

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**NORCAL VOCATIONAL, INC.**

**Programs and Services:**

Supported Living Services - ZS0001

Supplemental Day Services Program Support - HS0074

Behavior Management Program - HS0074

Transportation Assistant - HS0074

Transportation Additional Component - HS0074

Behavior Management Program - H88825

Transportation Additional Component - H88825

Behavior Management Program - H12413

Audit Period: January 1, 2013, through December 31, 2013

**Audit Section**

**Auditors:** Mike Masui, Chief of Vendor Audits  
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# NORCAL VOCATIONAL, INC.

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Norcal Vocational, Inc. (Norcal). Norcal is one of two companies operated by the same board members and executive management team. This report is an audit of only Norcal, although STA Northern California Developmental Services, Inc. was audited simultaneously with a separate report to be issued. The audit was performed upon the Supported Living Services (SLS) program, Supplemental Day Services Program Support (Supplemental Day Program), Behavior Management Program, Transportation Assistant program, and Transportation Additional Component program for the period of January 1, 2013, through December 31, 2013.

The audit disclosed the following issues of non-compliance:

### **Finding 1: Supported Living Services – Unsupported Billings**

The review of Norcal's SLS program, Vendor Number ZS0001, revealed that Norcal had unsupported billings in the amount of \$161,065 for services billed to San Andreas Regional Center (SARC).

### **Finding 2: Supplemental Day Services Program Support – Unsupported Billings**

The review of Norcal's Supplemental Day Program, Vendor Number HS0074, revealed that Norcal had unsupported billings in the amount of \$102,594 for services billed to SARC.

### **Finding 3: Behavior Management Program – Unsupported Billings and Failure to Bill**

The review of Norcal's Behavior Management Program, Vendor Number HS0074, revealed that Norcal had both unsupported billings, as well as appropriate support for services for which it failed to bill SARC. Norcal had a total of \$6,330 of unsupported billings and a total of \$87 for which it failed to bill.

### **Finding 4: Behavior Management Program – Unsupported Staffing Ratio**

The review of Norcal's Day Programs staffing ratios for Vendor Numbers H88825 and H12413 revealed a lack of supporting documentation for its required direct care staffing hours. This resulted in a shortage of direct care staffing of 426 hours for H88825 and 63.56 hours for H12413 for a total of \$4,848 and \$717, respectively, for services billed to SARC and Golden Gate Regional Center (GGRC). The total amount of \$5,565 is due back to DDS.

### **Finding 5: Transportation Assistant Program – Unsupported Billings**

The review of Norcal's Transportation Assistant program, Vendor Number HS0074 revealed that Norcal had unsupported billings in the amount of \$29,926 for services billed to SARC.

**Finding 6: Transportation Additional Component Program – Unsupported Billings and Failure To Bill**

The review of Norcal's Transportation Additional Component program, Vendor Number HS0074, revealed that Norcal had both unsupported billings, as well as appropriate support for services for which it failed to bill SARC. Norcal had a total of \$1,155 of unsupported billings and a total of \$17 for which it failed to bill.

The total of unsupported billings identified in this audit amounts to \$306,531 and 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 Norcal's SLS program, Supplemental Day Program, Behavior Management Program, Transportation Assistant program, and Transportation Additional Component program were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the contracts with SARC and GGRC for the period of January 1, 2013, through December 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 Norcal, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of Norcal'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 Norcal 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 SARC and GGRC that utilized Norcal's services during the audit period. Norcal provided 17 different types of services, of which, DDS audited eight. The eight services chosen by DDS were based on the amount of purchase of services (POS) expenditures invoiced by Norcal. 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, Norcal operated one SLS program. The audit included the review of Norcal's SLS program and testing was done for the period of January 1, 2013, through December 31, 2013.

During the audit DDS discovered that Norcal provided questionable supporting documents, such as claiming someone as a staff who was not employed by the vendor, and deferring payroll reporting for several months. Due to these irregularities, DDS decided to expand the testing to include the entire audit period of January 1, 2013, through December 31, 2013, to determine the unsupported billings for Norcal's SLS program, Vendor Number ZS0001, Service Code (SC) 896.

## **Supplemental Day Services Program Support**

During the audit period Norcal operated one Supplemental Day Program. The audit included the review of Norcal's Supplemental Day Program and testing was done for the months of September and October 2013. However, due to lack of supporting documentation for all billings for the sampled months of September and October 2013, DDS expanded the testing period to cover the entire audit period of January 1, 2013, through December 31, 2013, for the Supplemental Day Program, Vendor Number HS0074, Service Code 110.

## **Day Program**

During the audit period Norcal operated three day programs. The audit included the review of Norcal's three day programs and testing was done for the months of September and October 2013. The programs and vendor numbers audited are listed below:

- Behavior Management Program, Vendor Number HS0074, SC 515
- Behavior Management Program, Vendor Number H88825, SC 515
- Behavior Management Program, Vendor Number H12413, SC 515

## **Transportation Assistant Program**

During the audit period Norcal operated one Transportation Assistant program. The audit included the review of Norcal's Transportation Assistant program. Initially, testing was done for the months of September and October 2013. However, due to lack of supporting documentation for all billings for the sampled months of September and October 2013, DDS expanded the testing period to cover the entire audit period of January 1, 2013, through December 31, 2013, for the Transportation Assistant program, Vendor Number HS0074, SC 882.

