

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
COMMUNITY COACHING CENTER, INC.**

Programs and Services:

Out-of-Home Respite Services – HQ0348, HQ0891

Socialization Training Program – PQ0958

Child Day Care – HQ0348, HQ0891

Audit Period: July 1, 2011, through June 30, 2012

Audit Branch

Auditors: Mike Masui, Chief of Vendor Audits
Alimou Diallo, Supervisor
Gurpreet Dhillon, Auditor
Asraf Tootla, Auditor

COMMUNITY COACHING CENTER, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Community Coaching Center, Inc. (CCC). The audit was performed upon the Out-of-Home Respite Services Program, Socialization Training Program, and Child Day Care Program for the period of July 1, 2011, through June 30, 2012. The audit disclosed the following issues of non-compliance:

Finding 1: Out-of-Home Respite Services – Unsupported Billings and Failure to Bill

The review of CCC's Out-of-Home Respite Services Program, Vendor Numbers HQ0348 and HQ0891, revealed that CCC had both unsupported billings, as well as appropriate support for services that it failed to bill San Diego Regional Center (SDRC). As a result, CCC had a total of \$263,816 of unsupported billings and a total of \$188 for which it failed to bill.

Finding 2: Socialization Training Program – Unsupported Billings

The review of CCC's Socialization Training Program, Vendor Number PQ0958, revealed that CCC had unsupported billings for services that it billed SDRC. As a result, CCC had a total of \$190,878 of unsupported billings.

Finding 3: Child Day Care – Unsupported Billings

The review of CCC's Child Day Care Program, Vendor Numbers HQ0348 and HQ0891, revealed that CCC had unsupported billings for services that it billed SDRC. As a result, CCC had a total of \$101,450 of unsupported billings.

Finding 4: Non-compliance with Record Maintenance and Record Retention Requirements

The review of CCC's programs and services revealed that CCC did not maintain and/or retain complete service records to support all billing/invoicing for each regional center consumer in its programs. This is not in compliance with CCR, Title 17.

The net total of unsupported billings identified in this audit amounts to \$555,956 and is due back to DDS. A detailed discussion of these findings is 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 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 CCC's Out-of-Home Respite Services, Socialization Training Program, and Child Day Care Programs were compliant with W&I Code, California Code of Regulations (CCR), Title 17, and the regional centers' contracts with CCC for the period of July 1, 2011, through June 30, 2012.

Scope

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. The auditors did not review the financial statements of CCC, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of CCC'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 CCC complied with W&I Code and CCR, Title 17. Also, any complaints that DDS' Audit Branch 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 SDRC, which utilized CCC's services during the audit period.

In addition, CCC provided three different types of services, all of which were audited by DDS. The three services chosen by DDS were also chosen based on the amount of Purchase of Service (POS) expenditures invoiced by CCC. 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.

Out-of-Home Respite Services

During the audit period, CCC operated two Out-of-Home Respite Services Programs. The audit included the review of CCC's Out-of-Home Respite Services, Vendor Numbers HQ0348 and HQ0891, Service Code 868, and testing was done for the months of August 2011 and May 2012. However, within the two months, the audit sample demonstrated an unusual amount of unsupported billings due to the lack of supporting documentation in the form of valid consumer attendance, session notes and service records. As a result, the testing sample was expanded to include the months of July 2011 through June 2012.

Socialization Training Program

During the audit period, CCC operated one Socialization Training Program. The audit included the review of CCC's Socialization Training Program, Vendor Number PQ0958, Service Code 028, and testing was done for the months of August 2011 and May 2012. However, within the two months, the audit sample demonstrated an unusual amount of unsupported billings due to the lack of supporting documentation in the form of valid consumer attendance, session notes, and service records. As a result, the testing sample was expanded to include the months of July 2011 through June 2012.

