

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
BEACON-INDEPENDENT LIVING SERVICES

Programs:

Independent Living Program – HS0210, HS0283

Adult Development Program – HS1082

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

Audit Section

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BEACON-INDEPENDENT LIVING SERVICES

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Beacon-Independent Living Services (BILS). The audit was performed upon the Independent Living Program (ILS) and Adult Development Center (ADC) for the period of July 1, 2017, through June 30, 2018.

The audit disclosed the following issues of non-compliance:

Finding 1: Independent Living Program – Unsupported Billings

The review of BILS' ILS program, Vendor Number HS0210, revealed that BILS had a total of \$2,457 of unsupported billings to San Andreas Regional Center (SARC).

Finding 2: Adult Development Center – Unsupported Billings

The review of BILS' ADC program, Vendor Number HS1082, revealed that BILS had a total of \$462 of unsupported billings to SARC.

Finding 3: Independent Living Program – Overbillings

The review of BILS' ILS program, Vendor Number HS0210, revealed that BILS had overbillings, which resulted in a total of \$149 of overpayments of services billed to SARC.

Finding 4: Non-Compliance to Obtain an Independent Review of Financial Statements

BILS did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to \$500,000, but less than \$2,000,000, in purchase of service (POS) expenditures during Fiscal Year (FY) 2017-18 to obtain an independent review report of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.

The total of the findings identified in this audit amounts to \$3,068, which 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 BILS' financial accountability requirement and its programs 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 BILS for the audit 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 BILS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of BILS' 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 BILS complied with W&I Code and CCR, Title 17. Any complaints that DDS' Audit Section was aware of regarding non-compliance with laws and regulations were also reviewed and addressed during the course of the audit.

The audit scope was determined by reviewing the programs provided to SARC that utilized BILS' services during the audit period. BILS provided three types of services, of which DDS audited two. Programs chosen by DDS were based on the amount of POS expenditures invoiced by BILS. 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.

Independent Living Program

During the audit period, BILS operated two ILS programs. The audit included the review of both of BILS' ILS programs, Vendor Numbers HS0210 and HS0283, SC 520 and testing was done for the sampled months of April 2018 and May 2018.

Adult Development Center

During the audit period, BILS operated one ADC program. The audit included the review of BILS' ADC program, Vendor Number HS1082, SC 510 and testing was done for the sampled months of April 2018 and May 2018.

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.
- Reviewed the vendor's general ledger, payroll records and trial balance to determine the vendor's costs.
- Interviewed the vendor's Executive Director, and Associate Directors, for vendor background information and to gain understanding of accounting procedures and financial reporting process.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, BILS had findings of non-compliance with the requirements of CCR, Title 17 and the Welfare and Institutions (W&I) Code, Section 4652.5.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on September 2, 2020. The findings in the report were discussed via a Microsoft Teams online exit conference with [REDACTED], the Executive Director and [REDACTED], the Associate Director of BILS on September 8, 2020. During the meeting, BILS Management agreed with the audit report findings and sent a letter via email accepting the findings.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Independent Living Program – Unsupported Billings

The review of BILS' ILS program, Vendor Number HS0210 for the sampled months of April 2018 and May 2018, revealed that BILS had unsupported billings for services billed to SARC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SARC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service hours documented on the employee timesheets and compared those hours to the direct care service hours billed to SARC. DDS noted that the direct care service hours on the timesheets which were reconciled to payroll were 67 hours less than the direct care service hours billed to BILS was not able to provide appropriate supporting documentation for 67 hours of services billed. The lack of documentation resulted in unsupported billings to SARC in the amount of \$2,457, 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:

BILS must reimburse to DDS \$2,457 for the unsupported billings. In addition, BILS should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SARC.

