

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
BAYBERRY, INC.

Programs and Services:

Supported Living Services – P20287 and HR0451

Personal Assistance – PN0385

Audit Period: July 1, 2016, through June 30, 2018

Audit Section

Auditors: Alimou Diallo, Acting Chief of Vendor Audit Unit
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BAYBERRY, INC.
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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Bayberry, Inc. (Bayberry). The audit was performed upon the Supported Living Services (SLS) and Personal Assistance (PA) programs for the period of July 1, 2016, through June 30, 2018.

The audit disclosed the following issues of non-compliance:

Finding 1: Supported Living Services – Unsupported Billings

The review of Bayberry's SLS program, Vendor Numbers P20287 and HR0451, revealed that Bayberry had a total of \$33,102 of unsupported billings to North Bay Regional Center (NBRC) and Redwood Coast Regional Center (RCRC).

Finding 2: Personal Assistance – Unsupported Billings

The review of Bayberry's PA program, Vendor Number PN0385, revealed that Bayberry had a total of \$2,635 of unsupported billings to NBRC and RCRC.

The total of the findings identified in this audit amounts to \$35,737, 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 Bayberry's SLS and PA programs were compliant with the W&I Code, California Code of Regulations (CCR), Title 17 and the regional centers' contracts with Bayberry for the period of July 1, 2016, through June 30, 2018.

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 Bayberry, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of Bayberry'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 Bayberry complied with 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 the programs and services provided to two regional centers that utilized Bayberry's services during the audit period. DDS audited services provided to North Bay Regional Center (NBRC) and Redwood Coast Regional Center (RCRC). These two regional centers were chosen due to the large volume of services utilized by the centers as measured by Purchase of Service (POS) expenditures.

Bayberry provided five different types of services, of which DDS audited two. Services chosen were based on the amount of POS expenditures invoiced by Bayberry. 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, Bayberry operated two SLS programs. The audit included the review of two of Bayberry's SLS programs, Vendor Numbers P20287 and HR0451, Service Code (SC) 896 and testing was done for the sampled months of February and March 2018.

Personal Assistance

During the audit period, Bayberry operated one PA program. The audit included the review of Bayberry's PA program, Vendor Number PN0385, SC 062 and testing was done for the sampled months of February and March 2018.

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 centers.
- Analyzed the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.
- Reviewed the vendor's general ledger, payroll records and trial balance to determine the vendor's costs.
- 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, Bayberry had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on February 4, 2020. The Findings in the report were discussed during an exit conference with Bayberry, on February 20, 2020. DDS received Bayberry's response on September 29, 2020. Bayberry refutes the Findings in the report.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, NBRC, RCRC and Bayberry. 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 Bayberry's SLS programs, Vendor Numbers P20287 and HR0451, for the sampled months of February and March 2018 revealed that Bayberry had unsupported billings for services billed to NBRC and RCRC. Unsupported billings occurred due to a lack of appropriate documentation and compliance with the CCR, Title 17 to support the units of service billed to NBRC and RCRC.

DDS reviewed Bayberry's Daily Summary, Daily Chart Notes, consumer's monthly schedule and staff's ADP timecards. Bayberry was not able to provide appropriate supporting documentation for 426 units of services billed to NBRC and 553 units billed to RCRC. The lack of documentation resulted in unsupported billings to NBRC and RCRC in the amount of \$16,512 and \$16,590, respectively. The combined total of unsupported billings to the regional centers is \$33,102, 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:

Bayberry must reimburse to DDS \$33,102 for the unsupported billings. In addition, Bayberry should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to NBRC and RCRC.

VENDOR'S Response:

Bayberry, stated in the response, dated September 29, 2020, that Bayberry, disputes the finding. (See Attachment B)

Finding 2: Personal Assistance – Unsupported Billings

The review of Bayberry's PA program, Vendor Number PN0385, for the sampled months of February and March 2018 revealed that Bayberry had unsupported billings for services billed to NBRC and RCRC. Unsupported billings occurred due to a lack of appropriate documentation and compliance with the CCR, Title 17 to support the units of service billed to NBRC and RCRC.

