

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
NEW BEGINNINGS SLS, LLC

Program:

Supported Living Services – PN0471

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

Audit Section

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NEW BEGINNINGS SLS, LLC

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited New Beginnings SLS, LLC (NB). The audit was performed upon the Supported Living Services (SLS) program for the period of July 1, 2015 through June 30, 2016.

The audit disclosed the following issue of non-compliance:

Finding 1: Supported Living Services – Unsupported Billings

The review of NB's SLS program, Vendor Number PN0471, revealed that NB had a total of \$66,195 of unsupported billings to North Bay Regional Center (NBRC).

The amount identified in this audit is \$66,195, which is due back to DDS. A detailed discussion of this 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 NB's SLS program was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional center' contracts with NB 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 NB, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of NB'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 NB 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 NBRC that utilized NB's services during the audit period. NB provided one type of service, 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, NB operated one SLS program. The audit included the review of NB's PN0471 and testing was done for the months of August 2015 and May 2016 and expanded for an additional 10 months for ten consumers whose tier levels weren't met during the two sample months.

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.
- 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 payroll records and trial balance to determine the vendor's costs.
- Interviewed the vendor's Executive Director, Administrator, 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 Finding and Recommendation section, NB had a finding of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on September 18, 2020. The finding in the audit report was discussed at the exit teleconference with NB's CEO, [REDACTED] and Compliance Director, [REDACTED], on September 30, 2020. Subsequent to the exit conference, on November 4, 2020, DDS received NB's response to the draft audit report. NB did not disagree with the finding.

RESTRICTED USE

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

The review of NB's SLS program, Vendor Number PN0471, for the FY 2015-2016, revealed that NB had unsupported billings for the services billed to NBRC. Unsupported billings occurred due to a lack of appropriate documentation to support the amount billed to NBRC and non-compliance with the CCR, Title 17.

NB's contract with NBRC provided for individual consumer authorizations at a monthly tiered billing rate based on each consumer's required level of support services with a specific minimum number of hours (e.g. Tier E required 240 hours a month and Tier D 180 hours a month) of support services to be provided each month. However, NB billed NBRC for the full monthly rate for the authorized Tier even when the minimum number of support hours for the Tier were not provided to the consumer. The disallowed amount was calculated by a reduction in the monthly billing rate to the lower Tier commensurate with the support hours actually provided. This calculation results in a total amount of unsupported billings of \$66,195 which is due back to DDS. (See Attachment A)

In addition, NB did not maintain the historical data documenting the actual delivery of service to consumers for which NB has claimed payments. Specifically, the employee's time sheets that are used to record the direct care hours of services provided do not include the place where the services were provided, and a record of services provided to each consumer. This is not in compliance with the CCR, Title 17, which require that vendors maintain complete service records to support billings for each regional center consumer in sufficient detail to verify the delivery of units of service billed.

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:

NB must reimburse to DDS \$66,195 for the unsupported billings. In addition, NB should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed NBRC.

Vendor’s Response:

NB stated in its response dated November 4, 2020 that NB believed it was maintaining appropriate documentation, but agrees to repay the amount of \$66,195 identified in the finding and develop procedures for compliance. (See Attachment B)

ATTACHMENT A

NEW BEGINNINGS SLS, 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

NEW BEGINNINGS SLS, LLC

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 NB's RESPONSE

DDS evaluated New Beginning SLS, LLC's (NB's) written response to the draft audit report, dated November 4, 2020. NB does not disagree with the finding and recommendation and will refund DDS the amount identified in the draft audit report.