BILS' Response:

████████████████████, the Associate Director of BILS responded via email with an attached letter on September 8, 2020, stating that BILS has accepted the findings and will not contest it. (See Attachment C)

Finding 2: Adult Development Center– Unsupported Billings

The review of BILS' ADC program, Vendor Number HS1082, for the sampled months of April 2018 and May 2018, revealed that BILS had unsupported billings for services billed to SARC. The tailored day program units for BILS are hourly. SARC used the tailored day services budget planning form to calculate the hourly rate of \$38.47. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SARC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service hours documented on the employee timesheets and compared those hours to the direct care service hours billed to SARC. DDS noted that the direct care service hours on the timesheets which were reconciled to payroll were 12 hours less than the direct care service hours billed to SARC. BILS was not able to provide appropriate supporting documentation for 12 hours of services billed. The lack of documentation resulted in unsupported billings to SARC in the amount of \$462, 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:

BILS must reimburse to DDS \$462 for the unsupported billings. In addition, BILS should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SARC.

BILS’ Response:

████████████████████, the Associate Director of BILS, responded via email with an attached letter on September 8, 2020, stating that BILS has accepted the finding and will not contest it. (See Attachment C)

Finding 3: Independent Living Program – Overbillings

The review of BILS’ ILS program, Vendor Number HS0210, for the sampled months of April 2018 and May 2018, revealed that BILS had overbillings for services billed to SARC. Overbillings occurred due to overlapping hours logged on timesheets where one staff had hours with two consumers at the same time for 1:1 service, which were billed to SARC.

DDS reviewed the direct care service hours documented on the timesheets and compared those hours to the direct care service hours billed to SARC. DDS noted that the direct care service hours on the timesheets which were reconciled to payroll identified four hours of services that were not provided on a 1:1 ratio but on a 1:2 ratio.

BILS overbilled SARC for a total of four hours. This resulted in an overbilled amount of \$149 and 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:

BILS must reimburse to DDS \$149 for the overbillings. In addition, BILS should ensure that the number of direct care hours billed are consistent with the number of hours reported on the timesheets and payroll.

BILS’ Response:

████████████████████, the Associate Director of BILS, responded via email with an attached letter on September 8, 2020, stating that BILS has accepted the finding and will not contest it. (See Attachment C)

Finding 4: Non-Compliance to Obtain an Independent Review of Financial Statements

BILS did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to \$500,000, but less than \$2,000,000, in purchase of service (POS) expenditures during Fiscal Year (FY) 2017-18 to obtain an independent review report of its financial statements for the entity’s fiscal year that includes the last day of the most recent state fiscal year.

W&I Code, Section 4652.5(a) states:

- “(a) (1) An entity that receives payments from one or more regional centers shall contract with an independent accounting firm to obtain an independent audit or independent review report of its financial statements relating to payments made by regional centers, subject to both of the following:
- (A) If the amount received from the regional center or regional centers during each state fiscal year is more than or equal to five hundred thousand dollars (\$500,000), but less than two million dollars (\$2,000,000), the entity shall obtain an independent review report of its financial statements for the entity’s fiscal year that includes the last day of the most recent state fiscal year.”

- (b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within nine months of the end of the entity's fiscal year.
- (c) Regional centers receiving the audit or review reports required by subdivision (b) shall review and require resolution by the entity for issues identified in the report that have an impact on regional center services. Regional centers shall take appropriate action, up to termination of vendorization, for lack of adequate resolution of issues."

Recommendation:

BILS must obtain an independent review report of its financial statements and provide copies of the independent review report to SARC and DDS.

BILS' Response:

████████████████████, the Associate Director of BILS, responded via email with an attached letter on September 8, 2020, stating that BILS has accepted the finding and will not contest it. (See Attachment C)

ATTACHMENTS A-B

BEACON-INDEPENDENT LIVING SERVICES

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

BEACON-INDEPENDENT LIVING SERVICES

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 BIL’S RESPONSE

DDS evaluated BILS’ response, dated September 8, 2020, to the draft audit report and determined that BILS did not disagree with the draft audit report findings. BILS agreed to refund DDS the amount identified in the draft audit report.