

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
INCLUSION SERVICES, LLC

Programs and Services:

Supported Living Service – DE0420, HE0420, PW7020, PN1014, PD2873

Adaptive Skills Trainer – PE1889, PN1053, PX0632

Adult Development Center – HE0475

Mobility Training Services Agency – HE0446

Audit Period: July 1, 2016, through June 30, 2017

Audit Section

Auditors: Michael Masui, Chief of Vendor Audit Unit
Alimou Diallo, Supervisor
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Vitaliy Bondar, Auditor
Paul Huang, Auditor

INCLUSION SERVICES, LLC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Inclusion Services, LLC (ICS). The audit was performed upon the Supported Living Service (SLS), Adaptive Skills Trainer (AST), Adult Development Center (ADC) and Mobility Training Services Agency (MTSA) for the period of July 1, 2016, through June 30, 2017.

The audit disclosed the following issues of non-compliance:

Finding 1: Supported Living Service – Unsupported Billings

The review of ICS's SLS program, Vendor Numbers, DE0420, HE0420, PW7020, PN1014 and PD2873, revealed that ICS had a total of \$80,961 of unsupported billings to East Los Angeles Regional Center (ELARC), Frank D. Lanterman Regional Center (FDLRC), North Bay Regional Center (NBRC), North Los Angeles County Regional Center (NLACRC), South Central Los Angeles Regional Center (SCLARC), San Diego Regional Center (SDRC), Tri-Counties Regional Center (TCRC) and Westside Regional Center (WRC).

Finding 2: Adaptive Skills Trainer – Unsupported Billings

The review of ICS's AST program, Vendor Numbers, PE1889, PN1053 and PX0632, revealed that ICS had a total of \$4,970 of unsupported billings to ELARC.

Finding 3: Adult Development Center – Unsupported Billings

The review of ICS's ADC program, Vendor Number, HE0475, revealed that ICS had a total of \$883 of unsupported billings to ELARC.

Finding 4: Mobility Training Services Agency – Unsupported Billings

The review of ICS's MTSA program, Vendor Number, HE0446, revealed that ICS had a total of \$602 of unsupported billings to ELARC.

The total findings identified in this audit amounts to \$87,416 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 ICS's SLS, AST, ADC and MTSA 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 ICS for the period of July 1, 2016, through June 30, 2017.

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 ICS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ICS'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 ICS 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 12 regional centers that utilized ICS's services during the audit period. DDS audited services provided to Alta California Regional Center (ACRC), East Los Angeles Regional Center (ELARC), Frank D. Lanterman Regional Center (FDLRC), Harbor Regional Center (HRC), North Bay Regional Center (NBRC), North Los Angeles County Regional Center (NLACRC), South Central Los Angeles Regional Center (SCLARC), San Diego Regional Center (SDRC), San Gabriel Pomona Regional Center (SGPRC), Tri-Counties Regional Center (TCRC), Valley Mountain Regional Center (VMRC) and Westside Regional Center (WRC). These twelve regional centers were chosen due to the large volume of services utilized by the centers as measured by Purchase of Service (POS) expenditures.

ICS provided 10 different types of services, of which DDS audited four. Services chosen were based on the amount of POS expenditures invoiced by ICS. 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, ICS operated six SLS programs. The audit included the review of six of ICS's SLS programs, Vendor Numbers DE0420, HE0420, HP5478, HX0644, PD2873, PN1014, SC 896 and testing was done for the sampled months of July 2016 and June 2017.

Adaptive Skills Trainer

During the audit period, ICS operated three AST programs. The audit included the review of three of ICS's SLS programs, Vendor Numbers PE1889, PN1053, PX0632, SC 605 and testing was done for the sampled months of July 2016 and June 2017.

Adult Development Center

During the audit period, ICS operated one ADC program. The audit included the review of the ICS's ADC program, Vendor Number HE0475, SC 510 and testing was done for the sampled months of July 2016 and June 2017.