Child Day Care

During the audit period, CCC operated one Child Day Care Program. The audit included the review of CCC's Child Day Care, Vendor Numbers HQ0348 and HQ0891, Service Code 851, and testing was done for the months of August 2011 and May 2012. However, within the two months, the audit sample demonstrated an unusual amount of unsupported billings due to the lack of supporting documentation in the form of valid consumer attendance and service records. As a result, the testing sample was expanded to include the months of July 2011 through June 2012.

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:

- Review of vendor files for contracts, rate letters, program designs, POS authorizations, and correspondence pertinent to the review.
- Interview of regional center staff for vendor background information and to obtain insight into the vendor's operations.
- Interview of vendor staff and management to gain an understanding of its accounting procedures and processes for regional center billing.
- Interview of whistleblower and review of the whistleblower complaint.

- Review of 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.
- Performed an analysis of CCC's payroll and attendance/service records to determine if CCC provided the level of staffing required.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on July 24, 2015. The findings in the audit report were discussed at the exit conference with Tina Waters, CCC's Executive Director, and Joshua Searcy, CCC's attorney on August 5, 2015. DDS subsequently received CCC's response to the draft audit report on September 9, 2015. CCC disagrees with each of the four Findings and Recommendations of the audit and believes its billings are supported by adequate service records.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Out-of-Home Respite Services – Unsupported Billings and Failure to Bill

The review of CCC's Out-of-Home Respite Services Program, Vendor Numbers HQ0348 and HQ0891, for the audit period of July 1, 2011, through June 30, 2012, revealed that CCC had both unsupported billings, as well as appropriate support for services that it failed to bill to SDRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the hours of service billed to SDRC. Furthermore, it appears that CCC billed according to anticipated operating costs even if services were not provided. The failure to bill occurred when CCC had appropriate supporting documentation, but it did not bill SDRC.

CCC was not able to provide appropriate supporting documentation for 14,863 hours of services billed. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$263,816. In addition, CCC provided appropriate supporting documentation for 11 hours of service which was not billed to SDRC. This resulted in an unbilled amount of \$188. As a result, \$263,628 is due back to DDS for the unsupported billings. (See Attachment A.)

W&I Code, Section 4648.1 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(3) (a) 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:

CCC must reimburse to DDS \$263,628 for the unsupported billings. In addition, CCC should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SDRC.

CCC’s Response:

“We disagree with each of your findings and recommendations to reimburse DDS on the basis that the billings referred to therein are supported by adequate service records, and further disagree with your recommendation to revise documentation procedures, as we believe the procedures in effect during the audit period were proper and in sufficient detail to verify delivery of the units of service billed and properly reflect all of the information required by 17 CCR §50604(d).”

See Attachment B for the full text of CCC’s response to the draft audit report and Attachment C for DDS’ evaluation of CCC’s response.

Finding 2: Socialization Training Program – Unsupported Billings

The review of CCC’s Socialization Training Program, Vendor Number PQ0958, for the audit period of July 1, 2011, through June 30, 2012, revealed that CCC had unsupported billings for services that it billed to SDRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SDRC. Furthermore, it appears that CCC billed according to anticipated operating costs even if services were not provided.

CCC was not able to provide appropriate supporting documentation for 7,766 hours of services billed. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$190,878. As a result, \$190,878 is due back to DDS for the unsupported billings. (See Attachment A.)

W&I Code, Section 4648.1 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:

CCC must reimburse to DDS \$190,878 for the unsupported billings. In addition, CCC should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SDRC.

CCC’s Response:

“We disagree with each of your findings and recommendations to reimburse DDS on the basis that the billings referred to therein are supported by adequate service records, and further disagree with your recommendation to revise documentation procedures, as we believe the procedures in effect during the audit period were proper and in sufficient detail to verify delivery of the units of service billed and properly reflect all of the information required by 17 CCR §50604(d).”

See Attachment B for the full text of CCC’s response to the draft audit report and Attachment C for DDS’ evaluation of CCC’s response.

