

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
BUSINESS BUILDERS

Program:

Community Activities Support Services Program – PK5048

June 24, 2019

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

Audit Section

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BUSINESS BUILDERS

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EXECUTIVE SUMMARY

The Audit Section of the Department of Developmental Services (DDS) audited Business Builders (BB). The audit was performed on the Community Activities Support Services Program (CASSP) for the period of July 1, 2012, through June 30, 2013.

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

Finding 1: Community Activities Support Services Program – Unsupported Billings and Failure to Bill

The review of BB's CASSP, Vendor Number PK5048, revealed that some of BB's billings had both unsupported billings, as well as appropriate support for services that it failed to bill Kern Regional Center (KRC). This resulted in a total of \$63,191 of unsupported billings, and a total of \$3,517 for which it failed to bill.

The net total of the findings identified in this audit amounts to \$59,674 and is due back to DDS. A detailed discussion of these findings is contained in the Findings and Recommendations section of this audit report.

BACKGROUND

DDS is responsible, under the Lanterman Developmental Disabilities Services Act, for ensuring that persons with developmental disabilities receive the services and supports they need to lead more independent, productive and normal lives. DDS contracts with 21 private, nonprofit regional centers that provide fixed points of contact in the community for serving eligible individuals with developmental disabilities and their families in California. In order for regional centers to fulfill their objectives, they secure services and supports from qualified service providers and/or contractors. Pursuant to the Welfare and Institutions (W&I) Code, Section 4648.1, DDS has the authority to audit those service providers and/or contractors that provide services and supports to persons with developmental disabilities.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The audit was conducted to determine whether BB' CASSP was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional center's contract with BB for the audit period of July 1, 2012, through June 30, 2013.

Scope

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The auditors did not review the financial statements of BB, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of BB's internal controls to gain an understanding of the transaction flow, and invoice 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 BB complied with the W&I Code and CCR, Title 17. Also, any complaints that DDS' Audit Section was aware of regarding non-compliance with laws and regulations were reviewed and addressed during the course of the audit. The audit scope was determined by reviewing BB's CASSP and the services provided to KRC during the audit period.

Community Activities Support Services Program

During the audit period, BB operated one CASSP. The audit included the review of BB's CASSP, Vendor Number PK5048, Service Code 063 and testing was done for the sampled months of July and December 2012. However, due to identified billing discrepancies, the testing was expanded to include the 12 months of the entire audit period of July 1, 2012, through June 30, 2013.

Methodology

The following methodology was used by DDS to ensure the audit objectives were met. The methodology was designed to obtain a reasonable assurance that the evidence provided was sufficient and appropriate to support the findings and conclusions in relation to the audit objectives. The procedures performed included, but were not limited to, the following:

- Reviewed vendor files for contracts, rate letters, program designs, purchase of service (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.
- 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 center.
- Interviewed the vendor's Director and Program Coordinator, for vendor background information and to gain understanding of accounting procedures and financial reporting process.
- Analyzed the vendor's payroll and attendance/service records to determine if payroll substantiated the audited hours.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on May 6, 2015. The findings in the draft audit report were discussed at an exit conference with BB on May 19, 2015. At the exit conference, DDS stated the final audit report would incorporate the views of responsible officials. BB responded on June 22, 2015, and stated that BB disagreed with Findings 1 and 2.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Community Activities Support Services Program – Unsupported Billings and Failure to Bill

The review of BB's CASSP, Vendor Number PK5048, for the period of July 1, 2012, through June 30, 2013, revealed that BB had both unsupported billings, as well as appropriate support for services that it failed to bill to KRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to KRC. The failure to bill occurred when BB had appropriate supporting documentation, but it did not bill KRC.

BB was not able to provide appropriate supporting documentation for 2,722.55 hours of services billed. The lack of documentation resulted in unsupported billings to KRC in the amount of \$63,191. In addition, BB provided appropriate supporting documentation for 151.55 hours of service, but these hours were not billed to KRC. This resulted in an unbilled amount of \$3,517, therefore, the net amount of \$59,674 is due back to DDS for the unsupported billings. (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)(3) and (10) states:

- “(a) All vendors shall: ...
- (3) Maintain records of services provided to consumers in sufficient detail to verify delivery of the units of service billed: ...
 - (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

CCR, Title 17, Section 50604(d) and (e) states:

- “(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program....
- (e) All service providers’ records shall be supported by source documentation.”

Recommendation:

BB must reimburse to DDS the \$59,674 for the unsupported billings. In addition, BB should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to KRC.

BB’s Response:

BB stated in the response, dated June 22, 2015, that it disagreed with the finding. (Attachment B)

ATTACHMENT A

BUSINESS BUILDERS

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

RESPONSE TO AUDIT FINDINGS
BUSINESS BUILDERS

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

THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF BUSINESS BUILDER'S RESPONSE

DDS evaluated BB's written response to the draft audit report and determined that BB disagreed with the two findings. Below is a summary of the vendor's response, as well as DDS' evaluation of the vendor's response. (See Attachment B to the final audit report for the full text of BB's response)

Finding 1: Community Activities Support Services Program (Sub Code: ADMN3) – Double Billing

BB argued that the rate offered for services provided was too low, and that it was KRC's practice to pay for administrative expenses separately.

DDS Evaluation:

A contract is a mutual agreement between two parties, in this case, BB and KRC. As part of the contract, BB negotiated with KRC a rate of reimbursement for a miscellaneous service. The rate of reimbursement should include administrative expenses. However, since the contract between BB and KRC allowed to bill for administrative expenses in addition to the negotiated rate, the finding was deleted.

DDS Conclusion:

DDS deleted Finding 1 and Finding 2 became Finding 1 for the final audit report.

Finding 2: Community Activities Support Services Program – Unsupported Billings and Failure to Bill

BB argued that some case notes were rejected, but BB does not know why. In particular, BB provided case notes for two consumers and contested the reason for rejection of those case notes.

DDS Evaluation:

DDS communicated to BB during the audit fieldwork on different occasions the reasons for disallowances. Some of the case notes that were provided did not identify how much time job coaches worked with consumers. If the job coaches' timecards did not identify the hours of services provided to consumers, DDS allowed one hour of service if there was evidence of some type of service being provided on that day. Further, if both morning and afternoon sessions were indicated in the notes, but no hours of services, DDS allowed 1 hour for each session. Also, if lunch was not indicated on a workday of

more than 6 hours, the audit team disallowed 0.5 hours for lunch per Department of Labor laws. In addition, Business Builders had an attendance policy in place allowing it to bill for consumer absences. If a consumer had a scheduled meeting and canceled the meeting within 24 hours of the actual meeting time, Business Builders still billed KRC for the scheduled hours that the job coaches were supposed to work with the consumer. This policy is a clear violation of Title 17, which states that vendors can only bill for services, which are actually provided to consumers.

However, with regard to the sample case notes provided by BB in its response, for consumer one, DDS disallowed the hours that were billed for absences. For consumer two, the case notes provided are for July 2012 and not for June 2013, as stated in the response.

DDS Conclusion:

BB did not provide any argument that resulted in a reduction of Finding 2.