

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
EARLY START PRESCHOOLS, INC.

Programs and Services:

Behavior Management Consultant – PW2770

Early Start Specialized Therapeutic Services – PW5928

Infant Development Program – H19487

Audit Period: April 2013 and July 1, 2014, through June 30, 2015

Audit Section

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EARLY START PRESCHOOLS, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) audited Early Start Preschools, Inc. (Smart Start). The audit was performed upon the Behavior Management Consultant (BMC), Early Start Specialized Therapeutic Services (ESSTS) and Infant Development Program (IDP) for the period of April 2013, July 2014, through February 2015, and June 2015.

The audit disclosed the following issues of non-compliance:

Finding 1: Behavior Management Consultant Program – Unsupported Billings

The review of Smart Start's BMC program, Vendor Number PW2770, revealed that Smart Start had a total of \$ 99,857 of unsupported billings to Westside Regional Center (WRC).

Finding 2: Behavior Management Consultant Program – Overbillings

The review of Smart Start's BMC program, Vendor Number PW2770, revealed that Smart Start had a total of \$ 8,581 of overbillings to Frank D. Lanterman Regional Center (FDLRC) and WRC.

Finding 3: Early Start Specialized Therapeutic Services – Unsupported Billings

The review of Smart Start's ESSTS, Vendor Number PW5928, revealed that Smart Start had a total of \$ 1,582 of unsupported billings to WRC.

Finding 4: Infant Development Program – Unsupported Billings

The review of Smart Start's IDP, Vendor Number H19487, revealed that Smart Start had a total of \$1,114 of unsupported billings to FDLRC and WRC.

The findings identified in this audit total \$111,134 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 Smart Start's BMC, ESSTS and IDP programs were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional centers' contracts with Smart Start.

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 Smart Start, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of Smart Start's internal controls to gaining 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 Smart Start 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 Smart Start's services during the audit period: FDLRC and WRC. 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.

Smart Start provided five different types of services, of which DDS audited three. Services chosen were based on the amount of POS expenditures invoiced by Smart Start. 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 (July 2014 and June 2015) would be sufficient to fulfill the audit objectives. However, the audit finding amounts for the two sampled months necessitated an

expansion by an additional seven months within the audit period (August 2014 through February 2015) and one month outside the period, April 2013.

Behavior Management Consultant Program

During the audit period, Smart Start operated one BMC program (Vendor Number PW2770; Service Code 620) and the audit included a review of this program. Testing was conducted for the months of April 2013, July 2014 through February 2015, and June 2015.

Early Start Specialized Therapeutic Services

During the audit period, Smart Start operated one ESSTS (Vendor Number PW5928; Service Code 116), and the audit included the review of this program. Testing was done for April 2013 and the sample months of July 2014 and June 2015.

Infant Development Program

During the audit period, Smart Start operated one IDP program (Vendor Number H19847; Service Code 805) and the audit included the review of this program. Testing was done for the sample months of July 2014 and June 2015.

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 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.

- 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 to gain an understanding of accounting procedures and financial reporting process.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on September 23, 2021. The findings in the report were discussed at an exit conference, via Zoom, with Smart Start on October 18, 2021. Subsequent to the exit conference, on December 28, 2021, Smart Start provided additional source documentation to support its billings to the regional centers for the findings that Smart Start disagreed with.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Behavior Management Consultant Program – Unsupported Billings

The review of Smart Start’s BMC program, Vendor Number PW2770, for the months of April 2013, July 2014 through February 2015, and June 2015, revealed that Smart Start had unsupported billings for services billed to FDLRC and WRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to FDLRC and WRC.

Smart Start billed for 1,903 hours of services that were not supported by Parental Verification for Receipt of Behavioral Services (DS 5862) forms as required by W&I Code, Section 4686.31. The lack of documentation resulted in unsupported billings to FDLRC and WRC in the amount of \$99,857, 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 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.”

W&I Code Section 4686.31. states:

- “(1) The department shall develop and post a standard form for vendors to complete and provide to the family for signature. The form shall include, but not be limited to, the name and title of the vendor, the vendor identification number, the name of the consumer, the unique client identifier, the location of the service, the date and start and end times of the service, and a description of the service provided. The form shall also include instructions for the parents or legally appointed guardians to contact the regional center service coordinator immediately if they are unable to sign the form.
- (2) The vendor shall provide the parents or legally appointed guardians of a minor consumer with the department form to sign. The form shall be signed and dated by the parents or legally appointed guardians of a minor consumer and be submitted to the vendor providing services within 30 days of the month in which the services were provided.
- (3) The vendor shall submit the completed forms to the regional center together with the vendor’s invoices for the services provided.”

Recommendation:

Smart Start must reimburse to DDS \$ 99,857 for the unsupported billings. In addition, Smart Start should comply with the W&I Code, Section 4686.31 and CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to FDLRC and WRC.

Vendor’s Response:

Smart Start stated in its response dated December 16, 2021, that it disagreed with the finding. Smart Start provided additional documentation with its response to substantiate its billings to FDLRC and WRC. (See Attachment D)

Finding 2: Behavior Management Consultant Program – Overbillings

The review of Smart Start’s BMC program, Vendor Number PW2770, for the months of April 2013, July 2014 through February 2015, and June 2015, revealed that Smart Start overbilled for services to FDLRC and WRC.

