

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
NEW PERSPECTIVES, INC.

Programs and Services:

Adult Development Center – HS1009, HS1085, HS1158

Behavior Management Program – HS1008, HS1086, HS1169

Community Integration Training Program – ZS0943, ZS1038, ZS1142

Transportation – Additional Component – ZS0943, ZS1038, ZS1142

Audit Period: Audit Period: July 1, 2018, through June 30, 2020

Audit Section

Auditors: Alimou Diallo, Acting Chief of Vendor Audit Unit
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NEW PERSPECTIVES, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited New Perspectives, Inc. (NPI). The audit was performed upon the Adult Development Center (ADC), Behavior Management Program (BMP), Community Integration Training Program (CITP), and the Transportation – Additional Component (TAC) service for the period of July 1, 2018, through June 30, 2020.

The audit disclosed the following issues of non-compliance:

Finding 1: Adult Development Center – Overbillings

The review of NPI's ADC, Vendor Numbers HS1009, HS1085, and HS1158, revealed that NPI had a total of \$94,150 of overbillings to San Andreas Regional Center (SARC).

Finding 2: Behavior Management Program – Overbillings

The review of NPI's BMP, Vendor Numbers HS1008, HS1086, and HS1169, revealed that NPI had a total of \$8,909 of overbillings to SARC.

Finding 3: Community Integration Training Program – Unsupported Billings

The review of NPI's CITP, Vendor Numbers ZS0943, ZS1038, and ZS1142, revealed that NPI had a total of \$791 of unsupported billings to SARC.

Finding 4: Non-Compliance - Independent Audit of Financial Statements

NPI did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor to obtain an independent audit of its financial statements.

The total of the findings identified in this audit amounts to \$103,850, 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 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 NPI's fiscal 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 NPI for the period of July 1, 2018, through June 30, 2020.

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 NPI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of NPI'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 NPI 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 and services provided to SARC that utilized NPI's services during the audit period. NPI provided four different types of services, of which DDS audited four. Services chosen by DDS were based on the amount of purchase of service (POS) expenditures invoiced by NPI. 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.

Adult Development Center

During the audit period, NPI operated three ADCs. The audit included the review of three of NPI's ADCs, Vendor Numbers HS1009, HS1085, and HS1158, Service Code (SC) 510

and testing was done for the sampled months of October 2019 and January 2020. NPI billed SARC on the daily rate instead of the hourly rate on some consumers; therefore, the testing sample was expanded to include the sampled months of July 2018 through June 2020.

Behavior Management Program

During the audit period, NPI operated three BMPs. The audit included the review of three of NPI's BMPs, Vendor Numbers HS1008, HS1086, and HS1169, SC 515 and testing was done for the sampled months of October 2019 and January 2020. NPI billed SARC on the daily rate instead of the hourly rate on some consumers; therefore, the testing sample was expanded to include the sampled months of July 2018 through June 2020.

Community Integration Training Program

During the audit period, NPI operated three CITPs. The audit included the review of three of NPI's CITPs, Vendor Numbers ZS0943, ZS1038, and ZS1142, SC 055 and testing was done for the sampled months of October 2019 and January 2020.

Transportation – Additional Component

During the audit period, NPI provided TAC services to consumers. The audit included the review of NPI's TAC services, Vendor Numbers ZS0943, ZS1038, and ZS1142, SC 880 and testing was done for the sampled months of October 2019 and January 2020.

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, timesheets, endorsement logs, and attendance/service records to determine if the appropriate level of staffing was provided.

CONCLUSION

Based upon items identified in the Findings and Recommendations section, NPI had findings of non-compliance with the requirements of W&I Code, CCR, Title 17, and its contract with SARC.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on June 1, 2022. The findings in the report were discussed at an exit conference via ZOOM with NPI on June 9, 2022. Subsequent to the exit conference, on July 20, 2022, NPI provided a one-page letter response via email stating that NPI agreed with the audit findings.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Adult Development Center – Overbillings

The review of NPI's ADCs, Vendor Numbers HS1009, HS1085, and HS1158 for the sampled months of October 2019 and January 2020, and the expanded months of July 2018 through June 2020, revealed that NPI had overbillings for services billed to SARC.

SARC and NPI had an agreement that NPI would bill an hourly rate for the number of hours consumers attended each day because the consumers would participate in the ADC for a portion of the day and the CITP for another portion of the day. NPI entered the number of hours in the SARC POS invoice system, however, SARC did not change the daily rate to the agreed upon hourly rate causing the overbilling. NPI notified SARC in June 2019 that the daily rate had been incorrectly entered into the POS invoice system and requested that SARC correct this by entering the hourly rate. However, SARC did not make the correction to change the daily rate to the hourly rate until March 2021.

