

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**QUALKARE ASSISTED LIVING**

**Program:**

Supported Living Services – PW6279

Audit Period: July 1, 2017, through June 30, 2018

**Audit Section**

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# QUALKARE ASSISTED LIVING

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited QualKare Assisted Living (QAL). QAL is one of two companies operated by [REDACTED]. This report is an audit of only QAL, although Colby Care Home Health, Inc. (CCHH) was audited simultaneously. A separate audit report will be issued for CCHH. The audit was performed upon the Supported Living Services (SLS) for the period of July 1, 2017, through June 30, 2018.

The audit disclosed the following issue of non-compliance:

### **Finding 1: Supported Living Services – Unsupported Billings**

The review of QAL's SLS program, Vendor Number PW6279, revealed that QAL had a total of \$19,452 of unsupported billings to Westside Regional Center (WRC).

The total finding identified in this audit amounts to \$19,452, 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 QAL's SLS 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 contract with QAL for the period of July 1, 2017, through June 30, 2018.

### **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 QAL, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of QAL'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 QAL 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 program provided to WRC that utilized QAL's services during the audit period. QAL provided SLS type of services, 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, QAL operated one SLS program. The audit included the review of that program, Vendor Number PW6279, Service Code 896 and testing was done for the sampled months of September 2017 and December 2017. However, the two sample

months of testing revealed a practice of billing for services not provided for two WRC consumers. As a result, the testing included all months of Fiscal Year 2017-2018 for the two consumers.

### **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 finding and conclusion 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 President and Program Director 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, QAL had a finding of non-compliance with the requirements of CCR, Title 17.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on December 7, 2020. The finding in the report was discussed at an exit telephone conference with QAL on December 21, 2020. Subsequent to the exit conference, on January 27, 2021, DDS received QAL's mail response to the draft audit report. QAL neither agreed nor disagreed with the finding.

## **RESTRICTED USE**

This report is solely for the information and use of DDS, Department of Health Care Services, WRC and QAL. 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 QAL's SLS program, Vendor Number PW6279, for the months of July 2017 through June 2018, revealed that QAL had unsupported billings for services billed to WRC.

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

During the audit period, QAL billed for SLS direct care services on an hourly basis under various sub codes such as VN1R and VN2R and billed for administrative costs as a percentage (15%) of the total amount billed for each consumer. DDS reviewed the Weekly Sign-in Sheet, Employee Timesheet and Payroll Details Report and compared the hours identified in the employee timesheets and payroll details to the hours billed to WRC.

For the months reviewed, DDS noted that the direct service hours on the employee timesheets which were reconciled to payroll details were 609 hours less than the direct service hours billed to WRC. QAL billed WRC for the 609 hours of service in the amount of \$16,915. In addition, administrative costs at 15% was billed separately for the 609 hours in the amount of \$2,537. This resulted in unsupported billings to WRC in the amount of \$19,452, 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 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:**

QAL must reimburse to DDS \$19,452 for the unsupported billings. In addition, QAL should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to WRC.

**QAL’s Response:**

QAL stated in their response dated January 19, 2021 that “it is our position that the audit finding reflects a lack of proper documentation and not an absence of services.” In addition, QAL stated that “we are willing to reimburse a total amount of \$7,000. This would be in the hopes that we can keep our doors open and continue to provide services to our clients.”  
(See Attachment B)



# **ATTACHMENT A**

## **QUALKARE ASSISTED LIVING**

**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**

### **QUALKARE ASSISTED LIVING**

**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 QAL’S RESPONSE**

QAL submitted a response dated January 19, 2021 for two companies operated by the same owner: QAL and Colby Care Home Health, Inc. The part of the response that pertains to QAL is highlighted in yellow in Attachment A. DDS evaluated QAL’s written response to the draft audit report and determined that QAL neither agreed nor disagreed with the finding. Below is a summary of the QAL’s response as well as DDS’ evaluation of the QAL’s response.

### **Finding 1: Supported Living Service – Unsupported Billings**

QAL’s response stated:

*“As mentioned on the phone, as to Qualkare, it is our position that the audit’s findings reflect a lack of proper documentation and not an absence of services.”*

QAL did not provide any documents to support that services were provided. The audit finding is that QAL billed WRC for services not provided to consumers, and the audit revealed that QAL did not provide all direct service hours it was required to provide under the service authorization.

### **Conclusion:**

QAL did not provide services in accordance with its contract with WRC or authorizations and did not provide any additional documentation. Therefore, QAL must reimburse to DDS \$19,452 for the unsupported billings identified in the audit report.