

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
ABILITY COUNTS, INC.

Programs and Services:

Supported Employment Program – Group Services – HJ0503, HJ0506

Work Activity Program – HJ0501, HJ0504, HJ0658

Audit Period: July 1, 2013, through June 30, 2015

Audit Section

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ABILITY COUNTS, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Ability Counts, Inc. (ACI). The audit was performed upon the Supported Employment Program – Group Services (SEP – Group Services) and Work Activity Program (WAP) for the period of July 1, 2013, through June 30, 2015.

The audit disclosed the following issues of non-compliance:

Finding 1: Supported Employment Program – Group Services – Overbillings

The review of ACI's SEP – Group Services program, Vendor Numbers HJ0503 and HJ0506, revealed that ACI had a total of \$390,575 of overbillings to Inland Regional Center (IRC).

Finding 2: Supported Employment Program – Group Services – Unsupported Billings

The review of ACI's SEP – Group Services program, Vendor Numbers HJ0503 and HJ0506, revealed that ACI had a total of \$145,917 of unsupported billings to IRC.

Finding 3: Work Activity Program – Unsupported Billings

The review of ACI's WAP Program, Vendor Numbers HJ0501, HJ0504 and HJ0658, revealed that ACI had a total of \$1,159 of unsupported billings to IRC.

The total of overbillings and unsupported billings identified in this audit amounts to \$537,651, 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 ACI's Supported Employment Program – Group Services and Work Activity 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 ACI for the period of July 1, 2013, through June 30, 2015.

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 ACI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ACI'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 ACI 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 reviewed and addressed during the course of the audit.

The audit scope was determined by reviewing the programs and services provided to IRC that utilized ACI's services during the audit period. ACI provided two type of services, which DDS audited. Services chosen were based on the amount of POS expenditures invoiced by ACI. 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 six-month sample period would be sufficient to fulfill the audit objectives.

Supported Employment Program – Group Services:

During the audit period, ACI operated two Supported Employment Program – Group Services programs.

The audit included the review of both of ACI's SEP – Group Services programs, Vendor Numbers HJ0503 and HJ0506, SC 950 and testing was done for the months of October 2013, November 2013, December 2013, January 2014, September 2014 and June 2015.

Work Activity Program

During the audit period, ACI operated three Work Activity Program(s). The audit included the review of ACI's Work Activity Programs, Vendor Numbers HJ0501, HJ0504 and HJ0658 and testing was done for the sampled months of November 2013, January 2014, September 2014 and June 2015.

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.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on July 10, 2020. The findings in the report were discussed at an exit meeting with ACI on July 20, 2020. DDS subsequently received ACI's response to the draft audit report via mail on August 26, 2020. ACI disagrees with Findings 1, 2, and 3.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Supported Employment Program – Group Services – Overbillings

The review of ACI's SEP – Group Services program, Vendor Numbers HJ0503 and HJ0506, for the sampled months of October 2013, November 2013, December 2013, January 2014, September 2014 and June 2015 revealed that ACI had overbillings to IRC.

Overbillings occurred due to ACI billing for job coaches' hours that were not actual job coaching. These hours included time when consumers met at the ACI office before and after the actual job coaching services took place at the worksite. In addition, ACI billed for lunch hours that were not previously authorized by the Department of Rehabilitation, IRC and not specified in consumers' IPPs.

ACI overbilled IRC for a total of 12,673 job coach service hours. This resulted in an overbilled amount of \$390,575 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)(10) states:

“(a) All vendors shall:

- (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 58830(d)(1) states:

“(d) Group services shall be limited to:

- (1) Job coaching provided at the worksite;”

CCR, Title 17, Section 58834 states:

- (a) “Regional centers shall approve job coaching for consumer supervision during the meal period when previously approved by the Department of Rehabilitation or when specified in the consumer’s IPP.”

Recommendation:

ACI must reimburse to DDS \$390,575 for the overbillings and ensure that job coach services are accurately billed to the regional center. In addition, ACI should comply with the CCR, Title 17 as stated above to ensure that only services, which are actually provided to consumers are billed to IRC.

Vendor’s Response:

ACI stated in its response dated August 24, 2020 that it disagreed with Finding 1. See Attachment C for the full text of ACI’s response to the draft audit report and Attachment D for DDS’ evaluation of ACI’s response.

Finding 2: Supported Employment Program – Group Services – Unsupported Billings

The review of ACI’s SEP – Group Services Program, Vendor Numbers HJ0503 and HJ0506 for the sampled months of October 2013, November 2013, December 2013, January 2014, September 2014 and June 2015 revealed that ACI had unsupported billings for services billed to IRC.

