additional Component for Venture, Vendor Number HP5285, Service Code 880

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

- Review of SGPRC's vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interview of SGPRC's staff for vendor background information and to obtain prior vendor audit reports.
- Interview of VLI's staff and management to gain an understanding of its accounting procedures and processes for SGPRC billings.

- Review of VLI's service/attendance records to determine if VLI has sufficient and appropriate evidence to support the direct care services billed to SGPRC.
- Analysis of VLI's payroll and attendance/service records to determine if VLI provided the level of staffing required.

CONCLUSION

Based upon items identified in the Finding and Recommendation section, VLI did not comply with the requirements of CCR, title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on July 9, 2013. The finding in the report was discussed at a formal exit conference with Andrew Altman, VLI's Executive Director, on July 17, 2013. Mr. Altman conveyed via an e-mail dated August 27, 2013, that VLI is in full agreement with the finding and recommendation of the draft audit report.

RESTRICTED USE

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

FINDING AND RECOMMENDATION

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

The review of VLI's ADC (Venture), Vendor Number H69681, for the sample months of July 2011 and June 2012, revealed that VLI had both unsupported billings, as well as appropriate support for services that it failed to bill to SGPRC.

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

For the ADC (Venture), vendor number H69681, VLI was not able to provide appropriate supporting documentation for 15 days of services billed. The lack of documentation resulted in unsupported billings to SGPRC in the amount of \$964.50.

In addition, VLI provided appropriate supporting documentation for seven days of service, but was not billed to SGPRC. This resulted in an unbilled amount of \$450.10.

As a result, \$514.40 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:

VLI must reimburse to DDS the \$514.40 for the difference between unsupported billings and the amount it failed to bill for the Venture program.

VLI's Response:

Andrew Altman, VLI's Executive Director, conveyed via an e-mail dated August 27, 2013, that VLI is in full agreement with the finding and recommendation of the draft audit report.

Valley Light Industries, Inc.
Summary of Unsupported Billings and Failure to Bill
Fiscal Year 2011-12

<i>Finding #</i>	<i>Vendor</i>	<i>Svc Code</i>	<i>Description</i>	<i>Sample Months</i>	<i>Rate</i>	<i>Unsupported Billings</i>		<i>Failure to Bill</i>		<i>F=C-E Amount Due to DDS Total</i>
						<i>Units</i>	<i>Amount</i>	<i>Units</i>	<i>Amount</i>	
1	<u>Adult Development Center (Ventures)</u>									
	H69681	510		Jul-11	64.30	14.00	\$ 900.20	5.00	\$ 321.50	\$ 578.70
				Jun-12	64.30	1.00	\$ 64.30	2.00	128.60	\$ (64.30)
						15.00	\$ 964.50	7.00	450.10	\$ 514.40
TOTAL UNSUPPORTED BILLINGS:						15.00	\$ 964.50	7.00	\$ 450.10	\$ 514.40

From: Andrew Altman [aaltman@valleylightind.org]

Sent: Tuesday, August 27, 2013 4:21 PM

To: Deol, Pardeep@DDS

Subject: Re: VLI Draft Audit Report

The board was pleased with the results of the audit and I confirm agreement with the audit finding.

Should I provide anymore paperwork?

Andrew Altman

Executive Director

Valley Light Industries, Inc.

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

As part of the audit report process, VLI was afforded the opportunity to respond to the draft audit report and provide a written response to the finding. On August 27, 2013, VLI submitted a written response to the draft audit report. Upon receipt of VLI's written response, DDS evaluated the written response and determined that VLI accepted the draft audit report finding.