

**DEPARTMENT  
OF  
DEVELOPMENTAL SERVICES'  
AUDIT  
OF  
ABILITY FIRST**

**Programs:**

Supported Employment Program-Group Services – HH0745

Supported Employment Program-Individual Services – HH0746

Work Activity Program – HX0200

Socialization Training Program – HD0051

Audit Period: July 1, 2014 through June 30, 2016

**Audit Section**

**Auditors:** Michael Masui, Chief of Vendor Audit Unit  
Ermias Tecele, Supervisor  
Chai Saechao, Auditor  
Lucy Lao-Hernandez, Auditor  
Jardine Monteur, Auditor

# ABILITYFIRST

## TABLE OF CONTENTS

Page(s)	
Executive Summary .....	1
Background.....	2
Objective, Scope and Methodology .....	2-4
Conclusion .....	5
Views of Responsible Officials.....	5
Restricted Use .....	5
Findings and Recommendations .....	6-8
Attachment A – Summary of Overbillings .....	9
Attachment B – Summary of Unsupported Billings .....	10
Attachment C – AbilityFirst’s Response .....	11-17
Attachment D – Evaluation of AbilityFirst’s Response .....	18-21
Attachment E – Regional Center’s Email Upholding the Findings .....	22-31

## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) audited AbilityFirst (AF). The audit was performed upon the Supported Employment Program-Group (SEP-Group) Services, Supported Employment Program-Individual (SEP-Individual) Services, Work Activity Program (WAP) and Socialization Training Program (STP) for the period of July 1, 2014, through June 30, 2016.

The audit disclosed the following issues of non-compliance:

### **Finding 1: Supported Employment Program–Group Services – Overbillings**

The review of AF's SEP-Group Services, Vendor Number HH0745, revealed that AF had a total of \$304,987 of overbillings to East Los Angeles Regional Center (ELARC), Frank D. Lanterman Regional Center (FDLRC), Harbor Regional Center (HRC), Inland Regional Center (IRC), Regional Center of Orange County (RCOC), South Central Los Angeles Regional Center (SCLARC), San Gabriel/Pomona Regional Center (SG/PRC) and Westside Regional Center (WRC).

### **Finding 2: Supported Employment Program–Group Services – Unsupported Billings**

The review of AF's SEP-Group Services, Vendor Number HH0745, revealed that AF had a total of \$111,394 of unsupported billings to ELARC, FDLRC, HRC, IRC, RCOC, SCLARC, SG/PRC and WRC.

The total of the findings identified in this audit amount to \$416,381 that is 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**

### **Objective**

The audit was conducted to determine whether AF's SEP-Group Services, SEP-Individual Services, WAP and STP were compliant with the W&I Code, California Code of Regulations (CCR), Title 17 and the regional centers' contracts with AF for the period of July 1, 2014, 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 AF, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of AF'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 AF complied with 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 addressed on during the course of the audit.

The audit scope was determined by reviewing the programs and services provided to eight regional centers that utilized AF's services during the audit period. DDS audited services provided to ELARC, FDLRC, HRC, IRC, RCOC, SCLARC, SG/PRC and WRC. These eight regional centers were chosen due to the large volume of services utilized by the centers as measured by Purchase of Service (POS) expenditures.

AF provided 14 different types of services, of which DDS audited four. Services chosen for audit were based on the amount of POS expenditures invoiced by AF. 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.

## **Supported Employment Program–Group Services**

During the audit period, AF operated one SEP-Group Services. The audit included the review of AF's SEP-Group Services, Vendor Number HH0745, Service Code (SC) 950, and testing was done for the sampled months of April and May 2016. However, within the two sampled months, the audit sample demonstrated a significant amount of overbillings and unsupported billings. Therefore, the testing was expanded to include a two-year audit sample, July 1, 2014, through June 30, 2016.

## **Supported Employment Program–Individual Services**

During the audit period, AF operated one SEP-Individual Services. The audit included the review of AF's SEP-Individual Services, Vendor Number HH0746, SC 952, and testing was done for the sampled months of April and May 2016.

## **Work Activity Program**

During the audit period, AF operated one WAP. The audit included the review of AF's WAP, Vendor Number HX0200, SC 954, and testing was done for the sampled months of April and May 2016.

## **Socialization Training Program**

During the audit period, AF operated one STP. The audit included the review of AF's STP, Vendor Number HD0051, Service Code 028, and testing was done for the sampled months of April and May 2016.

## **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 regional center staff for vendor background information and to obtain insight into the vendor's operations.
- Interviewed vendor staff and management to gain an understanding of its accounting procedures and processes for regional center 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 regional centers.
- Analyzed the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.
- Interviewed the vendor's Executive Director, Administrator and Program Coordinators, for vendor background information and to gain understanding of accounting procedures and financial reporting process.

## **CONCLUSION**

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on September 18, 2019. The findings in the report were discussed during an exit conference with AF, on October 14, 2019. DDS received AF's response on November 21, 2019. AF disagreed with the two findings.

