

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
JAY NOLAN COMMUNITY SERVICES, INC.

Programs:

Supported Living Services – P24739, PL0011

Adaptive Skills Trainer – PL0157, P24741

Independent Living Program – HL0633

Supplemental Program Support (Other) – PL0151

Audit Period: July 1, 2014, through June 30, 2015

Audit Section

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JAY NOLAN COMMUNITY SERVICES, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) audited Jay Nolan Community Services, Inc. (JNCS). The audit was performed upon the Supported Living Services (SLS), Adaptive Skills Trainer (AST), Independent Living Program (ILP), and Supplemental Program Support (Other) (SPSO) for the period of July 1, 2014, through June 30, 2015.

The audit disclosed the following issues of non-compliance:

Finding 1: Supported Living Services – Unsupported Billings

The review of JNCS' SLS programs, Vendor Numbers P24739 and PL0011, revealed that JNCS had a total of \$52,750 of unsupported billings to North Los Angeles County Regional Center (NLACRC).

Finding 2: Adaptive Skills Trainer – Unsupported Billings

The review of JNCS' AST programs, Vendor Numbers PL0157 and P24741, revealed that JNCS had a total of \$15,207 of unsupported billings to NLACRC.

Finding 3: Supported Living Services – Non-compliance with Disclosure of Housing Financial Involvement

The review of JNCS' SLS programs, Vendor Numbers P24739 and PL0011, revealed that JNCS was not in compliance with Title 17 regulations due to its direct financial involvement in the homes occupied by its consumers. JNCS failed to present written proposals to NLACRC regarding their involvement.

The total of the findings identified in this audit amount to \$67,957, 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 JNCS' SLS, AST, ILP and SPSO Programs were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional centers' contracts with JNCS for the period of July 1, 2014, through June 30, 2015.

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 JNCS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of JNCS' 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 JNCS 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 11 regional centers that utilized JNCS' services during the audit period. DDS audited services provided to NLACRC. This regional center was chosen due to the large volume of services utilized by the centers as measured by Purchase of Service (POS) expenditures.

JNCS provided 13 different types of services, of which DDS audited four. Services chosen were based on the amount of POS expenditures invoiced by JNCS. 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, JNCS operated four SLS programs. The audit included the review of two of JNCS' SLS programs, Vendor Numbers P24739 and PL0011, Service Code (SC) 896, and testing was done for the sampled months of July and August 2014.

Adaptive Skills Trainer

During the audit period, JNCS operated four AST programs. The audit included the review of two of JNCS' AST programs, Vendor Numbers PL0157 and P24741, SC 605, and testing was done for the sampled months of July and August 2014.

Independent Living Program

During the audit period, JNCS operated two ILPs. The audit included the review of one of JNCS' ILPs, Vendor Number HL0633, SC 520, and testing was done for the sampled months of July and August 2014.

Supplemental Program Support (Other)

During the audit period, JNCS operated two SPSO programs. The audit included the review of one of JNCS' SPSO programs, Vendor Number PL0151, SC 111, and testing was done for the sampled months of July and August 2014.

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(s).

- 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 JNCS' Executive Director and staff, for vendor background information and to gain an understanding of the accounting procedures and financial reporting process.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on September 8, 2017. The findings in the report were discussed at an exit teleconference with JNCS on September 20, 2017. Subsequent to the exit teleconference, JNCS responded on November 6, 2017, with additional documentation to support amounts of services it billed. JNCS did not agree with Finding 1 and did not dispute Findings 2 and 3. On November 15, 2017, NLACRC submitted a letter of support for JNCS to DDS.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, NLACRC and JNCS. 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 JNCS' SLS programs, Vendor Numbers P24739 and PL0011, for the sampled months of July and August 2014, revealed that JNCS had unsupported billings for services billed to NLACRC. Unsupported billings occurred due to a lack of appropriate documentation to support the services billed to NLACRC. The lack of documentation resulted in unsupported billings in the amount of \$52,750, which is due back to DDS. (See Attachment A)

W&I Code, Section 4648.1(e)(1), states:

- “(e) A regional center or the department may recover from the provider funds paid for services when the department or the regional center determines that either of the following has occurred:
- (1) The services were not provided in accordance with the regional center’s contract or authorization with the provider, or with applicable state laws or regulations.”

CCR, Title 17, Section 54326(a)(3) and (10), states:

- “(a) All vendors shall: ...
- (3) Maintain records of services provided to consumers in sufficient detail to verify delivery of the units of service billed: ...
 - (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

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

- “(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program....
- (e) All service providers’ records shall be supported by source documentation.”

Recommendation:

JNCS must reimburse to DDS \$52,750 for the unsupported billings. In addition, JNCS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to NLACRC.

