

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
LEHRHOFF & ASSOCIATES, INC.

Program and Service:
Speech Pathology – PL0508

FINAL

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

Audit Section

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LEHRHOFF & ASSOCIATES, INC.
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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Lehrhoff & Associates, Inc. (LA). The audit was performed upon the Speech Pathology (SP) program for the period of July 1, 2018, through June 30, 2019.

The audit disclosed the following issues of non-compliance:

Finding 1: Speech Pathology – Unsupported Billings

The review of LA's SP program, Vendor Number PL0508, revealed that LA had a total of \$23,675 of unsupported billings to North Los Angeles County Regional Center (NLACRC).

Finding 2: Speech Pathology – Overbillings

The review of LA's SP program, Vendor Number PL0508, revealed that LA had a total of \$5,253 of overbillings to NLACRC.

The total of the findings identified in this audit amounts to \$28,928, which is due back to DDS. A detailed discussion of these findings is contained in the Findings and Recommendations section of this report.

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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 LA's SP program was 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 LA 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 LA, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of LA'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 LA 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 Speech Pathology program provided to NLACRC that utilized LA's service during the audit period. LA provided one Speech Pathology 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.

Speech Pathology

During the audit period, LA operated one Speech Pathology program. The audit included the review of LA's SP program, Vendor Number PL0508, SC 707 and testing was done for the sampled months of April 2019 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.
- Analyzed the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, LA had findings 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 findings in the report were discussed at an exit (Zoom) conference with LA on March 29, 2021. Subsequent to the exit conference, on May 7, 2021, LA provided the response and the missing payroll records for the period of April 1 through April 7, 2019. In its response, there is no indication of agreement or disagreement with the findings.

RESTRICTED USE

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

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FINDINGS AND RECOMMENDATIONS

Finding 1: Speech Pathology – Unsupported Billings

The review of LA's SP program, Vendor Number PL0508, for the sampled months of April and May 2019, revealed that LA had unsupported billings for services billed to NLACRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to NLACRC and non-compliance with the CCR, Title 17.

DDS reviewed the employees' schedules and direct care service hours documented on the employee timesheets and compared those hours to the direct care service hours billed to NLACRC. DDS noted that the direct care service hours on the timesheets which were reconciled to payroll were 313 hours less than the direct care service hours billed to NLACRC. LA was not able to provide appropriate supporting documentation for 313 hours of services billed.

The lack of documentation resulted in unsupported billings to NLACRC in the amount of \$23,675 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:

LA must reimburse to DDS \$23,675 for the unsupported billings. In addition, LA should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to NLACRC.

LA's Response:

In its response, dated May 7, 2021, LA provided missing payroll records for the period of April 1 through April 7, 2019. However, in the response, LA did not state whether it agreed or disagreed with this finding. (See Attachment C)

Finding 2: Speech Pathology – Overbillings

The review of LA's SP program, Vendor Number PL0508 for the sampled months of April and May 2019, revealed that LA had overbillings for services billed to NLACRC. Overbillings occurred due to billing for service cancellations. This is not in compliance with CCR, title 17 and all such instances were treated as overbillings. LA overbilled the NLACRC for a total of 69 hours. This resulted in an overbilled amount of \$5,253, 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.”

Recommendation:

LA must reimburse to DDS \$5,253 for the overbillings. In addition, LA should provide services in accordance with the NLACRC contract and/or authorization to ensure that hours are accurately billed to NLACRC.

LA's Response:

In its response, dated May 7, 2021, LA provided the missing payroll records for the period of April 1 through April 7, 2019. However, in its response, LA did not state whether it agreed or disagreed with this finding.
(See Attachment C)

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ATTACHMENTS A-B

LEHRHOOF AND ASSOCIATES, INC.

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

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ATTACHMENT C – VENDOR’S RESPONSE

LEHRHOOF AND ASSOCIATES, INC.

To request a copy of the vendor’s response to the audit findings, please contact the DDS Audit Section at (916) 654-3695.

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ATTACHMENT D – DDS' EVALUATION OF LA'S RESPONSE

DDS evaluated LA's response to the draft audit report and determined that LA submitted additional information for both findings, stating that it believed the new information included the missing payroll records.

However, the review of the additional documentation did not result in any adjustment to audit finding 1. For Finding 1, the payroll records did not provide evidence that the consumer received any service. For Finding 2, the overbillings were based on cancellations and make-up appointments that were not provided within the weekly authorized period. Although the make-up appointments were provided outside of the weekly authorization period, DDS allowed additional 62 hours of service that were previously classified as overbilled during the audit fieldwork because there was evidence that consumers received the service.

Conclusion:

As a result, an adjustment of \$4,721 was made and reflected in the final audit report. DDS is requesting reimbursement of \$28,928 (\$33,649 - \$4,721) for the overbilled and unsupported billings identified in this audit.

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