Finding 3: Child Day Care – Unsupported Billings

The review of CCC’s Child Day Care program, Vendor Numbers HQ0348 and HQ0891, for the audit period of July 1, 2011, through June 30, 2012, revealed that CCC had unsupported billings for services that it billed to SDRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SDRC. Furthermore, it appears that CCC billed according to anticipated operating costs even if services were not provided.

CCC was not able to provide appropriate supporting documentation for 5,716 hours of services billed. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$101,450. As a result, \$101,450 is due back to DDS for the unsupported billings. (See Attachment A.)

W&I Code, Section 4648.1 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:

CCC must reimburse to DDS \$101,450 for the unsupported billings. In addition, CCC should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SDRC.

CCC’s Response:

“We disagree with each of your findings and recommendations to reimburse DDS on the basis that the billings referred to therein are supported by adequate service records,

and further disagree with your recommendation to revise documentation procedures, as we believe the procedures in effect during the audit period were proper and in sufficient detail to verify delivery of the units of service billed and properly reflect all of the information required by 17 CCR §50604(d).”

See Attachment B for the full text of CCC’s response to the draft audit report and Attachment C for DDS’ evaluation of CCC’s response.

Finding 4: Non-compliance with Record Maintenance and Record Retention Requirements

The review of CCC’s programs and services revealed that CCC did not maintain and/or retain complete service records to support all billing/invoicing for each regional center consumer in its programs.

CCR, Title 17, Section 54326 states in relevant part:

“(a) All vendors shall:

. . . (3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed.

(B) Records must include for each consumer the information specified in Section 50604 (d)(3)(A), (B), (C), (D), (E) or (F), as applicable.

(C) Data, as specified in Section 50604 (d)(3)(A), (B), (C), (D), (E) or (F), as applicable, for the billing period shall be submitted to the regional center with the billings/invoices . . .

CCR, Title 17, Section 50605(a)

“(a) All service providers' financial and service records, including source documentation, shall be retained for a minimum of five years from the date of final payment for the State fiscal year in which services were rendered . . .”

Recommendation:

CCC must maintain records of services provided to consumers in sufficient detail to verify delivery of the units of service billed. CCC must also revise its record keeping policies to ensure that the date, start and end times of service provided to the consumer, service location, and daily or hourly units of service, are properly reflected in the consumer attendance logs.

In addition, source documents should be retained for a minimum of five years from the date of final payment for the State fiscal year in which services were provided.

CCC's Response:

“We disagree with each of your findings and recommendations to reimburse DDS on the basis that the billings referred to therein are supported by adequate service records, and further disagree with your recommendation to revise documentation procedures, as we believe the procedures in effect during the audit period were proper and in sufficient detail to verify delivery of the units of service billed and properly reflect all of the information required by 17 CCR §50604(d).”

See Attachment B for the full text of CCC's response to the draft audit report and Attachment C for DDS' evaluation of CCC's response.

Community Coaching Center, Inc.
Summary of Unsupported Billings and Failure to Bill
Audit Period: July 1, 2011 through June 30, 2012

Attachment A

Finding #	Vendor	Svc Code	Description	Unit Type	Unit Rate	Unsupported Billings		Failed to Bill		NET TOTAL
						Units	Amount A	Units	Amount B	Amount* = A + B
1	<u>Out-of-Home Respite Services</u>									
	HQ0348, HQ0891	868	Out-of-Home Respite Services	Hours	\$ 17.75	15,494	\$ 275,019	11	\$ (188)	\$ 274,831
	<i>Amount Credited to CCC based on Submitted Documents</i>					(631)	\$ (11,203)			
	FINDING 1: Total-Out-of-Home Respite Services					14,863	\$ 263,816	11	\$ (188)	\$ 263,628
2	<u>Socialization Training Program</u>									
	PQ0958	028	Socialization Training Program	Hours	\$ 24.58	8,430	\$ 207,214	-	-	\$ 207,214
	<i>Amount Credited to CCC based on Submitted Documents</i>					(665)	\$ (16,335)			
	FINDING 2: Total-Socialization Training Program					7,766	\$ 190,878	-	-	\$ 190,878
3	<u>Child Day Care</u>									
	HQ0348, HQ0891	851	Child Day Care	Hours	\$ 17.75	6,052	\$ 107,419	-	-	\$ 107,419
	<i>Amount Credited to CCC based on Submitted Documents</i>					(336)	\$ (5,968)			
	FINDING 3: Total-Child Day Care					5,716	\$ 101,450	-	-	\$ 101,450
Grand Totals of Unsupported Billings										\$ 555,956

