

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
DESERT AREA RESOURCES AND TRAINING

Programs and Services:

Supported Employment Program-Group Services – HK2934

Work Activity Program – HK2936

Supported Living Services – PK3965

Infant Development Program – HO1986, HK3458

Transportation – Additional Component – HK2624, HK2631

Audit Period: July 1, 2012, through August 31, 2013

Audit Section

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DESERT AREA RESOURCES AND TRAINING

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Desert Area Resources and Training (DART). The audit was performed upon the Supported Employment Program-Group (SEP-Group) Services, Work Activity Program (WAP), Supported Living Services (SLS), Infant Development Program (IDP) and Transportation – Additional Component (TAC) for the period of July 1, 2012, through August 31, 2013.

The audit disclosed the following issues of non-compliance:

Finding 1: Supported Employment Program-Group Services – Overbillings

The review of DART's SEP-Group Services, Vendor Number HK2934, revealed that DART had a total of \$24,510 of overbillings to Kern Regional Center (KRC).

Finding 2: Supported Employment Program-Group Services – Unsupported Billings and Failure to Bill

The review of DART's SEP-Group Services, Vendor Number HK2934, revealed that DART had a total of \$647 of unsupported billings and a total of \$5,324 for which it failed to bill to KRC.

Finding 3: Work Activity Program – Overbillings

The review of DART's WAP, Vendor Number HK2936, revealed that DART had a total of \$9,742 of overbillings to KRC.

Finding 4: Work Activity Program –Unsupported Billings

The review of DART's WAP, Vendor Number HK2936, revealed that DART had a total of \$6,053 of unsupported billings to KRC.

Finding 5: Supported Living Services - Unsupported Billings and Failure to Bill

The review of DART's SLS program, Vendor Number PK3965, revealed that DART had a total of \$2,402 of unsupported billings and a total of \$24 for which it failed to bill to KRC.

The net total findings identified in this audit amount to \$38,006, 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 DART's SEP-Group Services, WAP, SLS program and IDP were compliant with the W&I Code, California Code of Regulations (CCR), Title 17 and the regional center's contracts with DART for the period of July 1, 2012, through August 31, 2013.

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 DART, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of DART'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 DART 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 KRC that utilized DART's services during the audit period. DART provided nine different types of services, of which DDS audited five. The five services chosen by DDS were based on the amount of purchase of services (POS) expenditures invoiced by DART. 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 four month sample period would be sufficient to fulfill the audit objectives.

Supported Employment Program–Group Services

During the audit period, DART operated one SEP-Group Services. The audit included the review of DART’s SEP-Group Services, Vendor Number HK2934, Service Code (SC) 950 and testing was done for the sampled months of July 2012, August 2012, July 2013 and August 2013.

Work Activity Program

During the audit period, DART operated one WAP, Vendor Number HK2936, SC 954 and testing was done for the months of July 2012, August 2012, July 2013 and August 2013.

Supported Living Services

During the audit period, DART operated one SLS program, Vendor Number PK3965, SC 896 and testing was done for the months of July 2012, August 2012, July 2013 and August 2013.

Infant Development Program

During the audit period, DART operated two IDPs, Vendor Numbers HO1986 and HK3458, SC 805 and testing was done for the months of July 2012, August 2012, July 2013 and August 2013.

Transportation – Additional Component

During the audit period, DART operated two TAC programs, Vendor Numbers HK2624 and HK2631, SC 880 and testing was done for the months of July 2012, August 2012, July 2013 and August 2013.

Methodology

The following methodology was used by DDS to ensure the audit objectives were met. The methodology was designed to obtain a reasonable assurance that the evidence provided was sufficient and appropriate to support the findings and conclusions in relation to the audit objectives. The procedures performed included, but were not limited to, the following:

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

- Obtained and reviewed the vendor's internal control questionnaire.
- Reviewed vendor service/attendance records to determine if the vendor had sufficient and appropriate evidence to support the direct care services billed to the regional center.
- Analyzed the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.
- 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, DART had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on October 26, 2017. The findings in the audit report were discussed at the exit conference with DART's Chief Executive Officer, [REDACTED], on November 8, 2017. Subsequent to the exit conference, on December 14, 2017, DART provided additional documentation to support the service hours billed and disagreed with Findings 1, 2 and 5.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Supported Employment Program-Group Services – Overbillings

The review of DART's SEP-Group Services, Vendor Number HK2934, for the sampled months of July 2012, August 2012, July 2013 and August 2013, revealed that DART had overbillings for services billed to KRC.