VENDOR'S Response:

JNCS stated in the response dated November 6, 2017 that it disagreed with the finding.

See Attachment C for the full text of JNCS' response to the draft audit report and Attachment D for DDS' evaluation of JNCS' response.

Finding 2: Adaptive Skills Trainer – Unsupported Billings

The review of JNCS' AST programs, Vendor Numbers PL0157 and P24741, for the sampled months of July and August 2014 revealed that JNCS had unsupported billings for services billed to NLACRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to NLACRC.

JNCS was not able to provide appropriate supporting documentation for 85 hours of services billed under hourly rates and 193 days of services billed under daily/monthly rates. The lack of documentation resulted in unsupported billings to NLACRC in the amount of \$15,207, 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 that either of the following has occurred:
- (1) The services were not provided in accordance with the regional center's contract or authorization with the provider, or with applicable state laws or regulations.”

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 - (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:

JNCS must reimburse to DDS \$15,207 for the unsupported billings. In addition, JNCS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to NLARC.

VENDOR'S Response:

JNCS stated in the response dated November 6, 2017 that it accepted the finding.

See Attachment C for the full text of JNCS' response to the draft audit report and Attachment D for DDS' evaluation of JNCS' response.

Finding 3: Supported Living Services – Non-Compliance with Disclosure of Housing Financial Involvement

The review of JNCS' SLS program, Vendor Numbers P24739 and PL0011, revealed that JNCS was not in compliance with Title 17 regulations due to its direct financial involvement in the homes occupied by its consumers. JNCS paid a portion of some consumers' rent without NLACRC's approval.

The non-compliance occurred due to JNCS' lack of written proposals to NLACRC demonstrating that its involvement served the interests of the consumers, the consumers understood and approved of the proposed involvement, and that the involvement would not inhibit the consumers' rights enumerated in Title 17, Section 58620. Title 17 prohibits a SLS vendor from having a financial or fiduciary involvement in the homes occupied by its consumers without a written proposal submitted to the regional center.

CCR, Title 17, Section 58611(a)(1)(A), (B) and (C), states:

“(a) A SLS vendor shall have no financial or fiduciary involvement in the home, or in any utility or service contract integral to the occupancy of the home, of a consumer to whom the SLS vendor provides services, whenever such involvement would inhibit the consumer's exercise of the rights enumerated in Section 58620, or be inconsistent with any requirement of Welfare and Institutions Code, Section 4689.

- (1) Whenever a vendor proposes to have a financial or fiduciary involvement specified in (a), the vendor shall present the proposal

in writing to the regional center. The proposal shall assure and demonstrate to the regional center's satisfaction, that:

- (A) The involvement would serve the interests of the consumer better than a range of available alternatives;
- (B) The consumer understands and approves of the vendor's proposed involvement; and
- (C) The requirements of (a) would be met.”

Recommendation:

JNCS must submit written proposals to NLACRC and obtain approval in order to have a financial involvement in the consumers' homes. In addition, JNCS should develop and implement policies and procedures to ensure that proper documentation is maintained to support JNCS' financial involvement in the consumers' homes and that this involvement must not inhibit the consumers' rights enumerated in CCR, Title 17, Section 58620.

VENDOR'S Response:

In its response dated November 6, 2017, JNCS stated that it is working with NLACRC to resolve any issues related to its involvement with housing issues.

See Attachment C for the full text of JNCS' response to the draft audit report and Attachment D for DDS' evaluation of JNCS' response.

ATTACHMENTS A-B

JAY NOLAN COMMUNITY SERVICES, INC.

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

JAY NOLAN COMMUNITY SERVICES, 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 JNCS’ RESPONSE

DDS evaluated JNCS’ written response to the draft audit report and the additional documentation submitted for DDS to review. DDS determined that JNCS disagreed with Finding 1. Below is a summary of JNCS’ response as well as DDS’ evaluation of the vendor’s response.

Finding 1: Supported Living Services – Unsupported Billings

JNCS requested to exempt 22 individuals from the sample testing, which would reduce its audit liability by \$31,421.78. These 22 individuals were part of JNCS’ original group of consumers that did not have specific hours of service to be tied to their monthly rate. Other consumers that were later referred to JNCS by NLACRC were authorized monthly rates, which were tied to hours by a “SLS Computation Formula spreadsheet.” For the 22 individuals identified, JNCS did not provide new documentation to support its billing for DDS to review.

In support of JNCS’ response to this audit report, NLACRC wrote a letter to DDS on November 15, 2017, stating that the current monthly rate model, which is the individualized calculation method, was not designed or intended for JNCS to provide a fixed number of hours per month to each consumer. Also, JNCS was not required to track and report on the actual number of hours provided to consumers each month. Effective January 1, 2018, all consumers served by JNCS with a monthly SLS rate were converted to an hourly SLS rate. These hourly rates were based on the unique number of monthly SLS hours needed by the consumer.

