DEPARTMENT OF DEVELOPMENTAL SERVICES'

AUDIT OF

QUALITY OF LIFE SERVICES, INC.

Programs and Services:

Parenting Support Services – PX0457

Supported Living Services – HX0410

Independent Living Program – HP4441 and HX0362

Interpreter – PX0425

Audit Period: July 1, 2014, through December 31, 2015

Audit Section

Auditors: Michael Masui, Chief of Vendor Audit Unit
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QUALITY OF LIFE SERVICES, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) audited Quality of Life Services, Inc. (QLS). The audit was performed upon the Supported Living Services (SLS), Parenting Support Services (PSS), Independent Living Program (ILP) and Interpreter programs for the period of July 1, 2014 through December 31, 2015.

The audit disclosed the following issues of non-compliance:

Finding 1: **<u>Parenting Support Services – Unsupported Billings</u>**

The review of QLS' PSS program, Vendor Number PX0457, revealed that QLS had a total of $303,007 of unsupported billings to North Los Angeles County Regional Center (NLACRC), Regional Center of Orange County (RCOC) and South Central Los Angeles Regional Center (SCLARC).

Finding 2: **<u>Supported Living Services – Unsupported Billings</u>**

The review of QLS' SLS program, Vendor Number HX0410, revealed that QLS had a total of $280,240 of unsupported billings to Harbor Regional Center (HRC), SCLARC and Westside Regional Center (WRC).

Finding 3: **<u>Independent Living Program – Unsupported Billings</u>**

The review of QLS' ILP, Vendor Numbers HP4441 and HX0362, revealed that QLS had a total of $64,933 of unsupported billings to East Los Angeles Regional Center (ELARC), Inland Regional Center (IRC), San Gabriel Pomona Regional Center (SGPRC) and SCLARC.

Finding 4: **<u>Interpreter – Unsupported Billings</u>**

The review of QLS' Interpreter program, Vendor Number PX0425, revealed that QLS had a total of $7,158 of unsupported billings to SCLARC.

Finding 5: **<u>SLS, PSS, and ILP – Unsupported Consultant Services</u>**

The review of QLS' program expenditures and Service Delivery Logs, Vendor Numbers PX0457, HX0410, HP4441 and HX0362, for calendar year (CY) 2015, revealed that QLS' [redacted], [redacted], paid [redacted] Consultants, Inc. for consulting services that were unsupported by any documentation. A sample of seven months from the audit period revealed that QLS paid [redacted] Consultants, Inc. $976,118 in consulting fees for which there was no evidence of any consultation services provided.

The total unsupported billings and consultant claims identified in this audit amounts to $1,631,456 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 QLS' fiscal accountability requirements and SLS, PSS, ILP and Interpreter programs were compliant with the W&I Code; California Code of Regulations (CCR), Title 17; the regional centers' contracts with QLS and all applicable state and federal regulations for the period of July 1, 2014, through December 31, 2015.

In addition, the audit was conducted to ensure that all regional center contracts or agreements with service providers, in which rates are determined through negotiations between the regional center and the service provider, expressly require that not more than 15 percent of regional center funds be spent on administrative costs as required by W&I Code and CCR, Title 17, for the period of January 1, 2015, through December 31, 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 QLS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of QLS' 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 QLS complied with W&I Code; CCR, Title 17; and the regional centers' contracts with QLS. 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 eight regional centers that utilized QLS' services during the audit period: ELARC, HRC, IRC, NLACRC, RCOC, SCLARC, SGPRC and WRC. These eight regional centers were chosen due to a large volume of services utilized by the centers as measured by Purchase of Service (POS) expenditures.

QLS provided four different types of services, of which DDS audited four. The four services chosen were based on the amount of POS expenditures invoiced by QLS. 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 three-month sample period would be sufficient to fulfill the audit objectives.

As of March 11, 2011, Senate Bill 74 required all regional center contracts or agreements with service providers to require that not more than 15 percent of regional center funds be spent on administrative costs. To ensure compliance with this regulation, QLS' administrative costs must be no more than 15 percent of QLS' total costs for the period of January 1, 2015 through December 31, 2015.

