

DEPARTMENT OF DEVELOPMENTAL SERVICES'

AUDIT OF

PER ANKH LIFE SKILLS, INC.

Program:

Behavior Management Program – HP4246

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

Audit Section

Auditors: Michael Masui, Chief of Vendor Audit Unit
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PER ANKH LIFE SKILLS, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Per Ankh Life Skills, Inc. (PALS). The audit was performed upon the Behavior Management Program (BMP) for the period of July 1, 2017, through June 30, 2018.

The audit disclosed the following issues of non-compliance:

Finding 1: Behavior Management Program – Unsupported Billings

The review of PALS' BMP, Vendor Number HP4246, revealed that PALS had a total of \$5,975 in unsupported billings to San Gabriel Pomona Regional Center (SGPRC), Eastern Los Angeles Regional Center (ELARC) and Frank D. Lanterman Regional Center (FDLRC).

Finding 2: Non-Compliance with Required Independent Review of Financial Statements

PALS 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) 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 \$5,975, 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 PALS' financial accountability requirement and its BMP 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 PALS for the 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 PALS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of PALS 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 PALS 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 six regional centers that utilized PALS services during the audit period. DDS audited services provided to SGPRC, ELARC and FDLRC. 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.

PALS provided three types of services, of which DDS audited one. The services was selected based on the amount of POS expenditures invoiced by PALS. 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.

Behavior Management Program

During the audit period, PALS operated two BMPs. The audit included the review of one of PALS' BMPs, Vendor Number HP4246, SC 515, and testing was done for the sampled months of February 2018 and March 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 centers.
- 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 items identified in the Findings and Recommendations section, PALS had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on September 21, 2020. The areas of review and conclusion of the audit were discussed in an exit conference with [REDACTED], Director of Operations at PALS, on September 25, 2020. [REDACTED] responded via email on September 25, 2020, that PALS 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, SGPRC, ELARC, FDLRC and PALS. This restriction is not intended to limit distribution of this report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

Finding 1: Behavior Management Program – Unsupported Billings

The review of PALS's BMP, Vendor Number H4246, for the sampled months of February 2018 and March 2018, revealed that PALS had unsupported billings for services billed to SGPRC, ELARC and FDLRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to SGPRC, ELARC and FDLRC and non-compliance with the CCR, Title 17.

DDS reviewed the monthly and weekly attendance sheets as well as the daily sign-in and sign-out sheets and noted that PALS was not able to provide appropriate supporting documentation for 77 days of services billed. The lack of documentation resulted in unsupported billings to SGPRC, ELARC and FDLRC in the amount of \$5,975, 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:

PALS must reimburse to DDS \$5,975 for the unsupported billings. In addition, PALS should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SGPRC, ELARC and FDLRC.

PALS' Response:

██████████, Director of Operations at PALS, submitted a response on September 25, 2020 stating that PALS accepted the finding and does not dispute it.

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

Finding 2: Non-Compliance to Obtain an Independent Review of Financial Statements

PALS did not comply with 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 POS during FY 2017-18 to obtain an independent review report of its financial statements.

W&I Code, Section 4652.5(a)(1)(A) and (b)(c) 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:

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

PALS' Response:

████████████████████, Vice President and Director of Operations at PALS, submitted a response on September 25, 2020 stating that PALS accepted the finding and does not dispute it.

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

ATTACHMENT A

PER ANKH LIFE SKILLS, 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

PER ANKH LIFE SKILLS, 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 PAL’S RESPONSE

DDS evaluated PALS’ response dated September 25, 2020 to the draft audit report and determined that PALS did not disagree with the draft audit report findings.