

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES'
AUDIT
OF
PATH OF SUCCESS, INC.**

Programs:

Mobile Day Program – PG0794

Community Integration Training Program – PG0793

Supported Living Services – PN0702

Audit Period: January 1, 2011, through December 31, 2012

Audit Section

Auditors: Michael Masui, Chief of Vendor Audits
Alton Kitay, Supervisor
Ermiyas Tecele, Supervisor
Asraf Tootla, Auditor

PATH OF SUCCESS, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Path of Success, Inc. (POS). POS is one of a number of companies owned and operated by Mr. Zachary Wheeler. This audit report is an audit of only POS, although Wheeler Supportive Services, Inc. (WSS), Unified: Compassionate Solutions, Inc. (UCS), and Zachary Wheeler, Sole Proprietorship, were audited simultaneously with separate audit reports issued. The audit was performed upon POS' Mobile Day Program, Community Integration Training Program, and Supported Living Services (SLS) for the period of January 1, 2011, through December 31, 2012. The audit disclosed the following issues of non-compliance:

Finding 1: Mobile Day Program – Unsupported Billings

The review of POS' Mobile Day Program, Vendor Number PG0794, revealed that POS had unsupported billings in the amount of \$135,860 for services billed to Golden Gate Regional Center (GGRC), North Bay Regional Center (NBRC), and the Regional Center of the East Bay (RCEB).

Finding 2: Community Integration Training Program – Unsupported Billings and Failure to Bill

The review of POS' Community Integration Training Program, Vendor Number PG0793, revealed that POS had both unsupported billings, as well as appropriate support for services that it failed to bill to GGRC. POS had a total of \$95,010 of unsupported billings and a total of \$3,736 for which it failed to bill.

Finding 3: Supported Living Services – Unsupported Billings

The review of POS' SLS program, Vendor Number PN0702, revealed that POS had unsupported billings in the amount of \$153,620 for services billed to NBRC.

The net total of unsupported billings identified in this audit amounts to \$380,754, which is due back to DDS. A detailed discussion of the findings are 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 integrated 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 POS' Mobile Day Program, Community Integration Training Program, and SLS program were in compliance with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional centers' contracts with POS for the period of January 1, 2011, through December 31, 2012.

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

The audit scope was determined by reviewing the programs and services provided to three regional centers. DDS chose to audit all three regional centers' programs due to the large amount of services utilized by the centers as measured by purchase of service expenditures. In addition, POS provided three different types of services, of which, DDS audited all three.

Mobile Day Program

During the audit period, POS operated one Mobile Day Program. The audit included the review of POS' Mobile Day Program, Vendor Number PG0794, Service Code 091. The testing was adjusted for the period of January 1, 2012, through December 31, 2012, resulting from an expansion of other entities operated by Mr. Wheeler whose testing demonstrated a large percentage of unsupported billings due to the lack of appropriate supporting documentation.

Community Integration Training Program

During the audit period, POS operated one Community Integration Training Program. The audit included the review of POS' Community Intergration Training Program, Vendor Number PG0793, Service Code 055. The testing was adjusted for the period of January 1, 2012, through December 31, 2012, resulting from an expansion of other entities operated by Mr. Wheeler whose testing demonstrated a large percentage of unsupported billings due to the lack of appropriate supporting documentation.

Supported Living Services

During the audit period, POS operated one SLS program. The audit included the review of POS' SLS program, Vendor Number PN0702, Service Code 896. The testing was for the period of January 1, 2012, through December 31, 2012, resulting from an expansion of other entities operated by Mr. Wheeler whose testing demonstrated a large percentage of unsupported billings due to the lack of appropriate supporting documentation.

Methodology

The following methodology was used by DDS to ensure the audit objectives were met. The methodology was designed to obtain 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:

- Review of vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interview of regional center staff for vendor background information and to obtain prior vendor audit reports.
- Interview of vendor staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Review of vendor service/attendance records to determine if the vendor has sufficient and appropriate evidence to support the direct care services billed to the regional centers.