Overbillings occurred when DART billed for job coaching hours during the lunch period when consumers did not receive services. DART also billed for services when consumers were not present during the job coaching sessions. In addition, DART billed for two job coaches, when only one job coach should have been billed for the same time period.

DART overbilled 377 hours for job coaching services during the lunch period when consumers did not receive services, 334 hours for job coaching services when consumers were not present at the job coaching sessions and 86 hours for job coaching hours when two job coaches provided services during the same time period. The total overbilled hours of 797 hours resulted in overbillings to KRC in the amount of \$24,510 and 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:

DART must reimburse to DDS \$24,510 for the overbillings. In addition, DART should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to KRC.

DART's Response:

In DART's response, dated December 14, 2017, DART disagreed with this finding.

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

Finding 2: Supported Employment Program-Group Services – Unsupported Billings and Failure to Bill

The review of DART's SEP-Group Services, Vendor Number HK2934, for the sampled months of July 2012, August 2012, July 2013 and August 2013, revealed that DART had unsupported billings as well as appropriate support for services it failed to bill to KRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to KRC. The failure to bill occurred when DART had appropriate documentation, but it did not bill the units provided to KRC.

DART was not able to provide appropriate documentation for 21 hours of job coaching services billed. The lack of documentation resulted in unsupported billings to KRC in the amount of \$647. In addition, DART provided appropriate documentation for 174 hours of job coaching services, but did not bill those hours to KRC. The failure to bill hours resulted in an unbilled amount of \$5,324 to KRC. The net unbilled amount to KRC of \$4,677 was netted against the total amount due 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:

DART should strengthen its existing policies and procedures to ensure that services provided are properly billed to KRC and that proper documentation is maintained to support the amounts billed to KRC.

DART's Response:

In DART's response, dated December 14, 2017, DART disagreed with this finding and provided supporting documentation.

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

Finding 3: Work Activity Program – Overbillings

The review of DART's WAP, Vendor Number HK2936, for the sampled months of July 2012, August 2012, July 2013 and August 2013, revealed that DART had overbillings for services billed to KRC.

Overbillings occurred due to DART billing for full days of service when only half days should have been billed. DART billed 392 full days of service instead of half days of service to KRC. The overbilled days resulted in

overbillings in the amount of \$9,742 and 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.”

Title 17, Section 58880(b)(1), (2) and (3) states:

“(b) The regional center shall make payment for services using a daily rate as follows:

- (1) A Work Activity Program may bill for a full day of service when the Work Activity Program has written documentation that the consumer has received allowable Work Activity Program services as specified in Section 4851(h) of the Welfare and Institutions Code;
- (2) A Work Activity Program may bill for a half-day of service when the Work Activity Program has written documentation that the consumer has received services as specified in Section 4851(i) of the Welfare and Institutions Code;
- (3) A Work Activity Program may not bill for a consumer who is absent or who receives services for less than two hours, excluding the lunch period,”

W&I Code, Section 4851(g), (h) and (i) states:

“(g) “Work activity program day” means the period of time during which a Work Activity Program provides services to consumers.

(h) “Full day of service” means, for purposes of billing, a day in which the consumer attends a minimum of the declared and approved work activity program day, less 30 minutes, excluding the lunch period.

(i) “Half day of service” means, for purposes of billing, any day in which the consumer’s attendance does not meet the criteria for billing for a full day of service as defined in subdivision (g), and the consumer attends the work activity program not less than two hours, excluding the lunch period.”

Recommendation:

DART must reimburse to DDS the \$9,742 for overbillings. In addition, DART should develop and implement policies and procedures to ensure that services provided are correctly billed and that proper documentation is maintained to support the amounts billed to KRC.

DART's Response:

DART's response dated December 14, 2017 did not discuss this finding.

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

Finding 4: Work Activity Program – Unsupported Billings

The review of DART's WAP, Vendor Number HK2936, for the sampled months of July 2012, August 2012, July 2013 and August 2013, revealed that DART had unsupported billings to KRC. Unsupported billings occurred due to a lack of appropriate supporting documentation to support the units of service billed to KRC.

DART was not able to provide appropriate supporting documentation for 122 full days of services billed, which resulted in unsupported billings of \$6,053 and 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:

DART must reimburse to DDS the \$6,053 for unsupported billings. In addition, DART should develop and implement policies and procedures to ensure that services provided are billed and that proper documentation is maintained to support the amounts billed to KRC.

DART’s Response:

DART’s response dated December 14, 2017 did not discuss this finding.