*Rounded to the nearest dollar

Community Coaching Center, Inc.'s Response to Draft Report

As part of the audit report process, CCC was afforded the opportunity to respond to the draft audit report and provide a written response to the findings identified.

On September 3, 2015, CCC submitted a response to the draft audit report through its Attorney at Law, Joshua M. Searcy, which was received by DDS on September 9, 2015. This was within the agreed upon 30-day response period.

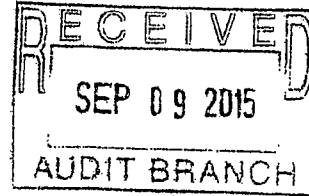
The following three pages contain CCC's written response. In addition to the three-page letter, CCC submitted a spiral book titled "Key of Additional Source Documentation Provided". However, due to the large volume of documents provided as part of the response package, the documents in addition to the letter are not included in this report.

Searcy Law

Joshua M Searcy
Attorney at Law

September 3, 2015

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



Mr. Yan:

We have reviewed your draft audit report for the 2011-2012 fiscal year regarding Community Coaching Center, Inc. ("CCC") and met with your auditors. We dispute the accuracy of most of the findings contained in the report; however, the ambiguity surrounding the calculations and methods utilized to arrive at your findings renders it somewhat difficult for us to generate a substantive response.

Your auditors concluded that CCC did not have adequate documentation to support the majority of billings for all three of its services. We understand that this was largely because your auditors decided to disregard the electronic source documentation CCC utilized to track our services in compliance with 17 CCR § 50604(d). Despite your auditors' assertions, we strongly believe these electronic records do qualify as the source documentation required by 17 CCR § 50604(e), as they were prepared at the times of service and maintained, in unaltered form, since that time.

The regulations merely require that "the service billings/invoices submitted by the service provider to the regional center for payment are supported by the service provider's consumer attendance and service records." 17 CCR § 50606(b)(2). There are no criteria to determine whether service records "support" billings contained in Title 17. However, there is a definition of "service records," and that definition is very broad: "a book or document evidencing the service activities provided by a service provider or regional center." Title 17 explicitly recognizes and includes electronic records as allowable service records. "All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. This requirement may be satisfied by retaining an electronic record of the information in the record, if the record reflects accurately the information set forth in the record at the time it was first generated in its final form as an electronic record or otherwise, and the electronic record remains accessible for later reference." 17 CCR § 50604(d). For the auditors to disregard and disallow CCC's use of electronic records was erroneous and in violation of Title 17; therefore, the findings of unsupported billings were incorrect and should be set aside.

It is our understanding that your auditors felt that the types of electronic records submitted should be disregarded because it appeared they could be altered at any time. Such is generally the case with electronic records, but the legislature nonetheless decided to expressly allow electronic records as appropriate, likely because, as in our case, it is often a more efficient and accurate way of recording information contemporaneously. Furthermore, electronic records are

not inherently easier to fabricate or falsify than paper records and, therefore, should not be disallowed based on an unsubstantiated suspicion.