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

ACI was not able to provide appropriate supporting documentation for 4,737 hours of services billed. The lack of documentation resulted in unsupported billings to IRC in the amount of \$145,917, which is due back to DDS. (See Attachment B)

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:

ACI must reimburse to DDS \$145,917 for the unsupported billings. In addition, ACI should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to IRC.

Vendor’s Response:

ACI stated in its response dated August 24, 2020 that it disagreed with Finding 2. See Attachment C for the full text of ACI’s response to the draft audit report and Attachment D for DDS’ evaluation of ACI’s response.

Finding 3: Work Activity Program – Unsupported Billings

The review of ACI’s WAP Program, Vendor Numbers HJ0501, HJ0504, and HJ0658 for the sampled months of November 2013, January 2014, September 2014 and June 2015 revealed that ACI had unsupported billings to IRC.

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

ACI was not able to provide appropriate supporting documentation for 39 days of services billed. The lack of documentation resulted in unsupported billings to IRC totaling \$1,159, which is due back to DDS. (See Attachment B)

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:

ACI must reimburse to DDS \$1,159 for the unsupported billings. In addition, ACI should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to IRC.

Vendor’s Response:

ACI stated in its response dated August 24, 2020 that it disagreed with Finding 3. See Attachment C for the full text of ACI’s response to the draft audit report and Attachment D for DDS’ evaluation of ACI’s response.

ATTACHMENTS A-B

ABILITY COUNTS, INC.

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

ATTACHMENT C – VENDOR’S RESPONSE

ABILITY COUNTS, 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 D – DDS’ EVALUATION OF ACI’S RESPONSE

DDS evaluated ACI’s written response, dated August 24, 2020, to the Draft Audit Report and determined that ACI disagreed with Findings 1, 2 and 3. Below is a summary of the vendor’s response as well as DDS’ evaluation of the vendor’s response.

Finding 1: Supported Employment Program – Group Services - Overbillings

Ability Counts, Inc stated in their response that, *“Ability Counts does acknowledge that consumer’s hours were billed not only for job coaching but also for supervision of the consumers in the mornings, lunch time and in the afternoon.”*

Additionally, ACI stated that *“IRC always requested 100% supervision when the consumer started their day. And IRC had conducted annual QA reviews and Ability Counts was never informed that we could not bill for consumer supervision.”*

Ability Counts acknowledges submitting claims for time other than job coaching hours. Regardless of the reasons stated in their response, California Code of Regulations, Title 17, Section 58830(d)(1) clearly states that, “Group services shall be limited to, job coaching provided at the worksite.”

Finding 2: Supported Employment Program – Group Services - Unsupported Billings

Ability Counts, Inc. stated in their response that, *“Offline checks were created when staff did not enter consumer’s attendance on the attendance sheet, where managers did not pay the consumers through payroll when pay period closed out. Hence the consumer’s record did not show in the daily earning report.”*

ACI submits their billing based on job coach hours provided and the offline checks do not directly provide support for the unsupported billings. ACI billed for job coach hours when no consumer was present with the job coach. ACI would list the name of the job coach on the DS 1964 forms for regional center billing while there was no indication of the staff working with any consumers.

Ability Counts, Inc. stated in their response that, *“Ability Counts is requesting for more information that can be shared as to which department or consumers had documents missing so those records can be researched.”*

The audit team communicated with ACI during the audit of the missing documentation needed to verify service delivery for the sampled months audited. A spreadsheet was provided to ACI on October 18, 2017 via email. This spreadsheet contained a list of all

ATTACHMENT D – DDS’ EVALUATION OF ACI’s RESPONSE

missing consumer documentation the audit team needed to support the hours billed to the regional centers. Subsequently, ACI replied on November 3, 2017 stating that, *“We were not able to locate the missing documents listed in the spreadsheet for the sample months.”*

Finding 3: Work Activity Program – Unsupported Billings

Ability Counts, Inc. stated in their response that, *“Ability Counts is requesting for more information that can be shared as to which department or consumers had documents missing so those records can be researched.”*

The audit team reviewed the Work Activity Program (WAP) Attendance Sheets, Consumer Earnings Report, Consumer Payroll and Timesheets in order to determine billing accuracy. The unsupported billings identified in the Draft Audit Report was the result of billings that were not supported by the documents listed above and not due to incomplete or missing documentation.

Conclusion:

DDS has reviewed ACI’s response to the Draft Audit Report and determined that the offline checks provided to refute the DDS audit findings did not provide any support for the unsupported job coaching hours billed to the regional center. ACI acknowledged the SEP overbillings, which were a result of billing the regional center for SEP job coaching hours not provided at the worksite. DDS is requesting ACI reimburse \$537,651 for the overbillings and unsupported billings identified.