## **RESTRICTED USE**

This report is solely for the information and use of DDS, Department of Health Care Services, ELARC, FDLRC, HRC, IRC, RCOC, SCLARC, SG/PRC, WRC and AF. This restriction is not intended to limit distribution of this report, which is a matter of public record.

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Supported Employment Program-Group Services – Overbillings

The review of AF's SEP-Group Services, Vendor Number HH0745, for the sampled months of April and May 2016 revealed that AF had a significant amount of overbilled services to ELARC, FDLRC, HRC, IRC, RCOG, SCLARC, SG/PRC and WRC. Upon review of the sampled months, it was determined to expand the audit to a two-year sample period of July 1, 2014, through June 30, 2016.

Overbillings occurred due to billing for job coach hours that were not actual job coaching. AF stated that it billed for all contact hours, such as meeting at a common area for transportation prior to arriving at the worksite, lunchtime that was not authorized for billing, and office work filling out case notes.

AF overbilled the regional centers for 9,897 job coach service hours. This resulted in an overbilled amount of \$304,987 that 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)(10) states:

“(a) All vendors shall: ...

(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 58830(d)(1) states:

“(d) Group services shall be limited to:

(1) Job coaching provided at the worksite;”



**Recommendation:**

AF must reimburse to DDS \$304,987 for the overbillings and ensure that job coach services are accurately billed to the regional centers. In addition, AF should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to the appropriate regional centers.

**Vendor's Response:**

In the response dated November 19,2019, AF disagreed with the finding.  
(See Attachment C)

**Finding 2: Supported Employment Program-Group Services – Unsupported Billings**

The review of SEP-Group Services, Vendor Number HH0745, for the sampled months of April and May 2016 revealed that AF had a significant amount of unsupported billings to ELARC, FDLRC, HRC, IRC, RCOG, SCLARC, SG/PRC and WRC. Upon review of the sampled months, it was determined to expand the audit to a two-year sample period of July 1, 2014, through June 30, 2016. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to the regional centers and non-compliance with the CCR, Title 17.

AF was not able to provide appropriate supporting documentation for 3,613 hours of services billed. The lack of documentation resulted in unsupported billings to the regional centers in the amount of \$111,394 that is due back to DDS. (See Attachment B)

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:

“(a) All vendors shall: ...

- (3) Maintain records of services provided to consumers in sufficient detail to verify deliver 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:**

AF must reimburse to DDS \$111,394, for the unsupported billings. In addition, AF should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to the appropriate regional centers.

**Vendor’s Response:**

In the response dated November 19,2019, AF disagreed with the finding. (See Attachment C)

## **ATTACHMENTS A-B**

### **ABILITY FIRST**

**The request a copy of the attachments for this audit report, please contact the DDS Audit Section at (916) 654-3695.**

**ABILITY FIRST  
RESPONSE  
TO AUDIT FINDINGS**

**To request a copy of the vendor's response to the audit findings, please contact the DDS Audit Section at (916) 654-3695.**

**DEPARTMENT OF DEVELOPMENTAL SERVICES'  
EVALUATION OF ABILITY FIRST'S (AF'S) RESPONSE**

---

DDS evaluated AF's written response to the draft audit report and determined that AF disagreed with the two findings. Below is a summary of the vendor's response, as well as DDS' evaluation of the vendor's response.

**Finding 1: Supported Employment Program-Group Services - Overbilling**

**AF states:**

*"Attachment A to the Draft Audit breaks these hours out by regional center, but does not further specify which hours, for which job coaches, on which dates, were improperly billed. Without knowing which specific billings that DDS claims were improper, it is essentially impossible to provide detailed comments or specific responses of any additional documentation that might clear up these issues."*

On October 2, 2019, DDS auditors emailed AF's CEO, Lori Gangemi, a detailed schedule that supports the draft audit report and notes detailing the type of documents DDS reviewed to verify hours billed. The detailed schedule provided to AF is a list of job coaches with their group of consumers that included the total audited consumer and job coach hours. Since AF billed for all contact hours and did not bill hours limited to job coaching provided at the worksites, *CCR, Title 17, Section 58830(d)(1)*, hours were overbilled daily for job coaches throughout the billing month. AF has the capability to compare total hours from the same supporting documentation they provided to DDS to the detailed schedule supporting the draft audit report.

**AF states:**

*This interpretation is incorrect. The remainder of Section 58830, which the Draft Report does not cite, provides "General Standards for Supported Employment Programs." In other words, the regulation as a whole applies to fill Supported Employment Programs, both Individual and Group. Subsection (d), which the audit cites, deals with Group Services, Subsection (e) deals with Individual Services. But subsections (a) and (b) pertain to both Group and Individual Services; and just in case this was not clear subsection, (c) explicitly states that: "Supported Employment Program services shall be designated as either group services or individualized services." In other words, both Individual and Group services are "Supported Employment Program services."*

Section 58830, subsections (a) and (b) pertains to both Supported Employment Group (SEP) Individual and Group Services, defining SEP and providing a broad outline of services that "may" be included in an Individual Program Plan (IPP) or Individual Habilitation Support Plan. However, subsection (d) states that job coaching provided as group services shall be limited to "(1) Job coaching provided at the worksite." This

**DEPARTMENT OF DEVELOPMENTAL SERVICES'  
EVALUATION OF ABILITY FIRST'S (AF'S) RESPONSE**

---

clearly requires that the allowable supported employment services listed in subsections (a) and (b) shall be provided at the worksite as stated in subsection (d).

