

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**COASTLINE SUPPORT, INC.**

**Services:**

Supported Living Service – HB0946, ZS0457

Start-Up Funding for Community Placement Plan – HS1069

Audit Period: July 1, 2015 through June 30, 2016

**Audit Section**

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# COASTLINE SUPPORT, INC.

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Coastline Support, Inc. (CSI). The audit was performed upon the Supported Living Service program (SLS) and Start-Up Funding for Community Placement Plan (CPP) for the period of July 1, 2015, through June 30, 2016.

The audit disclosed the following issue of non-compliance:

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

The review of CSI's SLS program, Vendor Numbers HB0946 and ZS0457, revealed that CSI had a total of \$46,046 of unsupported billings to Regional Center of East Bay (RCEB) and San Andreas Regional Center (SARC).

The total unsupported billings amount to \$46,046, which is due back to DDS. A detailed discussion of the finding is contained in the Finding and Recommendation 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 CSI's programs 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 CSI for the period of July 1, 2015, through June 30, 2016.

### **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 CSI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of CSI'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 CSI complied with W&I Code and CCR, Title 17. Any complaints that DDS' Audit Section was aware of regarding non-compliance with laws and regulations were also reviewed and addressed during the course of the audit.

The audit scope was determined by reviewing the services provided to RCEB and SARC that utilized CSI's services during the audit period. CSI provided two types of services, 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 Service**

During the audit period, CSI operated two SLS programs. The audit included the review of both SLS programs, Vendor Numbers HB0946 and ZS0457, SC 896, and testing was done for the sampled months of December 2015 and June 2016.

### **Start-Up Funding for Community Placement Plan**

During the audit period, CSI received funding for one CPP Start-Up project from SARC. The CPP funds were used to develop a specialized residential facility for four children under the age of 18. The audit included the review of the CPP Start-Up project, Vendor Number HS1069, SC 999.

### **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 finding and conclusion 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, suppliers' invoices, bank statements, and correspondences 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 centers.
- 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 Accountant, Executive Director, Administrator and Program Coordinators, for vendor background information and to gain understanding of accounting procedures and financial reporting process

## **CONCLUSION**

Based upon item identified in the Finding and Recommendation section, CSI had a finding of non-compliance with the requirements of CCR, Title 17.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on July 22, 2020. The finding in the report was discussed at an exit telephone conference with CSI, on July 30, 2020. DDS subsequently received CSI's response to the draft audit report via email on September 22, 2020. CSI did not agree with the finding.

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### Finding 1: Supported Living Service – Unsupported Billings

The review of CSI's SLS programs, Vendor Numbers HB0946 and ZS0457, for the sampled months of December 2015 and June 2016, revealed that CSI had unsupported billings for services billed to RCEB and SARC.

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

CSI was not able to provide appropriate supporting documentation for 1,873 hours of services and 527 miles billed. The lack of documentation resulted in unsupported billings to RCEB and SARC in the amount of \$46,046, 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:**

CSI must reimburse to DDS \$46,046 for the unsupported billings. In addition, CSI should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to RCEB and SARC.

**Vendor's Response:**

CSI stated in its response dated September 22, 2020 that it disagreed with the finding. However, CSI stated that it would reimburse to DDS the total finding amount of \$46,046. (See Attachment B)



# **ATTACHMENT A**

## **COASTLINE SUPPORT, 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**

### **COASTLINE SUPPORT, INC.**

**To request a copy of the vendor’s response to the audit finding, please contact the DDS Audit Section at (916) 654-3695.**

**ATTACHMENT C – DDS’ EVALUATION OF CSI’S RESPONSE**

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

**Finding 1: Unsupported Billing**

CSI stated in its response that it disagreed with the finding, but it did not provide additional documentation to refute the issue. CSI further stated that it would reimburse DDS for the total finding amount of \$46,046. (See Attachment B)