DEPARTMENT OF DEVELOPMENTAL SERVICES' AUDIT OF INDEPENDENT COMMUNITY RESOURCES, INC.

Program and Services:

Supported Living Services – H59495

Independent Living Program – H59480

Audit Period: July 1 2015, through June 30, 2017

Audit Section

Auditors: Michael Masui, Chief of Vendor Audit Unit

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INDEPENDENT COMMUNITY RESOURCES, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Independent Community Resources, Inc. (ICR). The audit was performed upon Supported Living Services (SLS) and the Independent Living Program (ILS) for the period of July 1, 2015, through June 30, 2017.

The audit disclosed the following issue of non-compliance:

Finding 1: <u>Supported Living Services – Unsupported Billings</u>

The review of ICR's SLS program, Vendor Number H59495, revealed that ICR had a total of \$6,032 of unsupported billings to San Gabriel Pomona Regional Center (SGPRC).

The finding identified in this audit amounts to a total of \$6,032, 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 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 ICR's fiscal accountability requirement and SLS and ILS 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 ICR for the period of July 1, 2015, through June 30, 2017.

<u>Scope</u>

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 ICR, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ICR'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 ICR 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 programs and services provided to five regional centers that utilized ICR's services during the audit period. DDS audited programs and services provided to San Gabriel Pomona Regional Center (SGPRC), Inland Regional Center (IRC) and East Los Angeles Regional Center (ELARC). 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. ICR provided six different types of services, of which DDS audited two. Services chosen were based on the amount of POS expenditures invoiced by ICR. 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, ICR operated one SLS program. The audit included the review of ICR's SLS, Vendor Number H59495, Service Code (SC) 896 and testing was done for the sampled months of October and November 2016.

Independent Living Program

During the audit period, ICR operated one ILP. The audit included the review of ICR's ILP, Vendor Number H59480, SC 520 and testing was done for the sampled months of October and November 2016.

<u>Methodology</u>

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 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.
- 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 the item identified in the Finding and Recommendation section, ICR had a finding of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on Feb	ruary 5, 2020.	The areas	s of review	v and cor	nclusion
of the audit were discussed in an exit of	conference with		,	Preside	nt of
ICR, on February 13, 2020.	responded vi	ia email or	n March 10	0, 2020,	that ICR
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 and SGPRC. This restriction is not intended to limit distribution of this report, which is a matter of public record.

FINDING AND RECOMMENDATION

Finding 1: <u>Supported Living Services – Unsupported Billings</u>

The review of ICR's SLS program, Vendor Number H59495, for the sampled months of October and November 2016, revealed that ICR had unsupported billings for services billed to SGPRC. Unsupported billings occurred due to a lack of appropriate documentation and compliance with the CCR, Title 17 to support the units of service billed to SGPRC.

ICR was not able to provide appropriate supporting documentation for 231 hours of services billed. The lack of documentation resulted in unsupported billings to SGPRC in the amount of \$6,032, 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 deliver 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:

ICR must reimburse to DDS \$6,032 for the unsupported billings. In addition, ICR should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SGPRC.

ICR's Response:

President of ICR, submitted a response on March 10, 2020, stating that ICR accepted the finding and does not dispute it.

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

ATTACHMENT A

INDEPENDENT COMMUNITY RESOURCES, INC.

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 INDEPENDENT COMMUNITY RESOURCES, INC.

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 IRC's RESPONSE

DDS evaluated ICR's written response to the draft audit report and determined that ICR agreed with the finding. ICR agreed to refund DDS the amount identified in the draft audit report.