## **Transportation Additional Component Program**

During the audit period Norcal operated two Transportation Additional Component programs. The audit included the review of Norcal's Transportation Additional Component programs and testing was done for the months of September and October 2013. The programs and vendor numbers audited are listed below:

- Transportation Additional Component, Vendor Number HS0074, SC 880
- Transportation Additional Component, Vendor Number H88825, SC 880

## **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 its accounting procedures and processes for regional center billing.
- 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).
- Reviewed vendor service/attendance records and conducted a payroll analysis for the period of January 1, 2013, through December 31, 2013, 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.

## **CONCLUSION**

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on May 30, 2018. However, Norcal did not submit a response to the draft audit report. The draft audit report was mailed to Norcal's last known address by certified mail but was returned to DDS. DDS attempted to contact Norcal through all available sources of contact to no avail.

## **RESTRICTED USE**

This report is solely for the information and use of DDS, the Department of Health Care Services, SARC, GGRC, and Norcal. 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 Norcal's SLS program, Vendor Number ZS0001, for the period of January 1, 2013, through December 31, 2013, revealed that Norcal had unsupported billings for services billed to SARC.

Unsupported billings occurred due to a lack of appropriate documentation and compliance with the CCR, Title 17 to support the units of service billed to SARC. Norcal was not able to provide appropriate supporting documentation for 10,068 hours of services billed. The lack of documentation resulted in unsupported billings to SARC in the amount of \$161,065, which is due back to DDS. (See Attachment A)

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

“(e) A regional center or the department may recover from the provider funds paid for services when the department or the regional center determines either that 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, Sections 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, Sections 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:**

Norcal must reimburse DDS \$161,065 for the unsupported billings. In addition, Norcal should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SARC.

**Norcal's Response:**

Norcal did not submit a response to the draft audit report. The draft audit report was mailed to Norcal's last known address by certified mail but was returned to DDS. DDS attempted to contact Norcal through all available sources of contact to no avail.

**Finding 2: Supplemental Day Services Program Support – Unsupported Billings**

The review of Norcal's Supplemental Day Program, Vendor Number HS0074, for the sampled months of September and October 2013, revealed that Norcal was unable to provide any support for its billings. As a result, the testing was expanded to cover the period of January 1, 2013, through December 31, 2013.

Unsupported billings occurred due to a lack of appropriate documentation and compliance with the CCR, Title 17 to support the units of service billed to SARC. Norcal was not able to provide appropriate supporting documentation for 8,608 hours of services billed for the period of January 1, 2013, through December 31, 2013. The lack of documentation resulted in unsupported billings to SARC in the amount of \$102,594, 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, Sections 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, Sections 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:**

Norcal must reimburse DDS \$102,594 for the unsupported billings. In addition, Norcal should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SARC.

**Norcal’s Response:**

Norcal did not submit a response to the draft audit report. The draft audit report was mailed to Norcal’s last known address by certified mail but was returned to DDS. DDS attempted to contact Norcal through all available sources of contact to no avail.

**Finding 3: Behavior Management Program – Unsupported Billings and Failure to Bill**

The review of Norcal’s Behavior Management Program, Vendor Number HS0074, for the sampled months of September and October 2013, revealed that Norcal had both unsupported billings, as well as appropriate support for services that it failed to bill SARC.

Unsupported billings occurred due to a lack of appropriate documentation and compliance with the CCR, Title 17 to support the units of service billed to SARC. The failure to bill occurred when Norcal had appropriate supporting documentation, but it did not bill SARC. Norcal was not able to provide appropriate supporting documentation for 73 days of services billed. The lack of documentation resulted in unsupported billings to SARC in the amount of \$6,330.

In addition, Norcal provided appropriate supporting documentation for one day of service that was not billed to SARC. This resulted in an unbilled amount of \$87, therefore, the net amount of \$6,243 is due back to DDS for the unsupported billings. (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, Sections 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, Sections 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:**

Norcal must reimburse DDS \$6,243. In addition, Norcal should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SARC.

**Norcal’s Response:**

Norcal did not submit a response to the draft audit report. The draft audit report was mailed to Norcal’s last known address by certified mail but was returned to DDS. DDS attempted to contact Norcal through all available sources of contact to no avail.

**Finding 4: Behavior Management Program – Unsupported Staffing Ratio**

The review of Norcal’s Behavior Management Programs, for the sampled months of September and October 2013, revealed that Norcal did not meet the 1:3 required staffing ratios for two of its programs, Vendor Numbers H88825 and H12413.