Parenting Support Services

During the audit period, QLS operated one PSS program. The audit included the review of QLS' PSS program, Vendor Number PX0457, Service Code (SC) 108 and testing was done for the sampled months of July 2014, November 2014 and March 2015. However, the three-month sample testing demonstrated a significant amount of unsupported billings. As a result, the testing sample was expanded to include the entire FY 2014-15.

Supported Living Services

During the audit period, QLS operated one SLS program. The audit included the review of QLS' SLS program, Vendor Number HX0410, SC 896, and testing was done for the sampled months of July 2014, November 2014 and March 2015. However, the three-month sample testing demonstrated a significant amount of unsupported billings. As a result, the testing sample was expanded to include the entire Fiscal Year (FY) 2014-15.

Independent Living Program

During the audit period, QLS operated two ILPs. The audit included the review of both of QLS' ILPs, Vendor Numbers HP4441 and HX0362, SC 520, and testing was done for the sampled months of July 2014, November 2014 and March 2015. However, the three-month sample testing demonstrated a significant amount of unsupported billings. As a result, the testing sample was expanded to include the entire FY 2014-15.

Interpreter

During the audit period, QLS operated one Interpreter program. The audit included the review of QLS' Interpreter program, Vendor Number PX0425, SC 642, and testing was done for the sampled months of July 2014, November 2014 and March 2015. However, the three-month sample testing demonstrated a significant amount of unsupported billings. As a result, the testing sample was expanded to include the entire FY 2014-15.

Administrative Costs

During the audit period, QLS' administrative costs were documented by its Independent Certified Public Accountant (CPA). The audit included the review of QLS' "Schedule of Functional Expenses," for the CY ending December 2015 and testing was done for the entire CY 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 to obtain vendor background information and to obtain insight into the vendor's operations.
- Interviewed vendor staff and management to gain an understanding of its 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 centers.
- Analyzed the vendor's payroll and attendance/service records to determine if appropriate levels of staffing were provided.
- Reviewed the vendor's payroll records and trial balance to determine the vendor's costs.
- Interviewed the Executive Director for vendor background information and to gain an understanding of the accounting procedures and financial reporting process.
- DDS reviewed the Vendor's Administrative Expenses for CY 2015 to determine if the vendor's administrative expenses were not more than 15 percent of total costs.
- Obtained costs associated with administrative and direct services function for the fiscal year or calendar year under review.

- Multiplied 15 percent of total cost to obtain maximum administrative expenditures allowed.

- Obtained and reviewed allocation methodology for the types of costs. Ensured costs were appropriately categorized as administrative or direct services.

- Compared total administrative costs to the maximum administrative expenditures allowed as calculated above.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, QLS had findings of non-compliance with the requirements of W&I Code and CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on March 4, 2019. The findings in the report were discussed at an exit meeting with QLS on March 8, 2019. DDS subsequently received QLS's response to the draft audit report via email on May 17, 2019. QLS disagrees with Findings 1, 2, 3, 4, and 5.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, ELARC, HRC, IRC, NLACRC, RCOC, SCLARC, SGPRC, WRC and QLS. This restriction is not intended to limit distribution of this report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

Finding 1: <u>Parenting Support Services – Unsupported Billings</u>

The review of QLS' PSS program, Vendor Number PX0457, for FY 2014-15, revealed that QLS had unsupported billings for services billed to NLACRC, RCOC and SCLARC. Unsupported billings occurred due to a lack of appropriate documentation to support the units billed to NLACRC, RCOC and SCLARC.

QLS was not able to provide appropriate supporting documentation for 7,573 hours of services billed. Furthermore, QLS' payroll register hours did not substantiate some of the units of service billed to NLACRC, RCOC and SCLARC. The lack of documentation resulted in unsupported billings to NLACRC, RCOC and SCLARC in the amount of $303,007 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:

QLS must reimburse to DDS $303,007 for the unsupported billings. In addition, QLS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to NLACRC, RCOC and SCLARC.

QLS's Response:

QLS stated in its response dated May 17, 2019 that it disagreed with Finding 1. See Attachment C for the full text of QLS' response to the draft audit report and Attachment D for DDS' evaluation of QLS' response.

Finding 2: Supported Living Services – Unsupported Billings

The review of QLS' SLS program, Vendor Number HX0410, for FY 2014-15, revealed that QLS had unsupported billings for services billed to HRC, SCLARC and WRC. Unsupported billings occurred due to a lack of appropriate documentation to support units of service billed to HRC, SCLARC and WRC.

