

DEPARTMENT OF DEVELOPMENTAL SERVICES'

AUDIT OF



DBA FIRST STEP SUPPORTED LIVING SERVICES

Programs and Services:

Supported Living Services – PM0516

Personal Assistance – PM1016

Personal & Incidental Expenses – C01050

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

Audit Section

Auditors: Alimou Diallo, Acting Chief of Vendor Audit Unit
Angie Huang, Auditor
Vitaliy Bondar, Auditor

DBA FIRST STEP SUPPORTED LIVING SERVICES

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited [REDACTED] (AMB) DBA First Step Supported Living Services. The audit was performed upon the Supported Living Services (SLS), Personal Assistance (PA), and Personal & Incidental Expenses (PI) programs for the period of January 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 AMB's SLS program, Vendor Number PM0516, revealed that AMB had a total of \$519,415 of unsupported billings to Regional Center of Orange County (RCOC).

Finding 2: Personal Assistance – Unsupported Billings

The review of AMB's PA program, Vendor Number PM1016, revealed that AMB had a total of \$206,099 of unsupported billings to RCOC.

Finding 3: Non-Compliance to Obtain an Independent Audit of Financial Statements

AMB did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor to obtain an independent audit of its financial statements.

The total of the findings identified in this audit amounts to \$725,514, 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 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 AMB's fiscal accountability requirement and its programs 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 AMB for the period of January 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 AMB, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of AMB'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 AMB 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 programs and services provided to RCOC that utilized AMB's services during the audit period. AMB provided three different types of services, of which DDS audited three. Services chosen by DDS were based on the amount of POS expenditures invoiced by AMB. 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, AMB operated one SLS program. The audit included the review of AMB's SLS program, Vendor Number PM0516, Service Code (SC) 896 and testing was

done for the sampled months of July 2019 and February 2020. AMB does not keep source documentation nor provided documentation to support the billings for the two sampled months; therefore, auditors were unable to verify the delivery of services. As a result, the testing sample was expanded to include the sampled months of January 2019 through December 2019, and February 2020.

Personal Assistance

During the audit period, AMB operated PA services. The audit included the review of AMB's PA service, Vendor Number PM1016, SC 062 and testing was done for the sampled months of July 2019 and February 2020. AMB does not keep source documentation nor provided documentation to support the billings for the two sampled months; therefore, auditors were unable to verify the delivery of services. As a result, the testing sample was expanded to include the sampled months of January 2019 through December 2019, and February 2020.

Personal & Incidental Expenses

During the audit period, RCOC was funding the SSI equivalent for one consumer who was not eligible to receive SSI benefits. The audit included the review of AMB's expenses for Vendor Number C01050, SC 400 and testing was done for the sampled months of July 2019 and February 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's employee timesheets and payroll records to determine if the vendor had sufficient and appropriate evidence to support the direct care services billed to the regional center.

- Reviewed prior regional center audit report to obtain an insight of vendor's prior findings and recommendations.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, AMB had findings of non-compliance with the requirements of W&I Code and CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on August 11, 2021. The findings in the report were discussed at an informal exit telephone conference with AMB on January 19, 2021. Subsequent to the informal exit telephone conference, AMB was afforded the opportunity to discuss all of the findings identified in the audit report formally via ZOOM on August 10, 2021 but AMB declined the exit conference. Furthermore, AMB did not provide a response to the draft audit report within the 30-day response period.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, RCOC and AMB. 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 AMB's SLS program, Vendor Number PM0516, for the sampled months of January through December 2019, and February 2020, revealed that AMB had unsupported billings for services billed to RCOC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to RCOC and non-compliance with the CCR, Title 17.

AMB's contract with RCOC provided for individual consumer authorizations at a monthly billing rate based on each consumer's required level of support, to include a specific number of hours of support to be provided each month. However, AMB billed RCOC for the full monthly rate even when the minimum number of required support hours were not provided to the consumer.

For the 13 sampled months, AMB billed RCOC for a total of 21,202 hours of service not supported by timesheets and payroll records. The totals unsupported direct care service hours of 21,202, multiplied by the authorized monthly rate, results in a total unsupported billing of \$519,415 due back to DDS. (See Attachment A)

In addition, AMB did not "maintain the historical data documenting the actual delivery of service to consumers for which AMB has claimed payments." Specifically, the employees' timesheets that are used to record the direct care hours of services provided do not include the place where the services were provided, and a record of services provided to each consumer. This is not in compliance with the CCR, Title 17, which requires that vendors maintain complete service records to support billings for each regional center consumer in sufficient detail to verify the delivery of units of service billed.