There were four types of overbillings found in Smart Start’s BMC program based on a review of the Parental Verification for Receipt of Behavioral Services (DS 5862 form) and the employees’ credentials as follows:

- Overbilling of \$7,532 for 143 hours where Smart Start billed for two employees providing services to the same consumer during the same or overlapping hours. Smart Start's Program Design provided for a staff-to-consumer ratio as one staff to one consumer (1:1) for the BMC program. The auditors allowed some instances of two staff providing service to one consumer where one of the staff was a supervisor/lead staff with a higher credential.
- Overbilling of \$843 for 16 hours where Smart Start billed for an employee providing services to two different consumers at different locations during the same hours.
- Overbilling of \$154 for three hours where Smart Start billed for an employee providing group services to four consumers contrary to the 1:1 program design.
- Overbilling of \$52 for one hour of service billed for an employee who was in Singapore on the day the service was claimed to have been provided.

The overbilled hours totaled 163 hours for a total overbilling of \$, 8,581 which 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 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.”
 - (13) Comply with applicable staffing ratio requirements;”

Recommendation:

Smart Start must reimburse to DDS \$ 8,581 for the overbillings. In addition, Smart Start should develop and implement policies and procedures to ensure proper adherence to the Program's staffing ratio of 1:1 staff-to-consumer.

Vendor's Response:

Smart Start stated in the response dated December 16, 2021, that it disagreed with the finding. Smart Start provided additional documentation with its response to substantiate its billings to FDLRC and WRC. (See Attachment D)

Finding 3: Early Start Specialized Therapeutic Services – Unsupported Billings

The review of Smart Start's ESSTS program, Vendor Number PW5928, for the months of April 2013, July 2014 and June 2015, revealed that Smart Start had unsupported billings for services billed to WRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to WRC.

Smart Start billed for 23 hours of services that were not supported by Smart Start's Daily Attendance Registers and clinical notes. The lack of documentation resulted in unsupported billings to WRC in the amount of \$ 1,582 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 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:

Smart Start must reimburse to DDS \$ 1,582 for the unsupported billings. In addition, Smart Start should ensure that proper documentation is maintained to support the amounts billed to WRC.

Vendor’s Response:

Smart Start stated in its response dated December 16, 2021, that it disagreed with the finding. Smart Start provided additional documentation with its response to substantiate its billings to WRC. (See Attachment D)

Finding 4: Infant Development Program – Unsupported Billings

The review of Smart Start’s IDP, Vendor Number H19847, for the sampled months of July 2014 and June 2015, revealed that Smart Start had unsupported billings for services billed to FDLRC and WRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of services billed to FDLRC and WRC.

Smart Start billed for 27 hours of services that were not supported by Daily Attendance Registers. The lack of documentation resulted in unsupported billings to FDLRC and WRC in the amount of \$1,114, 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 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:

Smart Start must reimburse to DDS \$1,114 for the unsupported billings. In addition, Smart Start should ensure that proper documentation is maintained to support the amounts billed to FDLRC and WRC.

Vendor’s Response:

Smart Start stated in the response dated December 16, 2021, that it agreed with the finding. (See Attachment D)

ATTACHMENTS A-B

EARLY START PRESCHOOLS

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

ATTACHMENT C – VENDOR’S RESPONSE

EARLY START PRESCHOOLS, 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 D – DDS’EVALUATION OF SMART START’S RESPONSE

DDS evaluated Smart Start’s written response to the draft audit report and determined that Smart Start disagreed with findings 1, 2 and 3, but agreed with 4. Below is a summary of the vendor’s response as well as the DDS’ evaluation of the vendor’s response.

Finding 1: Behavior Management Consultant - Unsupported Billings

In its response, Smart Start stated that the services were provided but Smart Start did not have a process in place to document the supervision hours; i.e. *“services were provided; however, PVFs were not created for the supervision hours provided. While the practice has been refined to include PVFs, during the time-period of the audit, PVFs were not secured.”* Smart Start provided DDS with additional documents to support some of its billings to the regional center.

DDS reviewed these service records and allowed an additional 164 hours for the 10 sampled months. This resulted in the reduction of the unsupported hours from 2,067 to 1,903 and the finding amount from \$108,479 to \$99,857, which is due back to DDS. (See Attachment A)

Finding 2: Behavior Management Consultant - Overbillings

In its response, Smart Start provided a revised list of staff who qualified to perform supervisory functions.

DDS reviewed the revised list of the qualified staff and verified their credentials. Therefore, DDS allowed the hours of services provided by Field Supervisors in instances where two staff provided services to a consumer at the same time. This resulted in the reduction of the overbilled hours from 392 to 163 hours and of the finding amount was reduced from \$20,552 to \$8,581, which is due back to DDS. (See Attachment B)

Finding 3: Early Start Specialized Therapeutic Services - Unsupported Billings

In its response, Smart Start provided DDS with additional Registers of Daily Attendance (RDA), that had not been submitted previously, to support its billings for the three sampled months.

DDS reviewed these service records and allowed an additional 26 hours. This reduced the unsupported hours from 49 to 23 hours and of the unsupported billings amount from \$3,275 to \$1,582, which is due back to DDS. (See Attachment A)

Finding 4: Infant Development Program - Unsupported Billings

Smart Start agreed to this finding. Therefore, no adjustment was made to the unsupported billings amount of \$1,114 and is due back to DDS. (See Attachment A)

Conclusion:

DDS adjusted the audit report to reflect the additional documentation received. Due to this, there was a reduction of the total finding amount from \$133,420 to \$111,134 for the sampled months.