

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
CAREBEST, INC.

Programs:

Specialized Residential Facility – HN0392

Residential Facility Serving Adults - Staff Operated– HN0255

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

Audit Section

Auditors: Alimou Diallo, Acting Chief of Vendor Audit Unit
Paul Huang, Auditor

CAREBEST, INC.
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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Carebest, Inc. (CB). The audit was performed upon the Specialized Residential Facility (SRF) and Residential Facility Serving Adults-Staff Operated (RFSASO) for the period of July 1, 2018, through June 30, 2019.

The audit disclosed the following issues of non-compliance:

Finding 1: Specialized Residential Facility – Unsupported Billings

The review of CB's SRF program, Vendor Number HN0392, revealed that CB had a total of \$27,775 of unsupported billings to NBRC.

Finding 2: Residential Facility Serving Adults-Staff Operated – Unsupported Billing

The review of CB's RFSASO program, Vendor Number HN0255, revealed that CB had a total of \$9,871 of unsupported billings to NBRC.

The total of the findings identified in this audit amounts to \$37,646 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 CB'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 center's contracts with CB 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 CB, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of CB'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 CB 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 provided to North Bay Regional Center (NBRC) that utilized CB's services during the audit period. CB provided three different types of services, of which DDS audited two. Services chosen by DDS were based on the amount of purchase of services (POS) expenditures invoiced by CB. 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.

Specialized Residential Facility

During the audit period, CB operated one SRF program. The audit included the review of CB's SRF program, Vendor Numbers HN0392, SC 113 and testing was done for the sampled months of August 2018 and March 2019.

Residential Facility Serving Adults-Staff Operated

During the audit period, CB operated one ARF program. The audit included the review of CB's RFSASO program, Vendor Numbers HN0255, SC 915 and testing was done for the sampled months of August 2018 and March 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(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 Bookkeeper for vendor background information and to gain understanding of general ledger and expense line items.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on July 27, 2021. The findings in the report were discussed at an exit Zoom conference with CB on August 11, 2021. Subsequent to the exit conference, on September 20, 2021, CB provided an email response and stated that CB did not agree with the findings. In addition, CB provided additional source documentation on September 21, 2021.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Specialized Residential Facility – Unsupported Billings

The review of CB's SRF program, Service code 113, Vendor Number HN0392, for the sampled months of August 2018 and March 2019, revealed that CB had unsupported billings for services billed to NBRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to NBRC and non-compliance with the CCR, Title 17. Additionally, CB did not have enough staff on payroll to provide all the contracted service hours.

CB's contract and program design for a facility with four residents required a minimum of 1,594 Direct Support Professional (DSP) hours per month. However, for the sampled months of August 2018 and March 2019, CB was not able to provide appropriate supporting documentation such as employee timesheets and payroll registers for 1,111 hours of services billed to NBRC.

The amount for 1,111 hours of service not supported by documentation was calculated by multiplying the average hourly rate commensurate with the service hours actually provided. This calculation results in a total amount of unsupported billings of \$27,775, 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.”

NORTH BAY REGIONAL CENTER SERVICE PROVIDER CONTRACT AGREEMENT (Service Code 113, p. 6 and 7) state in part that:

11.1 Staffing Levels:

“Service provider will meet the minimum requirements for a Residential Facility Service Level4-i pursuant to Sections §56004 and §56013 of Title 17 of the California Code of Regulations and ensure that all of the following conditions are met:

- a. When the facility is at full capacity (four residents) there shall be 357 Hours of direct care staffing per week and 40 Hours of Lead staffing per week.
- b. There is shift staffing and that there are no live-in staff.
- c. Staff will remain awake during all shifts.

11.4. Wages and Benefits:

All wages and benefits shall be paid in accordance with Exhibit B Regional Center Approved Facility Budget and is hereby incorporated into this contract.”

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:

CB must reimburse to DDS \$27,775 for the unsupported billings. CB should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to NBRC. In addition, CB should provide the direct care staff service hours required by their contract with NBRC and program design.

VENDOR’S Response:

CB did not agree with the Finding and Recommendation. (See Attachment B)

Finding 2: Residential Facility Serving Adults-Staff Operated – Unsupported Billing

The review of CB's RFSASO program, Service Code 915, Vendor Number HN0255, for the sampled months of August 2018 and March 2019, revealed that CB had unsupported billings for services billed to NBRC.

Based on the program design and on the number of consumers in the home CB required to have a minimum of 1,196 Direct Support Professional (DSP) hours per month. However, CB was not able to provide appropriate supporting documentation such as employee timesheets and payroll registers for 657 hours of services in the two sampled months. The amount for 657 hours of service not supported by documentation was calculated by multiplying the average hourly rate commensurate with the service hours actually provided. This calculation results in a total amount of unsupported billings of \$9,871, 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 56004 (c) (2) and (d) states:

- “(c) Service Level 2, 3, and 4 facilities shall provide:
 - (2) A basic staffing level of no less than one direct care staff person at all times when consumers are under the supervision of facility staff. This basic staffing level shall be the total direct supervision and special services required of the facility up to a maximum number of consumers...
- (d) In addition to the basic level of staffing described in subsection (c)(2)(A) through (D), facilities providing residential services to a greater number of consumers shall provide a cumulative number of additional weekly direct care staff hours for consumers based upon the facility's service level...”

Recommendation:

CB must reimburse to DDS \$9,871 for the unsupported billings. CB should also comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to NBRC. In addition, CB should provide the direct care staff service hours required by their contract with NBRC and program design.

VENDOR'S Response:

CB did not agree with the Finding and Recommendation. (See Attachment B)

ATTACHMENT A

CAREBEST, 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

CAREBEST, 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 CB’s RESPONSE

DDS evaluated Carebest, Inc.’s email response to the draft audit report and determined that Carebest, Inc. disagreed with Finding 1 and 2. Below is a summary of DDS’ evaluation of the vendor’s additional documentation.

Finding 1: Specialized Residential Facility – Unsupported Billings

██████████ (Carebest) stated *“I didn’t agree on hour data in the Draft auditing report. I will send supporting documents to you to adjust the hour data.”*

The documents provided didn’t provide support for the overbilled hours and, in addition, some of the documents were revised after the audit fieldwork. Carebest submitted 39 pages of new timesheets and paystubs with his response for both findings. A comparison of the original timesheets provided during the audit fieldwork and the new timesheets and paystubs provided with the response revealed that the new documents submitted were not the same as the original supporting documentations or historical data that was provided during the audit field work. Therefore, these documents do not reflect accurately the actual service hours provided by the vendor.

The review of the timesheets provided with the response showed the timesheets were amended and filled out with “start/end time” and signed by Carebest after the draft audit report was issued. In addition, Carebest also revised one of the care givers’ hourly wage from \$37.50 to \$15.00. Further review showed that these documents were generated after the draft audit report was issued, therefore, these revised timesheets and paystubs cannot serve as evidence to justify the unsupported hours of service to the consumers.

Finding 2: Residential Facility Serving Adults-Staff Operated – Unsupported Billing

Please see Finding 1 response. Carebest submitted 39 pages of new timesheets and paystubs in their response for both findings 1 and 2.

Conclusion:

The review of the additional documentation did not result in any adjustments to both audit findings. Therefore, DDS is requesting reimbursement of \$37,646 for the unsupported billings.