QLS was not able to provide appropriate supporting documentation for 12,413 hours of services billed. The lack of documentation resulted in unsupported billings to HRC, SCLARC and WRC in the amount of $280,240 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:

QLS must reimburse to DDS $280,240 for the unsupported billings. In addition, QLS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to HRC, SCLARC and WRC.

QLS's Response:

QLS stated in its response dated May 17, 2019 that it disagreed with Finding 2. See Attachment C for the full text of QLS' response to the draft audit report and Attachment D for DDS' evaluation of QLS' response.

Finding 3: **Independent Living Program – Unsupported Billings**

The review of QLS' ILP, Vendor Numbers HP4441 and HX0362, for FY 2014-15 revealed that QLS had unsupported billings for services billed to ELARC, IRC, SCLARC and SGPRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to ELARC, IRC, SCLARC, and SGPRC.

QLS was not able to provide appropriate supporting documentation for 1,079 hours of services billed for Vendor Number HP4441 and 975 hours of services billed for Vendor Number HX0362, for a total of 2,054 unsupported hours. The lack of documentation resulted in unsupported billings to ELARC, IRC, SCLARC and SGPRC in the amount of $64,933 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:

QLS must reimburse to DDS $64,933 for the unsupported billings. In addition, QLS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to ELARC, IRC, SCLARC and SGPRC.

QLS’s Response:

QLS stated in its response dated May 17, 2019 that it disagreed with Finding 3. See Attachment C for the full text of QLS’ response to the draft audit report and Attachment D for DDS’ evaluation of QLS’ response.

Finding 4: <u>Interpreter – Unsupported Billings</u>

The review of QLS’ Interpreter program, Vendor Number PX0425, for FY 2014-15, revealed that QLS had unsupported billings for services that it billed to SCLARC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SCLARC.

QLS was not able to provide appropriate supporting documentation for 358 hours of services billed. The lack of documentation resulted in unsupported billings to SCLARC in the amount of $7,158 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:

QLS must reimburse to DDS $7,158 for the unsupported billings. In addition, QLS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to SCLARC.

QLS's Response:

QLS stated in its response dated May 17, 2019 that it disagreed with Finding 4. See Attachment C for the full text of QLS' response to the draft audit report and Attachment D for DDS' evaluation of QLS' response.

Finding 5: <u>SLS, PSS, and ILP – Unsupported Consultant Services</u>

Program designs developed by QLS indicated that consultants of various clinical disciplines would support services delivered to consumers. However, the review of QLS' program expenditures and Service Delivery Logs, for Vendor Numbers PX0457, HX0410, HP4441 and HX0362, for CY 2015, revealed that QLS' [redacted]

[redacted], paid [redacted] Consultants, Inc. for consulting services that were unsupported by any documentation.

A sample of seven months from the audit period revealed that QLS paid [redacted] Consultants, Inc. $976,118 in consulting fees for which there was no evidence of any consultation services provided.
(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."

QLS Program Designs state in part that QLS' personnel will include:

A. Registered Nurse/Child Development Specialist (Service Code 108, p. 17):

"QUALIFICATIONS: …

- Three years' experience in a human services delivery system, including at least one year in comparable program or a bachelor's degree in Nursing, child development, early childhood education, developmental disability education …; and the demonstrated ability to provide staff training, supervision and planning."

- A master's degree in Nursing, child development, early childhood education.…"

B. Registered Nurse (RN) Consultant (Service Code 896, p. 28):

- "Linking QOLS [Quality of Life Services, Inc.] agency with participating free medical/dental providers.

- Teaching/instructing consumers in the program of their specific health needs."

C. Psychologist Consultant (Service Code 896, p. 28):

"The consultant will blend his or her strong academic performance with years of professional worker. His or her consulting with QOLS, Inc. means he or she is responsible for the design and development of individualized behavioral plan of intervention and the ongoing supervision of that plan."

Recommendation:

QLS must reimburse to DDS $976,118 for the unsupported consultant services. In addition, QLS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts paid for consultant services.