**AF states:**

*In the portion of the supported employment regulation that was omitted from the Draft Report, it is clear that supported employment program services include a substantial list of "Allowable supported employment services." Notably, that list includes direct supervision and training while a consumer is working; but also includes a variety of other tasks that may allowably be undertaken by the job coach, such as travel time, counseling, job development, training, advocacy or intervention, and other similar services. If any doubt remains about the broad scope of allowable supported employment services, the regulation even includes an all-inclusive catch-all phrase: Job coaches may provide "ongoing support services needed to ensure the consumer's retention of the job."*

Section 58830, subsection (b)(9) states that the job coach travel time for individual placement is billable. Title 17 regulation does not mention billable travel time for group placement. Subsection (d) states that allowable supported employment services listed in subsections (a) and (b) shall be provided at the worksite.

AF stated that it billed for all contact hours, such as meeting at a common area for transportation prior to arriving at the worksite, lunchtime that was not authorized for billing, and office work filling out case notes.

**AF states:**

*"AbilityFirst has routinely complied with these regulations each and every time a new group was started, and the Request for New SEP Group forms (DS1962) have always mentioned and included the necessary additional services provided by job coaches, including transportation, as part of the proposals. (Several typical DS1962s are provided as attachments in support of this response, with confidential consumer information redacted.) The DS1962s clearly indicate that additional services, including transportation of consumers and in some cases supervised lunches, would be provided by AbilityFirst, and these proposals were reviewed and approved by DDS."*

Form DS1962 and billing for the actual job coach hours are different. DS1962 forms are to be utilized in forming the SEP-Group. The DS1964 form is what AF used to bill the regional center. During the testing period July 1, 2014, through June 30, 2016, only two consumers (J.G. and G.M.) had approved supervised meal periods. Approved supervised meal periods shall be specified in the consumer's (IPP), as required by Title 17 regulations.

**DEPARTMENT OF DEVELOPMENTAL SERVICES'  
EVALUATION OF ABILITY FIRST'S (AF'S) RESPONSE**

---

**AF states:**

*“None of the eight regional centers involved in this audit have ever raised any concerns or questions about Ability First’s allowable billing hours for group supported employment job coaches. None of the eight regional centers involved has ever advised AbilityFirst that only direct job coaching hours were billable. Neither had DDS - until this audit. Surely, if only actual coaching hours were truly billable, DDS or one of the regional centers would (should) have raised the issue long before now.”*

The issue was raised due to the DDS’ Work Services Section monitoring team. Based on the review of the monitoring team, it was determined that AF consistently overbilled multiple hours a day, per job coach, per group. The monitoring team identified overbillings on the DS1964 form that prompted the Vendor Audit Unit to conduct an audit of AF. AF has been billing for SEP Group job coaching hours in excess of consumer work hours. This overbilling is detailed on the DS1964 forms AF submits to regional centers and the Department of Rehabilitation for reimbursement.

Please see Attachment E for the Regional Centers’ position on the audit findings.

**Finding 2: Supported Employment Program-Group Services – Unsupported Billings**

**AF states:**

*There is still no specific breakout or breakdown of which hours are supposedly unsupported. There is still no way to determine from the spreadsheet which hours were unsupported, for which consumers, at which locations, on which dates. All of the remaining pages of the spreadsheet refer only to the auditors’ calculations of the permissible (according to their interpretation) number of hours that the job coaches should have been allowed to bill, on a month-by-month basis.*

On October 2, 2019, DDS auditors emailed AF’s CEO, Lori Gangemi, a detailed schedule that supports the draft audit report. The detailed schedule provided to AF is a list of job coaches with their group of consumers that included the total audited job coach hours. The schedule also provided a breakdown of billed hours that were unsupported by listing the dates and number of disallowed hours for job coaches who were on vacation, sick leave, or bereavement, who otherwise, could not have provided job coaching to consumers.

The unsupported hours pertained to the job coaches’ hours. AF was informed of the unsupported billing when the auditors identified that the job coach did not have support

**DEPARTMENT OF DEVELOPMENTAL SERVICES'  
EVALUATION OF ABILITY FIRST'S (AF'S) RESPONSE**

---

for the hours billed and AF did not provide any reliable support for those hours. Any job coach hours billed without support were considered unsupported hours and were disallowed.

**Conclusion:**

DDS reviewed and evaluated AF's response to the draft audit report. AF did not provide any additional or new documents to support the job coach hours billed to the regional centers. Therefore, based on the documentation provided, DDS did not amend the two findings. The total of the findings identified in this audit is \$416,381, which is due back to DDS.