For individuals whose monthly rates were based on an individualized calculating method, JNCS provided additional documentation to support more hours of service for the audit sampled months. JNCS stated that the additional documentation should reduce its audit liability by \$30,156.48.

DDS’ Evaluation:

During the audit, DDS noted that JNCS provided services to both consumers whose monthly rates were calculated by using the “SLS Formula Computation” (SFC) spreadsheet and to consumers whose monthly rates were derived from the original contract. When DDS reviewed JNCS’ source documents, DDS determined that JNCS did not maintain records for a majority of consumers whose monthly rates were negotiated using the SFC spreadsheet, which defined the required monthly service hours. Since JNCS lacked most of these approved SFC spreadsheets to determine consumers’ required service hours, DDS’ testing methodology for the audit of the SLS programs did not exclude the 22 identified individuals from the sample testing and included their findings in the draft audit report.

ATTACHMENT D – DDS’ EVALUATION OF JNCS’ RESPONSE

A monthly rate lacking individualized calculations and lack of records for the SFC spreadsheet calculating required hours should not exempt JNCS of its responsibility to provide the SLS hours needed by the consumer and to maintain adequate records to support its billings as required by Title 17 regulations. However, after reviewing JNCS’ written response, the contractual agreement for the 22 individuals and the support letter from NLACRC stating that JNCS has converted from monthly rates to hourly rates, DDS accepted JNCS’ request to exempt the sample testing for the 22 individuals. The exemption of the 22 individuals reduced JNCS’ unsupported billings by \$31,422 for Vendor Numbers P24739 and PL0011.

DDS reviewed JNCS’ additional documentation, which included payroll reports, clarification of payroll entries, staff hours for salary employees and additional support documented by JNCS’ calendar scheduling system at the time of the audit. DDS accepted some of the additional documents provided, which reduced JNCS’ unsupported billings by \$15,676 for Vendor Numbers P24739 and PL0011.

The exclusion of sample testing for the 22 consumers and additional support provided reduced JNCS’ unsupported billings by a total of \$47,098. The adjusted unsupported finding amount is \$52,750 for Vendor Numbers P24739 and PL0011. (See Attachment A)

Finding 2: Adaptive Skills Trainer – Unsupported Billings

JNCS stated that it accepted the audit liability of \$15,207 for this finding and the billing discrepancies that arose mostly from billings that were not prorated based on the contingencies in its program design and contract. JNCS explained that at the time of switching from paper billing to electronic billing (e-billing), JNCS did not have the mechanism to prorate the monthly billings; however, attendance sheets were submitted accurately to support billings. Currently, JNCS has the ability to prorate billings in the e-billing system.

DDS’ Evaluation:

In review of JNCS’ response and correspondence during the audit, DDS determined that there was lack of communication between NLACRC and JNCS regarding the use of the e-billing system to bill partial monthly attendance. In an email dated March 24, 2016, between NLACRC and JNCS, NLACRC verified that JNCS had the ability to bill partial monthly attendance in the e-billing system and suspected that JNCS staff was not processing e-billing correctly. (See Attachment E)

ATTACHMENT D – DDS’ EVALUATION OF JNCS’ RESPONSE

Even though JNCS stated it did not have the ability to e-bill partial months, Title 17, Section 54326(a)(10) requires a vendor to “bill only for services which are actually provided to consumers.” JNCS should have returned the overpayments to NLACRC for services that were not actually provided to consumers. Consequently, DDS determined these amounts as unsupported billings.

Finding 3: Supported Living Services – Non-Compliance to Housing Financial Involvement

JNCS stated that it is currently working with NLACRC to resolve any issues related to the involvement with housing and will find resolution by ensuring that written agreements are completed with NLACRC for each individual’s housing arrangement.

DDS’ Evaluation:

JNCS did not refute the audit finding. Therefore, DDS will request the written agreements from NLACRC approving financial housing cost involvement.

Conclusion:

Based on the evaluation of JNCS’ response and review of additional documentation provided, DDS agreed to exclude the 22 consumers identified from the sample testing. DDS found that for the consumers that were not a part of the original 22 consumers, JNCS was able to provided additional source documentation for its billings identified in Finding 1. This resulted in DDS adjusting the unsupported billing amount in Finding 1 to \$52,570. This adjustment has reduced the total audit finding for this report to \$67,957, which is due back to DDS.

ATTACHMENT E – SUPPORTING DOCUMENTATION for DDS’ RESPONSE

JAY NOLAN COMMUNITY SERVICES, INC.

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