- Analysis of the vendor's payroll and attendance/service records to determine if the payroll substantiated the audited hours.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on August 25, 2015. The findings in the audit report were not discussed with Mr. Wheeler, POS' CEO, because he did not respond to any correspondence from DDS regarding an exit conference. However, the draft audit report was mailed to Mr. Wheeler, via certified mail, return receipt requested, on August 25, 2015. Mr. Wheeler responded, on October 28, 2015, and provided excel spreadsheets, letters for volunteer hours, and additional timesheets as support to dispute all three findings.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Mobile Day Program - Unsupported Billings

The review of POS' Mobile Day Program, Vendor Number PG0794, for the sample period of January 1, 2012, through December 31, 2012, revealed that POS had unsupported billings due to a lack of appropriate documentation to support the units of service billed to GGRC, NBRC, and RCEB.

The staff-to-consumer ratio of one to one, in accordance with the program design, was not fulfilled, a 24 hours per day and seven days a week commitment was not met, and hours claimed overlapped between the daytime and overnight shift. POS was not able to provide appropriate supporting documentation for 6,157 hours of services billed. The lack of documentation resulted in unsupported billings to GGRC, NBRC, and RCEB in the amount of \$101,828, \$22,103, and \$11,929, respectively, for a total of \$135,860, which 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)(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, Sections 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:

POS must reimburse DDS \$135,860 for unsupported billings. In addition, POS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to GGRC, NBRC, and RCEB.

POS' Response:

Mr. Wheeler, POS' CEO, stated in his response, dated October 28, 2015, that POS disagreed with the finding. (See Attachment B)

Finding 2: Community Integration Training Program - Unsupported Billings and Failure to Bill

The review of POS' Community Integration Training Program, Vendor Number PG0793, for the sample period of January 1, 2012, through December 31, 2012, revealed that POS had both unsupported billings, as well as appropriate support for services that it failed to bill to GGRC.

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

The staff-to-consumer ratio of one to one, in accordance with the program design, was not fulfilled, a 24 hours per day and seven days a week commitment was not met, and hours claimed overlapped between the daytime and overnight shift. POS was not able to provide appropriate supporting documentation for 4,318 hours of services billed. The lack of documentation resulted in unsupported billings to GGRC in the amount of \$95,010. In addition, POS provided appropriate supporting documentation for 168 hours of service, but did not bill to GGRC. This resulted in an unbilled amount of \$3,736, therefore, the net amount of \$91,273 is due back to DDS for the unsupported billings. (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.”

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“(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:

POS must reimburse DDS \$91,273 for unsupported billings. In addition, POS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to GGRC.

POS’ Response:

Mr. Wheeler, CEO, POS, stated in his response, dated October 28, 2015, that POS disagreed with the finding. (See Attachment B)

Finding 3: Supported Living Services - Unsupported Billings

The review of POS’ SLS program, Vendor Number PN0702, for the sample period of January 1, 2012, through December 31, 2012, revealed that POS had unsupported billings due to a lack of appropriate documentation to support the units of services billed to NBRC.

The staff-to-consumer ratio of one to one, in accordance with the program design, was not fulfilled, a 24 hours per day and seven days a week commitment was not met, and hours claimed overlapped between the daytime and overnight shift. POS was not able to provide appropriate supporting documentation for 12,146 hours of services billed. The lack of documentation resulted in unsupported billings to NBRC in the amount of \$153,620 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)(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, Sections 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:

POS must reimburse DDS \$153,620 for unsupported billings. In addition, POS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to NBRC.

