

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
CENTER FOR DEVELOPMENTAL SERVICES OF CALIFORNIA
DBA
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Program:

Supported Living Services – SV0018

Audit Period: July 1, 2019, through June 30, 2020

Audit Section

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Center for Developmental Services of California dba Options Forward (OF). The audit was performed upon the Supported Living Services (SLS) for the period of July 1, 2019, through June 30, 2020.

The audit disclosed the following issues of non-compliance:

Finding 1: Supported Living Services – Unsupported Billings

The review of OF's SLS program, Vendor Number SV0018, revealed that OF had a total of \$2,897 of unsupported billings to Valley Mountain Regional Center (VMRC).

Finding 2: Non-Compliance With Required Independent Review of Financial Statements

OF did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to \$500,000, but less than \$2,000,000, in purchase of service (POS) during Fiscal Year (FY) 2019-20 to obtain an independent review report of its financial statements for the entity's FY that includes the last day of the most recent state FY.

The total of the findings identified in this audit amounts to \$2,897, which 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 OF's financial accountability requirement and its program were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State and Federal laws and regulations and the regional centers' contracts with OF for the period of July 1, 2019, through June 30, 2020.

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 OF, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of OF'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 OF 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 also reviewed and addressed during the course of the audit.

The audit scope was determined by reviewing the program provided to VMRC that utilized OF's services during the audit period. 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 Living Services

During the audit period, OF operated one SLS program. The audit included the review of OF's SLS program, Vendor Number SV0018, SC 896, and testing was done for the sampled months of February 2020 and March 2020.

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 the vendor's 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 center.
- 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 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, OF had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on March 10, 2022. The findings in the report were discussed during an exit conference via Microsoft Teams with OF on March 15, 2022. DDS received OF's written response to the draft audit report dated March 15, 2022, via email on April 4, 2022. OF stated that OF accepts the findings.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Supported Living Services – Unsupported Billings

The review of OF's SLS program, Vendor Number SV0018, for the sampled months of February 2020 and March 2020 revealed that OF had unsupported billings for services billed to VMRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to VMRC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service hours documented on OF's contact logs and compared those hours to the direct care service hours billed to VMRC and to staff work hours recorded in payroll documentation. DDS noted that the direct care service hours on the contact logs which were supported by payroll records were 100 hours less than the direct care service hours billed to VMRC. OF was not able to provide appropriate supporting documentation for those 100 hours of services billed. The lack of documentation resulted in unsupported billings to VMRC in the amount of \$2,897, 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, 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:

OF must reimburse to DDS \$2,897 for the unsupported billings. In addition, OF should ensure that the number of direct care hours reported for billings is consistent with the number of direct care hours reported in its contact logs and payroll records.

VENDOR'S Response:

OF stated in its response dated March 15, 2022, that OF accepts the findings. (See Attachment B)

Finding 2: Non-Compliance With Required Independent Review of Financial Statements

OF did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to \$500,000, but less than \$2,000,000, in POS expenditures during FY 2019-20 to obtain an independent review report of its financial statements for the entity's FY that includes the last day of the most recent state FY.

W&I Code, Section 4652.5(a) states:

- “(a)(1) An entity that receives payments from one or more regional centers shall contract with an independent accounting firm to obtain an independent audit or independent review report of its financial statements relating to payments made by regional centers, subject to both of the following:
 - (A) If the amount received from the regional center or regional centers during each state fiscal year is more than or equal to five hundred thousand dollars (\$500,000), but less than two million dollars (\$2,000,000), the entity shall obtain an independent review report of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.”
 - (b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within nine months of the end of the entity's fiscal year.

- (c) Regional centers receiving the audit or review reports required by subdivision (b) shall review and require resolution by the entity for issues identified in the report that have an impact on regional center services. Regional centers shall take appropriate action, up to termination of vendorization, for lack of adequate resolution of issues.”

Recommendation:

OF must obtain an independent review report of its financial statements and provide copies of the independent review report to VMRC and DDS.

VENDOR’S Response:

OF stated in its response dated March 15, 2022, that OF accepts the findings. (See Attachment B)

ATTACHMENT A
CENTER FOR DEVELOPMENTAL SERVICES OF CALIFORNIA
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To request a copy of the attachment for this audit report, please contact the DDS Audit Section at (916) 654-3695.

ATTACHMENT B – VENDOR’S RESPONSE
CENTER FOR DEVELOPMENTAL SERVICES OF CALIFORNIA
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To request a copy of the vendor’s response to the audit findings, please contact the DDS Audit Section at (916) 654-3695.