For the sampled months, the daily rates were \$57.70, \$58.91, \$62.43, and \$63.64 and the hourly rates were \$9.62, \$9.82, \$10.60, and \$10.61. The total amount billed for the 1,896 hours of service provided at the daily rate was \$113,231 and the corrected billing based on the hourly rate was \$19,081 resulting in an overbilling of \$94,150 (\$113,231 - \$19,081), 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)(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.”

SARC Letter to New Perspectives, Inc., dated July 12, 2019, states:

“Vendor number: HS1158
Service Code: 510-HR at \$9.82 per hour...

This is to notify you that service listed above has been added to your vendorization with according to vendor number, service code, sub-code, and rate effective 3/18/2019.”

Recommendation:

NPI must reimburse to DDS the amount of \$94,150 for the overbillings.

VENDOR’S Response:

NPI stated in the response, dated July 20, 2022, that NPI has no discrepancies with the finding. (See Attachment B)

Finding 2: Behavior Management Program – Overbillings

The review of NPI’s BMPs, Vendor Numbers HS1008, HS1086, and HS1169 for the sampled months of October 2019 and January 2020, and the expanded months of July 2018 through June 2020, revealed that NPI had overbillings for services billed to SARC.

SARC and NPI had an agreement that NPI would bill an hourly rate for the number of hours consumers attended each day because the consumers would participate in the BMP for a portion of the day and the CITP for another portion of the day. NPI entered the number of hours of service provided in the SARC POS invoice system, however, SARC did not change the daily rate to the agreed upon hourly rate causing the overbilling. NPI notified SARC in June 2019 that the daily rate had been incorrectly entered into the POS invoice system and requested that SARC correct this by entering the hourly rate. However, SARC did not make the correction to change the daily rate to the hourly rate until March 2021.

For the sampled months, the daily rates were \$77.57, \$79.20, and \$85.56 and the hourly rates were \$12.93, \$13.20, and \$14.26. The total amount billed was \$13,046 for 160 days at the daily rate, however, the corrected billing was \$4,137 for 320 hours of service provided based on the hourly rate resulting in an overbilling of \$8,909 (\$13,046 - \$4,137), 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)(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.”

SARC Letter to New Perspectives, Inc., dated July 12, 2019, states:

“Vendor number: HS1169
Service Code: 515-HR at \$13.20 per hour...”

This is to notify you that service listed above has been added to your vendorization with according to vendor number, service code, sub-code, and rate effective 3/18/2019.”

Recommendation:

NPI must reimburse to DDS the amount of \$8,909 for the overbillings.

VENDOR’S Response:

NPI stated in the response, dated July 20, 2022, that NPI has no discrepancies with the finding. (See Attachment B)

Finding 3: Community Integration Training Program – Unsupported Billings

The review of NPI’s CITPs, Vendor Numbers ZS0943, ZS1038, and ZS1142 for the sampled months of October 2019 and January 2020, revealed that NPI 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 monthly attendance logs and compared those hours to the direct care services billed to SARC. DDS noted that the direct care service hours on the attendance logs

were 52 hours less than the direct service hours billed to SARC. NPI was not able to provide appropriate supporting documentation for the 52 hours of services billed. The lack of documentation resulted in unsupported billings to SARC in the amount of \$791, 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)(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 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:

NPI must reimburse to DDS the amount of \$791 for the unsupported billings.

VENDOR’S Response:

NPI stated in the response, dated July 20, 2022, that NPI has no discrepancies with the finding. (See Attachment B)

Finding 4: Non-Compliance - Independent Audit of Financial Statements

DDS has determined that NPI is not in compliance with the W&I Code, Section 4652.5, which requires a vendor to obtain an independent audit of its financial statements for vendor fiscal year 2018 and 2019.

W&I Code, Section 4652.5(a) and (b) 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) If the amount received from the regional center or regional centers during each state fiscal year is equal to or more than two million dollars (\$2,000,000), the entity shall obtain an independent audit 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.”

“Effective June 9, 2016, WIC, Section 4652.5 was amended...

In accordance with this statute, “If the amount received from the regional center or regional centers during each state fiscal year is equal to or more than two million dollars (\$2,000,000), the entity shall obtain an independent audit of its financial statements for the entity’s fiscal year that includes the last day of the most recent state fiscal year”, FY 2017.

Per WIC, Section 4652.5(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.”

Recommendation:

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

VENDOR'S Response:

NPI stated in the response, dated July 20, 2022, that NPI has no discrepancies with the finding. (See Attachment B)

ATTACHMENT A

NEW PERSPECTIVES, 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

NEW PERSPECTIVES, 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 C – DDS' EVALUATION OF NPI's RESPONSE

DDS evaluated NPI's written response to the draft audit report, dated July 20, 2022, and determined that NPI agreed with the findings.