

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF VENDOR
PERFORMED UPON SERVICE CODE 998



Program and Service:

Service Delivery Alternatives – 

Audit Period: January 1, 2013, through December 31, 2013

Audit Branch

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited [REDACTED] The San Gabriel/Pomona Regional Center (SG/PRC) vendorized [REDACTED] on August 29, 2001 to provide non-designated Supported Living Services (SLS) to [REDACTED].

The [REDACTED] were transferred from the Eastern Los Angeles Regional Center (ELARC) to SG/PRC as part of the Office of Administrative Hearings (OAH) Settlement Agreement between [REDACTED] and ELARC. The audit was performed upon Service Code 998 - Service Delivery Alternatives for the period of January 1, 2013, through December 31, 2013.

The audit disclosed the following issue of non-compliance:

Finding 1: Duplicate Payments

The review of payments made to [REDACTED] under the Service Delivery Alternatives program revealed that [REDACTED] billed SG/PRC and In-Home Supportive Services (IHSS) for the same hours of services. During the audited period, [REDACTED] received \$60,534 in duplicate payments.

The total finding identified in this audit amounts to \$60,534, 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 California 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 [REDACTED] fiscal accountability requirement and Service Delivery Alternatives program was compliant with the W&I Code, California Code of Regulations (CCR), Title 17 and the OAH Settlement Agreement with [REDACTED] for the period of January 1, 2013, through December 31, 2013.

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 [REDACTED] nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of [REDACTED] 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 [REDACTED] complied with the W&I Code and CCR, Title 17. Also, any complaints that DDS' Audit Branch was aware of regarding non-compliance with laws and regulations were reviewed and followed-up on during the course of the audit.

The audit scope was determined by reviewing the program and service provided to SG/PRC that utilized [REDACTED] service during the audit period. In addition, [REDACTED] provided two non-designated SLS, which DDS audited. Analyzing the information received during a pre-audit meeting with [REDACTED], information in the internal control questionnaire and a risk analysis, it was determined that a twelve-month sample period would be sufficient to fulfil the audit objectives.

Service Code 998 (Service Delivery Alternatives)

During the audit period, [REDACTED] operated one Service Code 998 (Service Delivery Alternatives) program. The billing audit included the review of [REDACTED] Service Code 998 (Service Delivery Alternatives) program and testing was done for the months of January 2013 to December 2013.

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 objective. The procedures performed included, but were not limited to, the following:

- Review of vendor files for contracts, payment agreement forms, Purchase of Service (POS) authorizations, mediation agreements and correspondences pertinent to the review.
- Interview of SG/PRC management for vendor background information and to obtain insight into the vendor's operations.
- Interview of vendor's staff and management to gain an understanding of its accounting procedures and processes for regional center billing.
- Review of vendor's program plan/case notes, employee time records, and payroll preview summary to determine if the vendor had sufficient and appropriate evidence to support the direct care services billed to SG/PRC.
- Review In-Home Supportive Services (IHSS) Statement of Earnings and Deductions.
- Analysis of the vendor's program plan/case notes, employee time records, and payroll preview summary to determine if the appropriate level of staffing was provided.
- Interview the vendor 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, [REDACTED] did not comply with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on January 5, 2017. The finding in the audit report was discussed at the exit conference via telephone with [REDACTED] on January 10, 2017. DDS subsequently received [REDACTED] response to the draft audit report on February 28, 2017. [REDACTED] disagrees with the Finding and Recommendation of the audit and does not believe that he owes any duplicate payments to DDS.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, SG/PRC, and [REDACTED]. This restriction is not intended to limit distribution of this report, which is a matter of public record.

FINDING AND RECOMMENDATION

Finding 1: Duplicate Payments

The review of payments made to [REDACTED] under the Service Delivery Alternatives program revealed that [REDACTED] billed SG/PRC and the County of Los Angeles' IHSS for the same hours of service.

These services that were paid for by SG/PRC were found to be pursuant to an OAH settlement agreement, which required SG/PRC to pay for 24-hour services. The service records/case notes reviewed indicated and support that services were provided on a 24-hour, 7 days a week basis. However, the County of Los Angeles' IHSS Statement of Earnings and Deductions also documents that IHSS services were provided during the same 24-hour period. Since it was the intent of the Legislature that DDS and the regional centers be the payers of last resort, the hours of services funded by the County of Los Angeles should have been deducted from the hours billed to SG/PRC.

Therefore, the amount of \$60,534 received from the County of Los Angeles must be deducted from the claims submitted to SG/PRC for the same hours of services paid for by the County of Los Angeles. (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 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 . . .”

W&I Code, section 4648 (8) states:

“(8) Regional Center funds shall not be used to supplant the budget of any agency that has a legal responsibility to serve all members of the general public and is receiving public funds for providing those services.”

W&I Code, section 4659.10 states:

“It is the intent of the Legislature that this article shall be implemented consistent with the responsibilities of the department and the regional centers to provide services and supports pursuant to the requirements of this division and the California Early Intervention Program. It is further the intent of the Legislature that the department and the regional centers shall continue to be the payers of last resort consistent with the requirements of this division and the California Early Intervention Program.”

Recommendation:

██████████ must reimburse to DDS \$60,534 for the duplicate payments.

Vendor’s Response:

██████████ stated in the response, dated February 28, 2017, “the responsible party” is “██████████, Inc. DBA’,” not ██████████.

██████████ also stated, “There were no ‘duplicate payments’” because the IHSS “gross dollar payment was deducted from employees’ SSD salary prior to payroll processing and subsequent Regional Center billing.”

See Attachment B for the full text of ██████████ response to the draft audit report and Attachment C for DDS’ evaluation of ██████████ response.

ATTACHMENT A

AUDIT OF VENDOR PERFORMED UPON SERVICE CODE 998

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

AUDIT OF VENDOR PERFORMED UPON SERVICE CODE 998

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 VENDOR'S RESPONSE

To request a copy of the DDS' evaluation of the vendor's response, please contact the DDS Audit Section at (916) 654-3695.