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)(3)(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.... Service records used to support service providers’ billing/invoicing shall include, but not be limited to....

(3) A record of services provided to each consumer. The record shall include: ...

(D) For all other services, the date, the start and end times of service provided to the consumer, street address where service was provided, and daily or hourly units of service provided.

(e) All service providers’ records shall be supported by source documentation.”

CCR, Title 17, Section 58615(b)(7) states:

“(b) In addition to the requirements noted in (a), all SLS vendors shall maintain and provide access to all records relating to service design, service delivery, and employee service time records. These records shall include the following: ...

(7) Historical data documenting the actual delivery of service to consumers for which SLS vendor has claimed payment, including the: ...

(B) Location of the service;

(C) Description of the service; and

(D) Inclusive dates of the service; and ...”

Recommendation:

AMB must reimburse to DDS, \$519,415 for the unsupported billings. In addition, AMB should comply with the CCR, Title 17 as stated above and ensure that proper documentation is maintained to support the amounts billed to RCOC.

AMB'S Response:

AMB did not submit a response to the draft audit report. The draft audit report was mailed to AMB's address by certified mail and emailed to AMB's email address.

Finding 2: Personal Assistance – Unsupported Billings

The review of AMB's PA service, Vendor Number PM1016, for the sampled months of January 2019 through December 2019, and February 2020, revealed that AMB had unsupported billings for services billed to RCOC

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to RCOC and non-compliance with the CCR, Title 17.

AMB is contracted to bill at an hourly rate for the services rendered under PA based on the needs of the consumer. For the 13 sampled months, AMB billed RCOC for a total of 11,901 hours of service not supported by timesheets and payroll records. The totals unsupported PA hours of 11,901, multiplied by the authorized hourly rate, results in a total unsupported billing of \$206,099 due back to DDS. (See Attachment A)

In addition, AMB did not "maintain the historical data documenting the actual delivery of service to consumers for which AMB has claimed payments." Specifically, the employees' timesheets that are used to record the direct care hours of services provided do not include the place where the services were provided, and a record of services provided to each consumer. This is not in compliance with the CCR, Title 17, which requires that vendors maintain complete service records to support billings for each regional center consumer in sufficient detail to verify the delivery of units of service billed.

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)(3)(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....

- (3) A record of services provided to each consumer. The record shall include: ...

(D) For all other services, the date, the start and end times of service provided to the consumer, street address where service was provided, and daily or hourly units of service provided.

- (e) All service providers' records shall be supported by source documentation."

Recommendation:

AMB must reimburse to DDS \$206,099 for the unsupported billings. In addition, AMB should comply with CCR, Title 17 as stated above to ensure that the required direct care service hours are met, and proper documentation is maintained.

AMB'S Response:

AMB did not submit a response to the draft audit report. The draft audit report was mailed to AMB's address by certified mail and emailed to AMB's email address.

Finding 3: Non-Compliance - Independent Audit of Financial Statements

DDS has determined that AMB is not in compliance with the W&I Code, Section 4652.5, which requires a vendor to obtain an independent audit of its financial statements for vendor's fiscal years 2018 and 2019.

W&I Code, Section 4652.5(a)(1)(B) and (c) states:

- “(a)(1) An entity receiving payments from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements subject to all of the following: ...
 - (B) When the amount received from the regional center or regional centers during the entity's fiscal year is equal to or more than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit of its financial statements for the period. ...
- (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.”

“Effective June 9, 2016, WIC, Section 4652.5 was amended...

In accordance with this statute, “if the amount received from the regional center or regional centers during each state fiscal year is equal to or more than two million dollars (\$2,000,000), the entity shall obtain an independent audit of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year”

Per WIC, Section 4652.5(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.”

Recommendation:

AMB must obtain an independent audit of its financial statements and provide copies of the independent audit report to the respective regional centers.

AMB'S Response:

AMB did not submit a response to the draft audit report. The draft audit report was mailed to AMB's address by certified mail and emailed to AMB's email address.

ATTACHMENT A

[REDACTED] DBA FIRST STEP SUPPORTED LIVING SERVICES

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