We further understand that your auditors, at least ostensibly, agreed to view other forms of documentation that were not routinely utilized as consumer attendance records or consistent service records; however, after conducting our own review of the audit results as compared to the documentation submitted, it appears much of the documentation that your auditors said they would consider was also disregarded. Examples of such documents that were purportedly considered were sheets CCC entitled a "what did you bring sheet" (used occasionally to track client possessions), but which your auditors considered a sign-in sheet despite receiving information that parents, guardians, or others capable of signing-in or out of sessions were rarely present when the clients were picked-up; incident reports, which would not be prepared unless there was an incident to be reported; and other sorts of behavior and event-tracking documentation that would only be prepared when there was something out of the usual to report. These documents therefore may be helpful to substantiate other records, but are not necessarily exhaustive of complete records in and of themselves. Just because a client did not have an incident report or behavioral note for a particular day, for example, does not mean that they did not receive services on that day.

As documented on the accompanying spreadsheet and documentation (most of which was already submitted), CCC performed its own review of the files of 15 random clients and found each to have multiple documents that fit into your auditors' description and examples of appropriate source documentation, but that do not appear to have been considered for the purposes of arriving at the findings stated in the draft audit report. In other words, the review showed that the auditors ignored documentation or made errors in each and every one of the 15 sample cases we reviewed. The results of the review also further demonstrate the lack of reliability of the types of documents purportedly considered, as the amount of such documentation for each child necessarily varies with the severity and frequency of the specific child's behaviors. Obviously, the review indicates that the auditors' overall conclusions must be similarly flawed and should be re-examined.

For the convenience of your review, CCC has prepared packets for each of the 15 sample cases including the original invoices/consumer attendance records (which, as previously explained to the auditors, were computerized records used to contemporaneously record pick-up and drop-off/retrieval times for each client), any handwritten records of the type purportedly considered by your auditors, electronically-stored behavior reports, and print-outs of electronically collected data points. With regards to the latter, it should be noted that, despite the fact that CCC's respite or daycare programs were not of the type that data would typically be collected pursuant to industry standards, CCC did collect some data for all of its programs on a varying schedule using a software program that does not allow editing of documents greater than two years old, so it would have not been possible for the records to be altered in preparation for or in response to this audit. Also provided with these packets is a spreadsheet showing the discrepancies CCC found between your auditors findings and the purportedly accepted source documents included in each packet, along with a "key" describing the types of documentation provided within each packet. We realize that there may be some difficulty matching some of the documentation previously provided with the appropriate client because CCC, striving to protect the privacy of its clients

who are mostly minors, had often only recorded each child's first name on documentation. CCC staff remains willing to assist with such matching should your auditors require assistance.


We further vehemently dispute the statement contained in each of the findings of the draft report that "it appears that CCC billed according to anticipated operating costs even if services were not provided." This was (and is) not the case. It is our understanding that this purported appearance results from CCC having billed for the majority of sessions authorized for each client and from a letter sent from CCC's attorney to a disgruntled former employee. The letter from the attorney, while admittedly poorly worded, actually refers to billing *clients* for missed appointments, not from billing SDRC for sessions that never happened. CCC never billed SDRC for services that were not provided, and billing up to the extent of the majority of CCC's clients' authorizations was merely a reflection of their efforts to provide the clients with every service they needed. A more in-depth review of the records would show that in most cases, CCC provided services exceeding those authorized by SDRC and either billed the clients directly for such services or simply provided the additional services without compensation. A review of CCC's financial records also disputes the contention that CCC billed to cover operating costs, as such records indicate substantial losses for the periods covered by the audit.

For the reasons outlined above, we disagree with each of your findings and recommendations to reimburse DDS on the basis that the billings referred to therein are supported by adequate service records, and further disagree with your recommendation to revise documentation procedures, as we believe the procedures in effect during the audit period were proper and in sufficient detail to verify delivery of the units of service billed and properly reflect all of the information required by 17 CCR § 50604(d).

