

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
BEYOND THE LIMITS SUPPORTIVE LIVING INC.

Program:

Supported Living Services – HT0137

Audit Period: July 1, 2018, through June 30, 2019

Audit Section

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Beyond The Limits Supportive Living Inc.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Beyond The Limits Supportive Living Inc. (BTL). The audit was performed upon the Supported Living Service program (SLS) for the period of July 1, 2018, through June 30, 2019.

The audit disclosed the following issues of non-compliance:

Finding 1: Supported Living Services – Unsupported Billings

The review of BTL's SLS program, Vendor Number HT0137, revealed that BTL had a total of \$110,149 unsupported billings to Tri-Counties Regional Center (TCRC).

Finding 2: Failure to Submit Independent Audit of Financial Statements

BTL did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with \$2,000,000 or more in purchase of service (POS) expenditures during Fiscal Year (FY) 2018-19 to obtain an independent audit of its financial statements for the entity's FY that includes the last day of the most recent state FY.

The total identified in this audit amounts to \$110,149, 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 BTL's fiscal accountability requirement and its program were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State and Federal laws and regulations and the regional centers' contracts with BTL for the period of July 1, 2018, through June 30, 2019.

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 BTL, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of BTL'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 BTL 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 service provided to TCRC during the audit period. BTL provided SLS, which DDS audited. 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, BTL operated one SLS program. The audit included the review of that program, Vendor Number HT0137, Service Code (SC) 896, and testing was done for the sampled months of October 2018 and April 2019.

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.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on July 20, 2020. The findings in the report were discussed at an exit telephone conference with BTL on July 23, 2020. Subsequent to the exit conference, on August 8, 2020, BTL provided an email response to the draft report. BTL agreed to all of the findings.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, TCRC and BTL. 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 Service – Unsupported Billings

The review of BTL's SLS program, Vendor Number HT0137, for the sampled months of October 2018 and April 2019, revealed that BTL had unsupported billings for services billed to TCRC.

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

BTL was not able to provide appropriate supporting documentation for 7,373 hours of services billed. The lack of documentation resulted in unsupported billings to TCRC in the amount of \$110,149, 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.”

Recommendation:

BTL must reimburse to DDS \$110,149 for the unsupported billings. In addition, BTL should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to TCRC.

Vendor's Response:

BTL stated in its response, dated August 8, 2020, that it agreed with the finding. (See Attachment B)

Finding 2: Failure to Submit Independent Audit of Financial Statements

BTL did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with \$2,000,000 or more in POS expenditures during FY 2018-19 to obtain an independent audit of its financial statements for the entity's FY that includes the last day of the most recent state FY. In fact, BTL has never had an independent audit of its financial statements since its inception.

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

“(a) (1) An entity that receives payments from one or more regional centers shall contract with an independent accounting firm to obtain an independent audit or independent review report of its financial statements relating to payments made by regional centers, subject to the following: ...

(B) If the amount received from the regional center or regional centers during each state fiscal year is equal to or more than two million dollars (\$2,000,000), the entity shall obtain an independent audit of its financial statements for the entity's fiscal year.”

Recommendation:

BTL should take steps to obtain an independent audit of its financial statements for FY 2018-19 and any prior years that required compliance with the regulation.

Vendor's Response:

BTL stated in its response, dated August 8, 2020 that it agreed with the finding. (See Attachment B)

ATTACHMENT A

BEYOND THE LIMITS SUPPORTIVE LIVING, INC.

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

BEYOND THE LIMITS SUPPORTIVE LIVING, 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 C – DDS’ EVALUATION OF BTL’S RESPONSE

On August 8, 2020, Beyond The Limits Supportive Living Inc. (BTL) submitted a response to DDS. DDS evaluated BTL’s written response to the draft audit report and determined that BTL did not disagree with the draft audit report findings. BTL agreed to refund DDS the amount identified in the draft audit report.