

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
CHILDREN'S THERAPY NETWORK, INC.

Program:

Infant Development Program – HT0353

Audit Period: July 1, 2016, through June 30, 2017

Audit Section

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CHILDREN’S THERAPY NETWORK, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Children's Therapy Network, Inc. (CTN). The audit was performed upon the Infant Development Program (IDP) for the period of July 1, 2016, through June 30, 2017.

The audit disclosed the following issues of non-compliance:

Finding 1: Infant Development Program – Overbillings

The review of CTN's IDP, Vendor Number HT0353, revealed that CTN had a total of \$30,738 of overbillings to Tri-Counties Regional Center (TCRC).

Finding 2: Infant Development Program – Unsupported Billings

The review of CTN's IDP, Vendor Number HT0353, revealed that CTN had a total of \$8,559 of unsupported billings to TCRC.

Finding 3: Infant Development Program – Replacement of Authorized Therapeutic Services

The review of CTN's IDP, Vendor Number HT0353, revealed that CTN did not provide the appropriate types of therapy services to consumers but replaced the authorized therapy hours with other types of therapy that were not required in their Individualized Family Service Plans (IFSP).

The total of the findings identified in this audit amounts to \$39,297, 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 CTN's IDP was compliant with the W&I Code, California Code of Regulations (CCR), Title 17 and the regional center's contract with CTN for the period of July 1, 2016, through June 30, 2017.

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 CTN, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of CTN'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 CTN 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 TCRC that utilized CTN's services during the audit period. CTN provided one type of service, 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.

Infant Development Program

During the audit period, CTN operated one IDP. The audit included the review of CTN's IDP, Vendor Number HT0353, Service Code (SC) 805 and testing was done for the sampled months of February and March 2017. However, the two sampled months

demonstrated a high amount of billing discrepancy. As a result, the testing was expanded to include the month of January 2017.

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(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.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, CTN had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on October 8, 2020. The findings in the report were discussed during an exit conference with AF, on October 15, 2020. DDS received CTN's response on November 20, 2020. CTN disagreed with findings 1 and 2.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Infant Development Program – Overbillings

The review of CTN's IDP, Vendor Number HT0353, for the testing months of January, February and March 2017 revealed that CTN had overbilled services to TCRC. Overbillings occurred due to overlapping hours being billed for hours provided at a higher staff-to-consumer ratio of 2:1. These hours were for supervision hours and, in some instances, services were provided by multiple therapists at the same time to the same consumer.

CTN should not have billed supervision hours, as they are not treatment hours authorized in the consumers' IFSPs. In addition, consumers should be provided services only at the approved 1:1 staffing ratio, as stated in CTN's rate letter.

DDS reviewed the direct care service hours documented on the service logs or attendance logs and compared those hours to the direct care service hours billed to TCRC. DDS noted that the direct care service hours on the service logs or attendance logs which were reconciled to payroll reflected 354 overlapping hours that were not provided on the approved 1:1 ratio. CTN overbilled for these 354 hours, which resulted in overbillings to TCRC in the amount of \$30,738, 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.”

Recommendation:

CTN must reimburse to DDS \$30,738 for the overbillings. In addition, CTN should provide the correct staffing ratio and bill to TCRC only treatment hours authorized in the consumers' IFSPs.

Vendor's Response:

In the response dated November 20, 2020, CTN disagreed with the finding. (See Attachment C)

Finding 2: Infant Development Program – Unsupported Billings

The review of CTN's IDP, Vendor Number HT0353, for the testing months of January, February and March 2017 revealed that CTN had unsupported billings for services billed to TCRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to TCRC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service hours documented on the service logs or attendance logs and compared those hours to the direct care service hours billed to TCRC. DDS noted that the direct care service hours on the service logs or attendance logs which were reconciled to payroll were 99 hours less than the direct care service hours billed to TCRC. The lack of documentation resulted in unsupported billings to TCRC in the amount of \$8,559, which 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.”

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:

CTN must reimburse to DDS \$8,559 for the unsupported billings. In addition, CTN should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to TCRC.

Vendor’s Response:

In the response dated November 20, 2020, CTN disagreed with the finding. (See Attachment C)

Finding 3: Infant Development Program – Replacement of Authorized Therapeutic Services

The review of CTN’s IDP, Vendor Number HT0353, for the sampled months of February and March 2017 revealed that CTN was noncompliant with the Early Start regulations in CCR, Title 17 when it replaced the authorized therapy hours with other types of therapy not required in their IFSPs, such as providing occupational therapy in lieu of physical therapy. The replacement of authorized therapeutic hours with a different discipline supplants the actual early intervention services necessary for the infant or toddler and the family. This may delay and/or reduce the benefits of the services to the consumer.

CCR, Title 17, Section 54326(a)(10) states:

- “(a) All vendors shall: ...
- (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 52108(a)(1) states:

- “(a) Each service on the IFSP shall be designated as one of the following:
- (1) A required early intervention service. These services shall be provided, purchased or arranged by a regional center.”