POS’ Response:

Mr. Wheeler, CEO, POS, stated in his response, dated October 28, 2015, that POS disagreed with the finding. (See Attachment B)

Path of Success, Inc. (POS)
 Summary of Unsupported Billings and Failure to Bill
 Audit Period: January 1, 2011 through December 31, 2012

Attachment A

Finding #	Vendor	Svc Code	Description	Unit Type	Unit Rate	Unsupported Billings ¹		Adjusted Unsupported Billings		Failed to Bill ²		Adjusted Failed to Bill ²		Net Due to DDS
						Units	Amount	Units	Amount	Units	Amount	Units	Amount	Amount
							A		B		C		C	D = B - C
1	PG0794	91	Mobile Day Program	Hours										
	GGRC		January 1, 2012 - June 30, 2012		\$ 21.82	3,130	68,291	2,824	61,614	-	-	-	-	61,614
			July 1, 2012 - December 31, 2012		\$ 22.51	3,405	76,647	1,787	40,214	-	-	-	-	40,214
			Sub Total			6,535	144,938	4,610	101,828	-	-	-	-	101,828
	NBRC		January 1, 2012 - December 31, 2012		\$ 21.83	1,013	22,103	1,013	22,103	-	-	-	-	22,103
	RCEB		January 1, 2012 - June 30, 2012		\$ 21.82	132	2,880	132	2,880	-	-	-	-	2,880
			July 1, 2012 - December 31, 2012		\$ 22.51	402	9,049	402	9,049	-	-	-	-	9,049
			Sub Total			534	11,929	534	11,929	-	-	-	-	11,929
			Sub-Total			8,081	178,970	6,157	135,860	-	-	-	-	135,860
2	PG0793	55	Community Integration Training Program	Hours										
	GGRC		January 1, 2012 - June 30, 2012		\$ 21.82	3,548	77,406	3,164	69,033	66	1,440	66	1,440	67,593
	GGRC		July 1, 2012 - December 31, 2012		\$ 22.51	3,811	85,791	1,154	25,977	42	945	102	2,296	23,681
			Sub-Total			7,359	163,198	4,318	95,010	108	2,386	168	3,736	91,273
			Total - Day Programs			15,440	342,168	10,475	230,870	108	2,386	168	3,736	227,134
3	PN0702	886	Supported Living Services	Hours										
			January 1, 2012 - December 31, 2012											
	NBRC			Various ³		12,146	153,620	12,146	153,620	-	-	-	-	153,620
			Total - SLS Program			12,146	153,620	12,146	153,620	-	-	-	-	153,620
			TOTAL UNSUPPORTED BILLINGS											380,754

¹These payments were authorized by the RC(s), were paid to the vendor but were not provided by the vendor.

²These payments were authorized by the RC(s), were provided by the vendor but the vendor failed to bill.

³The rates for SLS are based on a Tier A to E Schedule as well as negotiated contracts

Path of Success' Response to Draft Report

As part of the audit report process, Path of Success (POS) was afforded the opportunity to respond to the draft audit report and provide a written response to the findings identified. On October 28, 2015, POS submitted a response to the draft audit report, which was received by DDS on November 2, 2015. This was within the granted extension period.

The response included one three-page letter and four letters from relatives who allegedly provided direct care services without compensation, and one box of documents which included, timesheets and excel spreadsheets showing both semi-monthly payroll and monthly volunteer hours. Due to the large volume of documents provided as part of the response package, these documents are not included in this report. The following pages contain the vendor's written response.

October 28, 2015

*Sent this date via certified mail, return receipt requested;
Copy by First Class Mail*

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

*Re: Additional Support to Response to Findings of Audit of FY 2012
Path of Success Mobile Day Program Vendor #PG0794
Path of Success Community Integration Program Vendor #PG0793
Path of Success Supported Living Services Vendor #PN0702*

Dear Mr. Yan:

This letter serves as our additional response to the findings identified in your letter of October 16th regarding any additional documentation regarding the draft audit of Path of Success (vendor numbers above and hereafter referred to as POS). We appreciate the efforts extended by you and the audit team to date.

