

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
ALTERNATIVE LEARNING CENTER

Programs and Services:

Independent Living Program – H84742, HV0170

Supported Living Services – S29420, HB0326

Audit Period: July 1, 2016, through June 30, 2019

Audit Section

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ALTERNATIVE LEARNING CENTER

TABLE OF CONTENTS

	Page(s)
EXECUTIVE SUMMARY	1
BACKGROUND.....	2
OBJECTIVE, SCOPE AND METHODOLOGY	2
CONCLUSION.....	5
VIEWS OF RESPONSIBLE OFFICIALS	5
RESTRICTED USE	5
FINDING AND RECOMMENDATION	6
ATTACHMENT A.....	8
ATTACHMENT B – VENDOR’S RESPONSE	9
ATTACHMENT C – DDS’ EVALUATION OF ALC’S RESPONSE	10

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Alternative Learning Center (ALC). The audit was performed upon the Supported Living Services (SLS) and Independent Living Program (ILP) for the period of July 1, 2016, through June 30, 2019.

The audit disclosed the following issue of non-compliance:

Finding 1: Supported Living Services – Unsupported Billings

The review of ALC's SLS, Vendor Numbers S29420 and HB0326, revealed that ALC had a total of \$2,865 of unsupported billings to Golden Gate Regional Center (GGRC) and Regional Center of the East Bay (RCEB).

The total of the finding identified in this audit amounts to \$2,865, which is due back to DDS. A detailed discussion of the 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 ALC's financial accountability requirement and, programs and services were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State and Federal laws and regulations and the regional centers' contracts with ALC for the period of July 1, 2016, 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 ALC, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ALC'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 ALC 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 audit.

The audit scope was determined by reviewing the programs and services provided to three regional centers that utilized ALC's services during the audit period. DDS audited services provided to Golden Gate Regional Center (GGRC), Valley Mountain Regional Center (VMRC) and Regional Center of the East Bay (RCEB). These three regional centers were chosen due to the large volume of services utilized by the centers as measured by Purchase of Service (POS) expenditures.

ALC provided three different types of services, of which DDS audited two. Services chosen were based on the amount of POS expenditures invoiced by ALC. 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, ALC operated two SLS. The audit included the review of both SLS, Vendor Numbers S29420 and HB0326, SC 896, and testing was done for the sampled months of November 2018 and February 2019.

INDEPENDENT LIVING PROGRAM

During the audit period, ALC operated two ILPs. The audit included the review of both ILPs, Vendor Number H84742 and HV0170, SC 520, and testing was done for the sampled months of November 2018 and February 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 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 correspondences 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 centers.
- 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 Executive Director, Administrator and Program Coordinators, 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, ALC had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on September 21, 2020. The areas of review and conclusion of the audit were discussed in an exit conference with [REDACTED], Chief Financial Officer at ALC, on September 25, 2020. [REDACTED] responded via email on October 12, 2020 that ALC agreed with the conclusion of the audit report.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, GGRC, VMRC, RCEB and ALC. 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 ALC's SLS, Vendor Numbers S29420 and HB0326, for the sampled months of November 2018 and February 2019, revealed that ALC had unsupported billings for services billed to GGRC and RCEB. Unsupported billings occurred due to a lack of appropriate documentation and non-compliance with the CCR, Title 17 to support the units of service billed to GGRC and RCEB.

DDS reviewed the direct care service hours documented on the employee timesheets and compared those hours to the direct care service hours billed to GGRC and RCEB. DDS noted that the direct care service hours on the timesheets which were reconciled to payroll were 180 hours less than the direct care service hours billed to GGRC and RCEB. The lack of documentation resulted in unsupported billings to GGRC and RCEB in the amount of \$2,865, 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:

ALC must reimburse to DDS \$2,865 for the unsupported billings. In addition, ALC should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to GGRC and RCEB.

ALC's Response:

██████████ Chief Financial Officer at ALC, submitted a response on October 12, 2020, stating that ALC accepted the finding and does not dispute it.

See Attachment B for the full text of ALC's response to the draft audit report and Attachment C for DDS' evaluation of ALC's response.

ATTACHMENT A

ALTERNATIVE LEARNING CENTER

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

ALTERNATIVE LEARNING CENTER

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 ALC’S RESPONSE

DDS evaluated ALC’s response, dated October 12, 2020 to the draft audit report and determined that ALC did not disagree with the draft audit report findings. Below is a summary of the ALC’s response as well as the DDS’ evaluation of the vendor’s response.

Finding 1: Supported Living Services – Unsupported Billings

ALC agreed to refund DDS the amount identified in the draft audit report.

Finding 2: Non-Compliance with Required Independent Audit of Financial Statements

ALC stated that there was a delay with the CPA firm that was auditing its financial statements. In response to DDS’ draft audit report, ALC submitted the required financial statements for the calendar years 2016, 2017, and 2018. Therefore, the finding was resolved and will not be disclosed in the final audit report.