CCR, Title 17, Section 52102 (a) states:

- “(a) An initial IFSP shall be developed by the regional center and/or LEA for each eligible infant or toddler, who has been evaluated and assessed, within 45 days of the receipt, by either the regional center or LEA, of the oral or written referral except as provided for in Section 52107 of these regulations.
- (b) A periodic review of the IFSP for an infant or toddler and the infant's or toddler's family shall be conducted every six months, or more frequently if service needs change, or if the parent requests such a review.
 - (i) The contents of the initial and annual IFSP and changes to the IFSP resulting from the periodic review shall be fully explained and a legible copy of the document given to the parent. Written consent from the parent shall be obtained prior to the provision of early intervention services described in the IFSP as required in Section 52162(a) of these regulations.
 - (j) If the parent does not provide consent with respect to a particular early intervention service listed in the IFSP or withdraws consent after first providing it, that service shall not be provided. The early intervention services to which parental consent is obtained shall be provided.”

Recommendation:

CTN should only provide the authorized discipline hours as reflected in the IFSP. In instances where CTN cannot provide the discipline specified in the IFSP, even in the short-term, the regional center must be notified.

Vendor's Response:

In the response dated November 20, 2020, CTN stated that CTN has followed DDS recommendation and discontinued the practice of supplanting services for another. (See Attachment C)

ATTACHMENTS A-B

CHILDREN'S THERAPY NETWORK, 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

CHILDREN’S THERAPY NETWORK, 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 CTN’S RESPONSE

DDS evaluated Children’s Therapy Network, Inc.’s (CTN) written response to the draft audit report and additional documentation CTN provided and determined that CTN is disputing Findings 1 and 2. Below is a summary of CTN’s response and DDS’ evaluation of CTN’s response. This evaluation only addresses statements that are relevant to the audit findings. (See **Attachment C** to the final audit report for the full text the CTN’s response.)

Finding 1: Infant Development Program – Overbillings:

CTN agrees that it billed for supervision of licensed assistants and early interventionists and that the supervision was not “referenced” in the consumers’ Individualized Family Service Plan (IFSP). However, CTN states that the California state licensing boards of speech therapy, occupational therapy and physical therapy require all licensed assistants to be directly supervised by a licensed therapist and that CTN is transparent about utilizing one of the authorized treatment hours to bill for supervision of licensed assistants. CTN alleges that TCRC was aware of this practice and sanctioned it. CTN agrees that supervision of early interventionists is not required by any licensing board but claims that TCRC requested the supervision of EIs.

CTN claims that a change in billing practice approved in early 2020 showed that DDS and TCRC were not following Title 17, which requires DDS to follow the professional regulations of the provider of services recommended on the IFSP.

DDS’ review of CTN’s program design, consumers’ authorizations/IFSPs, and DDS payment rate determined that DDS approved CTN at a staffing ratio at 1:1 for services. (See **Attachment E** - Appendix I)

CTN did not provide any supporting documents for its claim that its practice of billing for supervision “was widely known, accepted, and sanctioned” by TCRC.

As a result of DDS’ audit of CTN, TCRC sent an advisory memo to all 805 providers to clearly communicate these expectations in response to the claim by CTN that several other TCRC vendors are also billing for supervision. (See **Attachment F** - 805VendorMemo re Supervision dated 03/27/19.)

Finding 2: Infant Development Program – Unsupported Billings:

CTN states that it “experienced a mandatory evacuation due to the Thomas Fire, in which it appears some of the paper documentation was lost or misplaced.” CTN also states that comparing services logs to payroll logs during this period would not

ATTACHMENT D – DDS’ EVALUATION OF CTN’s RESPONSE

result in a direct correlation, since CTN had therapists who were paid hourly, salary, and two that were contracted by an outside temp agency.

CTN did not provide new supporting documentation regarding this finding. DDS reconciled documented service record hours to employee payroll data to ensure that therapists were paid for the billed hours of service. For temp agency staff and independent contractors, service record hours were reconciled to canceled checks paid to the temp agency and contractors.

Finding 3: Infant Development Program - Replacement of Authorized Therapeutic Services:

CTN admits to the practice of supplanting one service for another, but states that supplanting of services was always done with the direct permission of the service coordinator, in response to request by the client, and mostly to cover a main therapist's long-term absence.

CTN indicated that they have followed DDS’ recommendation and discontinued the practice of supplanting services for another.

Conclusion:

In reviewing CTN’s response as support to refute DDS’ audit findings regarding the overbillings and unsupported billings, it was determined that no additional supporting documentation was provided. Title 17 requires that service providers shall maintain complete service records to support all billings to the regional center. CTN did not provide any additional supporting evidence that would result in a reduction of Finding 1 or Finding 2. DDS acknowledges that CTN has discontinued the practice of supplanting services for another as disclosed in Finding 3.

ATTACHMENTS E-F

CHILDREN'S THERAPY NETWORK, INC.

To request a copy of the attachments for this audit report, please contact the DDS Audit Section at (916) 654-3695.