DDS's audit was of three POS programs; Mobile Day program (#PG0794), Community Integration Program (#PG0793), and Supported Living Services (#PN0702). DDS's draft audit findings claims "overpayments" in the amounts of \$178,969.84, \$163,197.69 (and an unbilled amount to GGRC of \$2,385.54), and \$153,619.83 respectively. While POS conceded in our letter of September 29th that there were services billed which cannot be substantiated based upon existing records, we disputed the hours used to calculate the amounts of the overpayments listed above as provided in the attached spreadsheet. This response includes additional documentation related to the above issue. I believe that the information below supports my contention that the hours included in your findings were materially higher than what occurred and as such I have included the following additional documentation:

- Summary spreadsheet identifying hours billed vs. hours with time sheets

- Identification of my relatives who provided support to consumers for me but were not compensated, as the rates I was reimbursed for services provided did not provide adequate compensation. This issue has been previously communicated to the Regional Centers on a number of occasions
- Letters from those relatives indicating the hours per month they provided from April 2012 through December 2012. z

Pursuant to Title 17, § 50705(a) (1), liquidation of the disputed overpayments must be deferred pending completion of administrative review. Because the audit has not yet been finalized and POS retains its right to appeal, DDS, Golden Gate Regional Center, North Bay Regional Center, and Regional Center of the East Bay may not collect or deduct any of the disputed funds from POS' billings or otherwise attempt to collect or recover the disputed overpayment until this audit is finally resolved.

POS' disputes Finding 1 of the draft audit report on the Mobile Day Program (#PG0794), which claims to have found a total of 8,081.25 hours for which POS "was not able to provide appropriate supporting documentation".

POS' disputes Finding 2 of the draft audit report on the Community Integration Training Program (#PG0793), which claims to have found a total of 7,358.75 hours for which POS "was not able to provide appropriate supporting documentation".

POS' disputes Finding 3 of the draft audit report on Supported Living Services (#PN0702), which claims to have found a total of 12,146.25 hours for which POS "was not able to provide appropriate supporting documentation".

POS is providing this additional documentation prior to November 2nd, as stated in your letter and as permitted by 17 CCR § 50730(f). POS also stipulates that 2,953.75 hours of service may not be adequately documented (though we did provide the services to consumers). Specifically, the amounts in question are Mobile Day Program (#PG0794) 1,382 hours, Community Integration Training Program (#PG0793) 476 hours, and Supported Living Services (#PN0702) 1,095.75 hours.

Please review the additional documentation we have submitted and revise the final audit findings and report accordingly. Should you have any questions or desire additional information, please contact me at your earliest convenience.

Sincerely Yours,

A handwritten signature in black ink that reads "Zachary D. Wheeler". The signature is written in a cursive style with a large, prominent "Z" and "W".

Zachary D. Wheeler

October 28, 2015

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

Re: Volunteer services provided in 2011/2012

Dear Mr. Yan:

This letter serves as documentation of the hours I provided to Zachery Wheeler for care of consumers in his Companies during 2011/2012. I provided hours to Mr. Wheeler without any compensation for the 18 month period from June 2011 through December 2012. I worked monthly and typically worked 3 weeks per month and 8 hours per day for a typical month for a total of 120 hours per month. I did not submit any time sheets as I was not an employee of his Companies. Zachary provided me with room and board in exchange for my assistance as well as assistance in looking for full time employment in California.

Should you have any questions or require additional information, please contact me at your convenience.

Sincerely Yours,

A black rectangular redaction box covering the signature of the sender.

Cc: Zachary D. Wheeler

October 28, 2015

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Department of Developmental Services
Audit Branch
1600 Ninth Street, Room 230, M.S. 2-10
Sacramento, CA 95814

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Should you have any questions or require additional information, please contact me at your convenience.

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Should you have any questions or require additional information, please contact me at your convenience.

Sincerely Yours,

A black rectangular redaction box covers the signature area, with a diagonal line crossing through it from the bottom left to the top right.