If you still believe that such policies and procedures are improper, we would appreciate a more detailed explanation of in what way you view them as such, supported by code or other authority. In particular, we seek clarification on what basis or authority the auditors relied on if they maintain their position to disregard the electronic records, as this appears to clearly violate Title 17. We would also appreciate recalculation of the supported and unsupported billings based on our response and an explanation of what criteria were used to determine whether a specific service was considered unsupported or supported by the documentation considered. Finally, we would like clarification on exactly what source documents the auditors did and did not rely on and how they were used in calculating the unsupported billings.

Thank you for considering our response and your assistance with this process.

Sincerely,



Joshua Searcy

CC: Tina Waters

Chad Carlock, Esq.

THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF CCC'S RESPONSE

DDS evaluated CCC's written response to the draft audit report and determined that CCC disagreed with Finding 1, 2, 3, and 4. Below is a summary of the vendor's response as well as DDS' evaluation of the vendor's response.

Finding 1: Out-of-Home Respite Services – Unsupported Billings and Failure to Bill

CCC states:

“Despite your auditors’ assertions, we strongly believe these electronic records do qualify as the source documentation required by 17 § CCR 50604(e), as they were prepared at the times of service and maintained, in unaltered form, since that time.”

DDS disagrees with CCC's statement. The electronic records referred to by CCC are the invoices CCC prepares for all of its consumers prior to billing the regional center. These invoices are then used by CCC to support its billings to the regional center.

These invoices are prepared by using Microsoft Excel. These invoices are basically Excel spreadsheets that have five columns with titles of “Date,” “Time In,” “Time Out,” “Total Hours,” and “Payment Type”. The “Date” column shows the dates when direct care services were provided, the “Time In” is the time-in of the consumer, the “Time Out” is the time-out of the consumer, the “Total Hours” is the total hours of service and the “Payment Type” is the type of service provided. At the bottom half of the invoice, a list shows a detail of the sources of funds for the consumer, the number of authorized hours and the authorization number from the regional center for the consumer.

As the invoice is described above, it can only be prepared after the information from other source documents were accumulated and subsequently recorded in this invoice. To qualify as a source document, the invoice must be the medium upon which evidence of a transaction is initially recorded.

The other source documents from where the information in the invoice came from are the following CCC documents that the auditors reviewed: “Individual Program Goals”, “Progress Reports”, “Program Data Sheets”, “Individual Program Goals: Data Trials”, “ABC Analysis Reports”, “Simple Behavior Tracking Forms”, “Medication Distribution Log”, “Good Friend Vouchers”, “Injury/Accident Reports”, “Program Participant’s Schedule Calendars”, and “What did you Bring Sheets”.

CCR, Title 17, Section 50602. Definitions.

- (q) “Source Documentation” means the medium upon which evidence of a transaction is initially recorded.”

THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF CCC'S RESPONSE

Also, the invoice did not accurately reflect the information derived from the above source documentation. The dates, the start and end times of service, and the daily or hourly units of service stated on the invoices conflicted with the dates, the start and end times of service, and the daily or hourly units of service documented on the "Program Participant's Schedule Calendar" provided by CCC. The invoices had instances of service billed and purportedly provided on a particular date, yet the Program Participant's Schedule Calendar labeled the same date as being "closed" with no services provided. In other instances, hours billed on the invoice cannot be located on the Program Participant's Schedule Calendar.

Using the invoices for billing purposes allows CCC to bill the regional center for service hours, but does not validate that services were performed as claimed by CCC. It was observed that hours on the invoices appeared to be pre-scheduled sessions that were to be performed at a later date by CCC staff. Furthermore, the invoices have no adjustments made for session cancellations, delayed sessions or sessions that were cut short.

With these deficiencies, the auditors found the invoices to be unreliable. Auditors rely on the use of a contemporaneous document to track the delivery of service. Since typewritten entries can be easily falsified and were found to not be the contemporaneous document used to track delivery of service, the auditors reviewed additional corroborating evidence to support the invoices. The corroborating documents provided were Program Data Sheets, ABC Analysis Reports, Simple Behavior Tracking Forms, Medication Distribution Log, Good Friend Vouchers, Injury/Accident Reports, and What did you Bring Sheets. These documents were handwritten forms reflecting evidence of the direct services being performed at the time of the document's generation, validated delivery of services, and provided reasonable assurance of reliability.