DDS reviewed Bayberry's Daily Summary, Daily Chart Notes, consumer's monthly schedule and staff's ADP timecards. Bayberry was not able to provide appropriate supporting documentation for 10 hours of services billed to NBRC and 100 hours billed to RCRC. The lack of documentation resulted in unsupported billings to NBRC and RCRC in the amount of \$234 and \$2,401, respectively. The combined total of unsupported billings to the regional centers is \$2,635, 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.”

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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:

Bayberry must reimburse to DDS \$2,635 for the unsupported billings. In addition, Bayberry should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to NBRC and RCRC.

VENDOR’S Response:

Bayberry, stated in the response, dated September 29, 2020, that Bayberry, disputes the finding. (See Attachment B)

ATTACHMENT A

BAYBERRY, INC.

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

BAYBERRY, INC.

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

ATTACHMENT C – DDS’s EVALUATION OF BAYBERRY’S RESPONSE

DDS evaluated Bayberry, Inc.’s written response to the draft audit report and determined that Bayberry disagreed with Findings 1 and 2. Below is a summary of the vendor’s response as well as DDS’ evaluation of the vendor’s response.

Finding 1: Supported Living Services – Unsupported Billings

Bayberry stated that it requested detailed information regarding the billed hours that DDS identified as being unsupported. The Draft Audit Report was discussed during the exit conference on February 20, 2020. In an e-mail, dated March 10, 2020, DDS auditors provided Bayberry a list of consumers with unsupported billings. The DDS auditors further explained to Bayberry that the audited hours/mileage are the substantiated hours/mileage. (See Exhibit I)

In addition, DDS auditors had several conversations with Bayberry staff during the pre-audit walk-through and fieldwork, in which, DDS’ testing methodology was explained. During the fieldwork, DDS auditors also communicated with Bayberry regarding missing supporting documentation. Per e-mail communications dating from June 20, 2018, through August 8, 2018, DDS auditors requested for supporting documentation but Bayberry was not able to provide any support for GB’s sub code LA. (See Exhibit II)

Bayberry stated in its response that it was “in the process of reviewing its records for all of its consumers listed on the DDS spreadsheet. So far, Bayberry has determined that its records refute any findings of ‘unsupported hours’ for the consumers listed below.” In addition, Bayberry stated that it would provide documentation for eight hours billed to NBRC for GB’s sub code LA for the February 2018 housing search. However, DDS auditors did not receive any supporting documentation. Therefore, no adjustments were made to that finding.

Bayberry billed NBRC for consumer GC at a flat monthly rate. Bayberry stated that DDS recorded 338 “audited hours” for one consumer while their records indicated 332 hours were billed. However, Bayberry did not actually bill for 332 hours but for one unit at the monthly rate of \$17,539.50. The DDS auditors used the shift hours identified on the consumer’s “Daily Summary” in conjunction with staff payroll to determine the audited hours and identified 337 audited Supported Living Services (SLS) hours for this consumer. This consumer’s Individual Program Plan (IPP) and Cost Proposal reflected a need for 468 SLS hours, along with 283 In-Home Support Services (IHSS) hours. The month of February 2018 had 672 hours (28 days x 24 hours), which should have been covered by 283 hours of IHSS and 389 hours of SLS. However, Bayberry only provided documentation to support 337 hours, or 86.63239% of the required 389 hours. The billed amount of \$17,539.50 multiplied by 86.63239% results in a supported amount of \$15,194.89 and an unsupported amount of \$2,344.61, respectively.

ATTACHMENT C – DDS’s EVALUATION OF BAYBERRY’S RESPONSE

Based on additional supporting documentation provided, Bayberry was able to support an additional 9 hours of service for NBRC and 123 hours of service for RCRC, which reduced the finding to \$16,512 and \$16,590, respectively. The combined total of unsupported billings to the regional centers is \$33,102.

Finding 2: Personal Assistance – Unsupported Billings

Based on the additional supporting documentation provided, Bayberry was able to support an additional 20 hours of service for RCRC, which reduced the finding to \$2,401. The combined total of unsupported billings to the regional centers is \$2,635.

Conclusion:

DDS adjusted the final audit report to reflect the additional documentation received. As a result, the total amount was reduced from \$39,966 to \$35,757.