QLS's Response:

QLS stated in its response dated May 17, 2019 that it disagreed with Finding 5. "QLS acknowledges the fact that on its face over 15% of the gross receipts were spent on administrative expense. However, the amount that was paid to [redacted] Consultants, Inc. was in fact a form of dividend on corporate income, rather than consulting services."

See Attachment C for the full text of QLS' response to the draft audit report and Attachment D for DDS' evaluation of QLS' response.

ATTACHMENTS A-B

QUALITY LIFE SERVICES, 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

QUALITY LIFE SERVICES, 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 QLS's RESPONSE

DDS evaluated QLS's written response to the draft audit report and determined that QLS disagreed with Findings 1, 2, 3, 4 and 5. Below is a summary of the vendors' response as well as DDS' evaluation of the vendor's response.

QLS response:

"This document did not specify when the actual audit took place."

DDS response:

Although the draft report does not state the date the audit was conducted, DDS was in communication with QLS before and during the audit. The audit fieldwork was conducted between October 2016 through June 2017.

QLS response:

"The results of this three-month sample testing were expanded to include the entire Fiscal Year 2014/2015; however, the audit fact covers an 18-month period, from July 1, 2014 to December 31, 2015."

DDS response:

As stated in the draft audit report, the review of QLS' PSS, SLS, ILP, and Interpreter program covered the state FY 2014-15 (July 1, 2014 – June 30, 2015). The review of QLS' program expenditures and/or Administrative Costs covered the calendar year (CY) beginning January 1, 2015 and ending December 31, 2015. As a result, the audit report covered the 18-month period, from July 1, 2014 to December 31, 2015.

QLS response:

"DDS refused to produce any specific information requested."

DDS response:

On April 11, 2017, prior to the formal audit exit meeting, the audit team met with QLS and discussed the audit findings. During this meeting, DDS provided QLS with a spreadsheet with details identifying the discrepancies.

QLS response:

"There is no information on what were the deficiencies that lead DDS to conclude that a certain percentage of billings was unsupported by documentation. By not identifying the

ATTACHMENT D – DDS' EVALUATION OF QLS's RESPONSE

above-mentioned evidence, DDS affectively shifted the burden on the provider to disprove the unknown at this time deficiencies and unsupported billing."

DDS response:

DDS disagrees with QLS' statement. QLS was informed of the deficiencies discovered during the audit fieldwork. DDS met with QLS on several occasions to discuss the audit deficiencies. In November 2016, DDS informed QLS that DDS had identified several questionable activities regarding QLS' business structure and practices.
On April 11, 2017, subsequent to the issuance of the draft audit report, DDS met with QLS regarding the audit deficiencies. The content of the report was also explained to QLS on March 8, 2019 during the formal in-person exit conference. QLS was provided with a spreadsheet with details identifying the discrepancies. As an example, QLS' payroll register hours did not substantiate the hours of service billed to the regional centers. When the audit team tested the payroll records against the "Service Delivery Logs" provided by each staff, there were significant deficiencies between the service delivery logs' hours and the hours paid to staff.

QLS response:

"The amount that was paid to [redacted] Consultants, Inc. was in fact a form of a dividend on corporate income, rather than consulting services."

DDS response:

DDS disagrees with QLS' statements. If the response is correct, [redacted] misrepresented the payments as consultant expenses, but QLS is acknowledging that no consultant services were provided to regional centers' consumers.
As stated in the final audit report, QLS was to hire professional staff with credentials such as: Child Development Specialist, Psychologist, and Registered Nurses for the teaching and training of staff or consumers. These professional staff were responsible for the design and development of individualized behavioral plan of intervention and the ongoing supervision of that plan.

Conclusion:

DDS disagrees with QLS' assertions for Findings 1, 2, 3, 4 and 5. During the audit, the auditors found irregularities in QLS' billings and records that were in violation of CCR, Title 17 and other applicable state and federal regulations. QLS' response to the draft audit report did not include any new additional information or source documentation to refute DDS' audit findings.

ATTACHMENT D – DDS' EVALUATION OF QLS's RESPONSE

Since no additional documents or information was provided to support QLS allegations, no adjustments to the draft audit report are warranted. Therefore, DDS is requesting QLS to reimburse $1,631,456 for the unsupported billings and consultant claims identified in the audit report.