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

Finding 5: Supported Living Services – Unsupported Billings and Failure to Bill

The review of DART’s SLS program, Vendor Number PK3965, for the sampled months of July 2012, August 2012, July 2013 and August 2013, revealed that DART had both unsupported billings, as well as appropriate support for services that it failed to bill to KRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of services billed to KRC. The failure to bill occurred when DART had appropriate supporting documentation, but it did not bill KRC.

DART was not able to provide appropriate supporting documentation for 95 direct care hours billed. The lack of documentation resulted in unsupported billings to KRC in the amount of \$2,402. In addition, DART provided appropriate supporting documentation for one direct care hour that was not billed to KRC, which resulted in an unbilled amount of \$24. The net unsupported billings amounting to \$2,378 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:

DART must reimburse to DDS the \$2,378 for unsupported billings. In addition, DART should develop and implement policies and procedures to ensure that services provided are billed and that proper documentation is maintained to support the amounts billed to KRC.

DART’s Response:

In DART’s response dated December 14, 2017, DART disagreed with this finding.

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

ATTACHMENT A

DESERT AREA RESOURCES AND TRAINING

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

DESERT AREA RESOURCES AND TRAINING

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’ EVALUATION OF DART’S RESPONSE

DDS evaluated DART’s written response to the draft audit report and determined that DART disagreed with Findings 1, 2 and 5. Below is the summary of the vendor’s response as well as DDS’ evaluation of the vendor’s response.

Finding 1: Supported Employment Program-Group Services – Overbillings

DART’s states:

“Overbilling did not occur if a client was designated to need a supervised lunch period.”

DDS disagrees with DART’s statement.

Supervised lunches for consumers were not designated by KRC or the Department of Rehabilitation (DOR). Pursuant to CCR, Title 17, Section 58834, billing for job coaching for consumer supervision during their meal period is allowed only when previously approved by DOR or when specified in the consumer’s IPP.

“In a given month there would only be a possible lunch period once each billable day. There were only 19-24 possible billing days in a month, yet some job coaches were identified with 60.50 () lunch break details. This doesn’t make sense. There are others who also are listed with more than the possible hours of lunch. Each day would only have .50 hours of lunch possible. The maximum possible for billable day would be between 9.50 and 12 hours. Not 60.50???”

DDS disagrees with DART’s statement.

As explained during the audit field work, the total overbilling of 60.50 hours includes 11 hours for lunch breaks and 49.50 hours for extra hours billed when the consumers’ shifts had ended. In the sampled month of July 2013, consumers grouped with [REDACTED] were scheduled for 6 hours per day (5.5 hours with job coaches and 0.5-hour of lunch break). DART billed 8 hours per day for July 2013.

Thus, DART overbilled 2.5 hours per day: 0.5 hours of lunch break not authorized by KRC and 2 hours when consumers were not with the job coaches. Therefore, no adjustments were made to Finding 1. DART must reimburse DDS the amount of \$24,510 of overbillings.

ATTACHMENT C – DDS’ EVALUATION OF DART’S RESPONSE

Finding 2: Supported Employment Program-Group Services – Unsupported Billings and Failure to Bill

In DART’s response, dated December 14, 2017, DART disagreed with this finding and provided additional time sheets.

DDS reviewed the additional documentation, most of which was not received during the audit fieldwork. Because of the additional documentation provided, finding 2 was adjusted from \$5,986 to \$647 (\$5,986 - \$5,339). All consumers listed, except consumer [REDACTED] were adjusted to zero after submission of their missing timesheets. For consumer [REDACTED] 20.75 hours were credited to the unsupported/overbilled hours. DART had a total of \$647 of unsupported billings and a total credit of \$5,324 for which it failed to bill to KRC. As a result, \$4,677 was netted against the total amount due to DDS.

Finding 5: Supported Living Services – Unsupported Billings and Failure to Bill

In DART’s response, dated December 14, 2017, DART disagreed with this finding.

DART provided appropriate supporting documentation for 21 hours of service to KRC consumers. The finding of unsupported billings of 21 hours was adjusted to zero. Because of the additional documentation received, finding 5 was adjusted from \$3,117 to \$2,402 (\$3,117 - \$715). DART had a total of \$2,402 of unsupported billings and a total of \$24 for which it failed to bill to KRC. The net unsupported billings amounting to \$2,378 is due back to DDS

DDS’ Conclusion

DDS made adjustments to the draft audit report to reflect the additional documentation received. DDS did not adjust the amount to Finding 1; however, DDS made adjustments to Findings 2 and 5, which reduced the findings by \$5,339 and \$715, respectively.

DDS is requesting reimbursement of \$38,006 for the net unsupported billings and overbillings.