The total direct care hours required for Vendor Number H88825 for the months of September and October 2013 were 1,188 and 1,310 hours respectively. The hours Norcal actually provided for the months of September and October 2013 were 991 and 1,081 hours respectively. This resulted in 426 hours of unsupported direct care staffing.

The total direct care hours required for Vendor Number H12413 for the months of September and October 2013 were 1,146 and 1,310 hours respectively. Norcal met the staffing ratio for the month of September 2013. However, for the month of October 2013, Norcal actually provided 1,246 hours which resulted in 64 hours of unsupported direct care staffing.

Therefore, the total unsupported direct care staffing hours of 426 and 64 multiplied by the average salary of \$11.38 and \$11.28, respectively, amounts to \$5,565, which is due back to DDS. (See Attachment B)

CCR, Title 17, Section 50606(b)(4)(A) states:

“(b) Audits shall be performed to accomplish any or all of the following objectives as applicable to the specific service provider:

(4) Verification through analysis of payroll and consumer service records that staff-to-consumer ratios required by regulation, contract, or agreement are met.

(A) Verification that the required staff-to-consumer ratios are being met shall be determined as follows:

1. For activity centers, adult development centers, and behavior management programs:

a. For each month of the audit period, multiply the number of actual consumer days of attendance by the number of direct service hours operated per day;

b. Divide the total computed in a. by the approved staffing ratio to compute the number of direct care staff hours required during the approved program hours each month to maintain the approved staffing ratio; and...”

CCR, Title 17, Section 50606(b)(4)(B) states:

“(b) Audits shall be performed to accomplish any or all of the following objectives as applicable to the specific service provider:

(4) Verification through analysis of payroll and consumer service records that staff-to-consumer ratios required by regulation, contract, or agreement are met.

(B) If a determination is made that the approved staff-to-consumer ratio has not been met, the amount of any overpayments shall be determined as follows:

1. Subtract the number of direct care staff hours actually provided during the audit period from the number of direct care staff hours required, pursuant to (A)1. or (A)2.;
2. Multiply the amount computed in 1. by the average hourly salary and wage and fringe benefit costs reported pursuant to Sections 57434(a)(1)(A) and (a)(2) and which were utilized to calculate the vendor's rate of reimbursement received during the audit period."

**Recommendation:**

Norcal must reimburse DDS \$5,565 for the unsupported direct care staffing hours. In addition, Norcal should comply with the CCR, Title 17 as stated above to ensure it has sufficient staffing to meet the direct care staffing ratio.

**Norcal's Response:**

Norcal did not submit a response to the draft audit report. The draft audit report was mailed to Norcal's last known address by certified mail but was returned to DDS. DDS attempted to contact Norcal through all available sources of contact to no avail.

**Finding 5: Transportation Assistant Program – Unsupported Billings**

The review of Norcal's Transportation Assistant program for the Behavior Management Program, Vendor Number HS0074, for the sampled months of September and October 2013, revealed that Norcal was unable to provide any support for its billings. As a result, the testing was expanded to cover the period of January 1, 2013, through December 31, 2013.

Unsupported billings occurred due to a lack of appropriate documentation and compliance with the CCR, Title 17 to support the units of service billed to SARC. Norcal was not able to provide appropriate supporting documentation for 2,366 hours of services billed for the period of January 1, 2013, through December 31, 2013. The lack of documentation resulted in unsupported billings to SARC in the amount of \$29,926, 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, Sections 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:**

Norcal must reimburse DDS \$29,926 for the unsupported billings. In addition, Norcal should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SARC.

**Norcal’s Response:**

Norcal did not submit a response to the draft audit report. The draft audit report was mailed to Norcal’s last known address by certified mail but was returned to

DDS. DDS attempted to contact Norcal through all available sources of contact to no avail.

**Finding 6: Transportation Additional Component Program – Unsupported Billings and Failure to Bill**

The review of Norcal's Transportation Additional Component program, Vendor Number HS0074, for the sampled months of September and October 2013, revealed that Norcal had both unsupported billings, as well as appropriate support for services that it failed to bill SARC.

Unsupported billings occurred due to a lack of appropriate documentation and compliance with the CCR, Title 17 to support the units of service billed to SARC. The failure to bill occurred when Norcal had appropriate supporting documentation, but it did not bill SARC. Norcal was not able to provide appropriate supporting documentation for 70 days of services billed. The lack of documentation resulted in unsupported billings to SARC in the amount of \$1,155.

In addition, Norcal provided appropriate supporting documentation for one day of service that was not billed to SARC. This resulted in an unbilled amount of \$17, therefore, the net amount of \$1,138 is due back to DDS for the unsupported billings. (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, Sections 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:**

Norcal must reimburse to DDS \$1,138 for the unsupported billings. In addition, Norcal should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SARC.

**Norcal’s Response:**

Norcal did not submit a response to the draft audit report. The draft audit report was mailed to Norcal’s last known address by certified mail but was returned to DDS. DDS attempted to contact Norcal through all available sources of contact to no avail.

## **ATTACHMENTS A-B**

### **NORCAL VOCATIONAL, INC.**

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