

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**Independent Steps II**

**Programs and Services:**

Adult Development Program – HE0491

Socialization Training Program – PE2284

Transportation – Additional Component – HE0494

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

**Audit Section**

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**Independent Steps II**  
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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Independent Steps II (IS II). The audit was performed upon the Adult Development Center (ADC), Socialization Training Program and Transportation – Additional Component for the period of July 1, 2018, through June 30, 2019.

The audit disclosed the following issue of non-compliance:

### **Finding 1: Adult Development Center – Unsupported Staffing Hours**

The review of IS II's ADC program, Vendor Number HE0491, revealed a lack of supporting documentation for its required direct care staffing hours. This resulted in a shortage of direct care staffing of 83 hours and overpayment of \$1,162 for services billed to ELARC.

The total of the finding identified in this audit amounts to \$1,162, 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 IS II's ADC, Socialization Training Program, and Transportation – Additional Component 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 IS II 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 IS II, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of IS II'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 IS II 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 ELARC that utilized IS II's services during the audit period. IS II provided three different types of services, of which DDS audited three. Services chosen by DDS were based on the amount of purchase of services (POS) expenditures invoiced by IS II. 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.

## **Adult Development Program**

During the audit period, IS II operated one ADC program. The audit included the review of this IS II's ADC program, Vendor Number HE0491, SC 510 and testing was done for the sampled months of November 2018 and May 2019.

## **Socialization Training Program**

During the audit period, IS II operated one Socialization Training Program. The audit included the review of this IS II's Socialization Training Program, Vendor Number PE2284, SC 028 and testing was done for the sampled months of November 2018 and May 2019.

## **Transportation – Additional Component**

During the audit period, IS II operated one Transportation – Additional Component Program. The audit included the review of this IS II's Transportation – Additional Component program, Vendor Number HE0494, SC 880 and testing was done for the sampled months of November 2018 and May 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.

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on March 17, 2021. The finding in the report was discussed at an exit conference via ZOOM with IS II on March 29, 2021. Subsequent to the exit conference, IS II provided a response letter dated April 20, 2021 to the draft audit report via email. IS II agreed with the finding.

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### Finding 1: Adult Development Center – Unsupported Staffing Hours

The review of IS II's ADC program, Vendor Numbers HE0491 for the sampled month of May 2019, revealed that IS II did not meet the required staffing hours per the CCR. Staffing hours deficiency occurred due to IS II not meeting the approved required hours.

DDS reviewed the direct care service hours documented on the employee timesheets/other source documentation and reconciled those hours to the payroll. The total direct care hours required for the sampled month of May 2019 was 1,690 hours. The hours IS II actually provided were 1,607 hours. This resulted in 83 hours of unsupported direct care staffing.

The total unsupported direct care staffing hours of 83 multiplied by the average hourly rate of \$14, amounts to \$1,162 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 56756 (a),(e)(1) and (i)(1)(2) states:

- “(a) A staffing ratio shall be approved for each adult day program by the Department pursuant to this section. This ratio shall be based on the program design, the curriculum as vendored, the characteristics and needs of the consumers to be served, and the number of consumers enrolled.
- (e) Adult development centers shall provide a direct care staff to-consumer ratio of 1:4.
  - (1) The vendor is authorized to request Department approval for modification of the staffing for an Adult Development Center to an overall direct care staff-to-consumer ratio of 1:3. A written request and justification shall be submitted to the Department by the regional center which documents the findings pursuant to the criteria listed below. The overall direct care staffing ratio shall be



determined by averaging the specific staff-to-consumer ratio needed for each individual consumer. The regional center shall consider whether the Adult Development Center meets the following criteria for modification of the direct care staffing ratio of 1:4.

(i) The vendor shall maintain the approved staffing ratio during its direct service hours. The vendor shall not be required to schedule the ratio with each subgroup of consumers at all times, but shall maintain both:

(1) The ratio of staff on duty to consumers in attendance during all service hours which shall be determined by a numerical comparison of the number of individuals on duty as direct care staff with the number of consumers in attendance. If the numerical comparison results in a fraction, more than one-half of a staff person shall be rounded up to the next whole number. Less than one-half of a staff person shall be rounded up to the next one-half of a whole number. One-half of a staff person shall not be rounded.

(2) Sufficient supervision for each subgroup to protect the health and safety of the consumers.”

**Recommendation:**

IS II must reimburse to DDS \$1,162 for the overpayment of services for the unsupported direct care staffing hours. In addition, IS II should ensure that the approved staff-to-consumer ratio is met.

**IS II's Response:**

IS II stated in its response, dated April 20, 2021, that it agreed with the finding. See Attachment B for the full text of IS II's response.

# **ATTACHMENT A**

## **INDEPENDENT STEPS II**

**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**

### **INDEPENDENT STEPS II**

**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 IS II’S RESPONSE**

DDS evaluated IS II’s response dated April 20, 2021 to the draft audit report and determined that IS II agreed with the findings.