Cc: Zachary D. Wheeler

THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF PATH OF SUCCESS' (POS) RESPONSE

DDS evaluated POS' written response to the draft audit report and determined that Mr. Wheeler, CEO, POS, disagreed with all three 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 POS' response)

Finding 1: Mobile Day Program – Unsupported Billings

POS stated that four of Mr. Wheeler's relatives "provided support to consumers but were not compensated as the rates that POS was reimbursed for services provided did not provide adequate compensation." POS provided letters from the relatives stating that they worked from June 2011 through December 2012 for 120 hours per month without compensation for all of Mr. Wheeler's companies.

DDS Evaluation:

In reviewing POS' letters provided as support to refute DDS' audit finding with regard to unsupported billings, it was determined the letters are not adequate as additional supporting documentation. A letter from a relative stating that services were provided without compensation does not support the hours billed. POS claimed that the relatives provided a total of 2,424 volunteer hours. However, POS did not adequately support the volunteer hours through timesheets and progress notes in order to support the billings, nor were the letters signed. Title 17 requires that service providers shall maintain complete service records to support all billings to each regional center. In addition to the volunteer hours, POS also submitted additional timesheets as support to refute DDS' audit finding, which reduced the unsupported billings.

Conclusion:

POS provided DDS with documents to support billings that were previously unsupported. DDS accepted documents that reduced the unsupported units by 1,924.50 hours for Vendor Number PG0794, Service Code 091. However, DDS did not accept the letters attesting to the volunteer hours as appropriate support to adjust the unsupported billings. DDS made adjustments to the final audit report to reflect the additional documentation received.

Finding 2: Community Integration Training Program – Unsupported Billings

POS stated that four of Mr. Wheeler's relatives "provided support to consumers but were not compensated as the rates that POS was reimbursed for services provided did not provide adequate compensation." POS provided letters from the relatives stating that they worked from June 2011 through December 2012 for 120 hours per month without compensation for all of Mr. Wheeler's companies.

THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF PATH OF SUCCESS' (POS) RESPONSE

DDS Evaluation:

In reviewing POS' letters provided as support to refute DDS' audit finding with regard to unsupported billings, it was determined the letters are not adequate as additional supporting documentation. A letter from a relative stating that services were provided without compensation does not support the hours billed. POS claimed that the relatives provided a total of 997.75 volunteer hours. However, POS did not adequately support the volunteer hours through timesheets and progress notes in order to support the billings, nor were the letters signed. Title 17 requires that service providers shall maintain complete service records to support all billings to each regional center. In addition to the volunteer hours, POS also submitted additional timesheets as support to refute DDS' audit finding, which reduced the unsupported billings.

Conclusion:

POS provided DDS with documents to support billings that were previously unsupported. DDS accepted documents that reduced the net unsupported units by 3,101 hours for Vendor Number PG0793, Service Code 055. However, DDS did not accept the letters and the volunteer hours as appropriate support to adjust the unsupported billings. DDS made adjustments to the final audit report to reflect the additional timesheets received.

Finding 3: Supported Living Services – Unsupported Billings

POS stated that four of Mr. Wheeler's relatives "provided support to consumers but were not compensated as the rates that POS was reimbursed for services provided did not provide adequate compensation." POS provided letters from the relatives stating that they worked from June 2011 through December 2012 for 120 hours per month without compensation for all of Mr. Wheeler's companies.

DDS Evaluation:

In reviewing POS' letters provided as support to refute DDS' audit finding with regard to unsupported billings, it was determined the letters are not adequate as additional supporting documentation. A letter from a relative stating that services were provided without compensation does not support the hours billed. POS claimed that the relatives provided a total of 8,640 volunteer hours. However, POS did not adequately support the volunteer hours through timesheets and progress notes in order to support the billings, nor were the letters signed. Title 17 requires that service providers shall maintain complete service records to support all billings to each regional center.

**THE DEPARTMENT OF DEVELOPMENTAL SERVICES'
EVALUATION OF PATH OF SUCCESS' (POS) RESPONSE**

Conclusion:

POS did not provide any supporting evidence that would result in a reduction of Finding 3 for Vendor Number PN0702, Service Code 896.