As a result of the substantive tests, the auditors concluded that the invoices were not an accurate representation of direct care hours. Consequently, the auditors relied on the handwritten documents as the source documentation to support CCC's billings.

CCR, Title 17, Section 50604(3) (d) and (C) states:

- (d) "All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. This requirement may be satisfied by retaining an electronic record of the information in the record, if the record reflects accurately the information set forth in the record at the time it was first generated in its final form as an electronic record or otherwise, and the electronic record remains accessible for later reference. 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:

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- (C) For community-based day programs, the dates of service, place where service was provided, the start and end times of service provided to the consumer and the daily or hourly units of service provided. For community-based day program services provided solely in natural environments, the city and county where service was provided shall be reported as the place where service was provided. For community-based day programs whose services are provided at the facility only or at both the facility and in the community, the street address of the facility shall be reported as the place where service was provided...”

In addition to the questionable reliability, the invoices do not qualify as acceptable service records because they did not contain the place where service was provided. The Individual Program Goals: Data Trials was also an electronic record which were later submitted with the additional handwritten documents. The Individual Program Goals: Data Trials also do not qualify as acceptable service records because they did not contain the place where service was provided, the start and end times of service provided to the consumer, and the daily or hourly units of service provided.

“There are no criteria to determine whether service records “support” billings contained in Title 17.”

DDS disagrees with CCC’s statement. In addition to CCR, Title 17, Section 50602, vendors can review Sections 54326(a) (3) (10) and 50604(d) and (e).

“It is our understanding that your auditors felt that the types of electronic records submitted should be disregarded because it appeared they could be altered at any time. Such is generally the case with electronic records, but the legislature nonetheless decided to expressly allow electronic records as appropriate, likely because, as in our case, it is often a more efficient and accurate way of recording information contemporaneously.”

DDS disagrees with CCC’s statement. The reason CCC’s electronic records were disregarded was because they were of sufficiently questionable reliability, did not validate services were provided, and appeared to be generated in advance of service delivery. Furthermore, the electronic records did not qualify as acceptable service records based on criteria set by CCR, Title 17, Section 50604(d) (3) and (C).

“We further understand that your auditors, at least ostensibly, agreed to view other forms of documentation that were not routinely utilized as consumer attendance records or consistent service records; however, after conducting our own review of the audit results as compared to the documentation submitted, it appears much of the documentation that your auditors said they would consider was also disregarded. As documented on the accompanying spreadsheet and documentation (most of which was already submitted), CCC performed its own review of the files of 15 random clients and found each to have multiple documents that fit into your auditors’

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description and examples of appropriate source documentation, but that do not appear to have been considered for the purposes of arriving at the findings stated in the draft audit report.”

DDS disagrees with CCC's statement. DDS did agree to view other forms of documentation to support billing/invoicing. A majority of the documents submitted by CCC as part of CCC's response package were not initially provided to DDS during the audit. CCC confirms in its statement that “most” (not all) of the documentation was already submitted which implies a portion of it was not initially submitted to DDS during the audit. Therefore, the documentation was not disregarded because much of the documentation in the response package was new to DDS and not received during the audit.

DDS considered the new documentation provided in CCC's response package such as the Program Data Sheets, ABC Analysis Reports, Simple Behavior Tracking Forms, Medication Distribution Log, Good Friend Vouchers, Injury/Accident Reports, and “What did you Bring Sheets”. These documents were handwritten forms reflecting evidence of the direct services being performed at the time of the document's generation, validated delivery of services, and provided reasonable assurance of reliability. As a result of the additional documentation received, the finding for the Out-of-Home Respite Services was reduced from \$274,831 to \$263,628 for July 1, 2011, through June 30, 2012.