Mobility Training Services Agency

During the audit period, ICS operated one MTSA program. The audit included the review of ICS's MTSA program, Vendor Number HE0446, SC 645 and testing was done for the sampled months of July 2016 and June 2017.

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 the vendor's Executive Directors, Director of Operations, Program Directors 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, ICS had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on February 12, 2020. The findings in the report were discussed at an exit telephone conference with ICS on February 19, 2020. Subsequent to the exit conference, on March 13, 2020, ICS provided an email response to the draft audit report. ICS agreed with the findings.

RESTRICTED USE

This report is solely for the information and use of DDS, the Department of Health Care Services, ACRC, ELARC, FDLRC, HRC, NBRC, NLACRC, SCLARC, SDRC, TCRC, VMRC, WRC and ICS. 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 ICS's SLS program, Vendor Numbers DE0420, HE0420, PW7020, PN1014 and PD2873, for the sampled months of July 2016 and June 2017, revealed that ICS had unsupported billings for services billed to ELARC, FDLRC, NBRC, NLACRC, SCLARC, SDRC, TCRC and WRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to ELARC, FDLRC, NBRC, NLACRC, SLCARC, SDRC, TCRC and WRC.

ICS was not able to provide appropriate supporting documentation for 2,783 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC, FDLRC, NBRC, NLACRC, SLCARC, SDRC, TCRC and WRC in the amount of \$80,961 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:

ICS must reimburse to DDS \$80,961 for the unsupported billings. In addition, ICS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to ELARC, FDLRC, NBRC, NLACRC, SLCARC, SDRRC, TCRC and WRC.

VENDOR'S Response:

ICS stated in the response, dated March 13, 2020, that ICS agreed with the finding. (See Attachment B)

Finding 2: Adaptive Skills Trainer – Unsupported Billings

The review of ICS's AST program, Vendor Numbers PE1889, PN1053 and PX0632 for the sampled months of July 2016 and June 2017, revealed that ICS had unsupported billings for services billed to ELARC and SCLARC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to ELARC and SCLARC.

ICS was not able to provide appropriate supporting documentation for 152 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC and SCLARC in the amount of \$4,970 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:

ICS must reimburse to DDS \$4,970 for the unsupported billings. In addition, ICS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to ELARC and SCLARC.

VENDOR’S Response:

ICS stated in the response, dated March 13, 2020, that ICS agreed with the finding. (See Attachment B)

Finding 3: Adult Development Center – Unsupported Billings

The review of ICS’s ADC program, Vendor Number HE0475 for the sampled months of July 2016 and June 2017, revealed that ICS had unsupported billings for services billed to ELARC.

Unsupported billings occurred due to a lack of appropriate documentation to support the days of service billed to ELARC.

ICS was not able to provide appropriate supporting documentation for 14 days of services billed. The lack of documentation resulted in unsupported billings to ELARC in the amount of \$883 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:

ICS must reimburse to DDS \$883 for the unsupported billings. In addition, ICS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to ELARC.

VENDOR’S Response:

ICS stated in the response, dated March 13, 2020, that ICS agreed with the finding. (See Attachment B)

Finding 4: Mobility Training Services Agency – Unsupported Billings

The review of ICS’s MTSA program, Vendor Number HE0446 for the sampled months of July 2016 and June 2017, revealed that ICS had unsupported billings for services billed to ELARC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to ELARC.

ICS was not able to provide appropriate supporting documentation for 25 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC in the amount of \$602 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:

ICS must reimburse to DDS \$602 for the unsupported billings. In addition, ICS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to ELARC.

VENDOR'S Response:

ICS stated in the response, dated March 13, 2020, that ICS agreed with the finding. (See Attachment B)

ATTACHMENT A

INCLUSION SERVICES, LLC

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

INCLUSION SERVICES, LLC

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 ICS’s RESPONSE

On March 13, 2020, Inclusion Services, LLC (ICS) submitted a response to DDS. DDS evaluated ICS’ written response to the draft audit report and determined that ICS did not disagree with the draft audit report findings. ICS agreed to refund DDS the amount identified in the draft audit report.