“We further vehemently dispute the statement contained in each of the findings of the draft report that “it appears that CCC billed according to anticipated operating costs even if services were not provided.” This was (and is) not the case. It is our understanding that this purported appearance results from CCC having billed for the majority of sessions authorized for each client and from a letter sent from CCC's attorney to a disgruntled former employee. The letter from the attorney, while admittedly poorly worded, actually refers to billing clients for missed appointments not from billing SDRC for sessions that never happened.”

DDS disagrees with CCC's statement. The letter from CCC's attorney to a former employee, dated May 11, 2012, is worded as stating “CCC has billed based on the anticipated client hours to cover the cost of its staffing. Although CCC does not believe this practice violated any agreement, statute or regulation related to its funding, CCC's Board of Directors is currently evaluating the practice.” Billing the regional center for missed appointments is in violation of CCR, Title 17.

“We disagree with each of your findings and recommendations to reimburse DDS on the basis that the billings referred to therein are supported by adequate service records, and further disagree with your recommendation to revise documentation procedures, as we believe the procedures in effect during the audit period were proper and in sufficient detail to verify delivery of the units of service billed and properly reflect all of the information required by 17 CCR §50604(d).”

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CCC's billings were not supported by adequate service records and DDS recommends that CCC revise documentation procedures. The procedures in effect during the audit period were not adequate, were insufficient to verify delivery of the units of service billed, and do not reflect the information required by CCR, Title 17, Section 50604(d). Therefore, CCC must reimburse DDS the amount specified in the findings.

Finding 2: Socialization Training Program – Unsupported Billings

Please refer to the summary of CCC's response to the draft audit report and DDS' evaluation of CCC's response in Finding 1 as CCC's response encompasses Findings 1, 2, 3, and 4 and does not address each finding individually.

DDS considered the new documentation provided in CCC's response package, such as the Program Data Sheets, ABC Analysis Reports, Simple Behavior Tracking Forms, Medication Distribution Log, Good Friend Vouchers, Injury/Accident Reports, and "What did you Bring Sheets". These documents were handwritten forms reflecting evidence of the direct services being performed at the time of the document's generation, validated delivery of services, and provided reasonable assurance of reliability. As a result of the additional documentation received, the finding for the Socialization Training Program was reduced from \$207,214 to \$190,878 for July 1, 2011, through June 30, 2012.

Finding 3: Child Day Care – Unsupported Billings

Please refer to the summary of CCC's response to the draft audit report and DDS' evaluation of CCC's response in Finding 1 as CCC's response encompasses Findings 1, 2, 3, and 4 and does not address each finding individually.

DDS considered the new documentation provided in CCC's response package such as the Program Data Sheets, ABC Analysis Reports, Simple Behavior Tracking Forms, Medication Distribution Log, Good Friend Vouchers, Injury/Accident Reports, and "What did you Bring Sheets". These documents were handwritten forms reflecting evidence of the direct services being performed at the time of the document's generation, validated delivery of services, and provided reasonable assurance of reliability. As a result of the additional documentation received, the finding for the Child Day Care Program was reduced from \$107,419 to \$101,450 for July 1, 2011, through June 30, 2012.

Finding 4: Non-compliance with Record Maintenance and Record Retention Requirements

Please refer to the summary of CCC's response to the draft audit report and DDS' evaluation of CCC's response in Finding 1 as CCC's response encompasses Findings 1, 2, 3, and 4 and does not address each finding individually.

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DDS' Conclusion

DDS made adjustments to the draft audit report to reflect the additional documentation received. As a result, the finding was reduced from \$589,464 to \$555,956 for July 1, 2011, through June 30, 2012.

DDS expected to receive additional source documentation to fulfill the criteria set forth in CCR, Title 17, for each consumer served during the audit period. It is the responsibility of CCC to maintain records of service provided to consumers in sufficient detail to verify delivery of units of services billed. DDS is requesting reimbursement of \$555,956 for the unsupported billings.