

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
SUPPORTED AND INDEPENDENT LIVING SERVICES
BAKERSFIELD, INC.

Programs and Services:

Specialized Residential Facility (Habilitation) – PK3943, PK3946, PK3955, PK3967,
PK3978, PK3989, PK4013, PK4020, PK4216, PK5241, PK5864

Supplemental Residential Program Support – PK3943, PK4013, PK4020, PK4216

Audit Period: July 1, 2013, through December 31, 2014

Audit Section

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**SUPPORTED AND INDEPENDENT LIVING SERVICES
BAKERSFIELD, INC.**

TABLE OF CONTENTS

	Page(s)
EXECUTIVE SUMMARY	1
BACKGROUND.....	2
OBJECTIVE, SCOPE, AND METHODOLOGY	2
CONCLUSION.....	4
VIEWS OF RESPONSIBLE OFFICIALS	4
RESTRICTED USE	4
FINDINGS AND RECOMMENDATIONS.....	5
ATTACHMENTS A-B.....	10
ATTACHMENTS C-D – VENDOR’S RESPONSE	11
ATTACHMENT E – DDS’ EVALUATION OF SAILS’s RESPONSE	12

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Supported and Independent Living Services Bakersfield, Inc. (SAILS). The audit was performed upon the Specialized Residential Facility (Habilitation) (SRFH) and Supplemental Residential Program Support (SRPS) for the period of July 1, 2013 through December 31, 2014.

The audit disclosed the following issues of non-compliance:

Finding 1: Specialized Residential Facility (Habilitation) – Underprovided Direct Care Staff Hours

The review of SAILS' SRF programs, Vendor Numbers PK3943, PK3946, PK3955, PK3967, PK3978, PK3989, PK4013, PK4020, PK4216, PK5241, PK5864, revealed that SAILS had a total of \$7,991 of overpayment for underprovided direct care staff hours billed to Kern Regional Center (KRC).

Finding 2: Specialized Residential Facility (Habilitation) – Incorrect Billings

The review of SAILS' SRFH programs, Vendor Numbers PK3943, PK3946, PK3955, PK3967, PK3978, PK3989, PK4013, PK4020, PK4216, PK5241, PK5864, revealed that SAILS had a total of \$5,029 of incorrect billings to KRC.

Finding 3: Supplemental Residential Program Support – Unsupported Billings

The review of SAILS' SRPS programs, Vendor Numbers PK3943, PK4013, PK4020, PK4216, revealed that SAILS had a total of \$4,813 of unsupported billings to KRC.

The total finding amount identified in this audit amounts to \$17,833 and 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 SAILS' SRFH and SRPS programs were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional centers' contracts with SAILS for the period of July 1, 2013 through December 31, 2014.

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 SAILS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of SAILS' 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 SAILS 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 KRC that utilized SAILS' services during the audit period. SAILS provided seven different types of services, of which DDS audited two. Services chosen were based on the amount of POS expenditures invoiced by SAILS. 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.

Specialized Residential Facility (Habilitation)

During the audit period, SAILS operated 11 SRFH programs. The audit included the review of all 11 of SAILS' SRF programs, Vendor Numbers PK3943, PK3946, PK3955, PK3967, PK3978, PK3989, PK4013, PK4020, PK4216, PK5241 and PK5864, Service Code (SC) 113 and testing was done for the sampled months of April and May 2014.

Supplemental Residential Program Support

During the audit period, SAILS operated four SRPS program. The audit included the review of all four of SAILS' SRPS programs, Vendor Numbers PK3943, PK4013, PK4020 and PK4216, SC 109 and testing was done for the sampled months of April and May 2014.

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 its accounting procedures and processes for regional center billing.
- 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, Accountant 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, SAILS had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on September 9, 2020. The findings in the report was discussed at an exit video conference with SAILS on September 11, 2020. Subsequent to the exit conference, on November 3, 2020, SAILS provided an email response to the draft report. SAILS will not be disputing the findings.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Specialized Residential Facility (Habilitation) – Underprovided Direct Care Staff Hours

The review of SAILS' SRFH programs, Vendor Numbers PK3943, PK3946, PK3955, PK3967, PK3978, PK3989, PK4013, PK4020, PK4216, PK5241 and PK5864, for the sampled months of April and May 2014, revealed that SAILS did not meet the required direct care staff hours for service level.

For the sampled month of April 2014, SAILS met the required direct care staff hours for seven out of 11 facilities. For the remaining four facilities, SAILS was required to provide 4,109 direct-care staff hours but provided only 3,749 direct care staff hours. The shortage of 360 direct care staff hours resulted in an overpayment of \$3,892.

For the sampled month of May 2014, SAILS met the required direct care staff hours for five out of 11 facilities. For the remaining six facilities, SAILS was required to provide 7,362 direct care staff hours but provided only 6,989 direct-care staff hours. The shortage of 373 direct-care staff hours resulting in an overpayment of \$4,099. The total amount of \$7,991 is due back to DDS for the overpayment of underprovided direct care staff hours. (See Attachment A)

The contract between SAILS and KRC, Section III, states that SAILS' staffing will be equivalent to or exceed the DDS Level 4I ARM staffing requirement. The contract also states that all other Title 17 Level 4I requirements apply for this SRF as well as for the other SAILS facilities.

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.”

Specialized Residential Facility Agreement between KRC and SAILS Bakersfield, Inc., dated September 4, 2014, Section 2.8 States:

“Contractor represents and warrants that it shall hire adequate direct care staff for the Facility, and will maintain such staff at no less than the staffing levels describe herein and in the Program Design during the entire term of the Agreement. In connection with such staffing, Contractor shall abide by Title 17, Sections 56002 through 56060 (Residential Services and Quality

Assurance Regulations) as they pertain to a Service Level 4I residential facility; provided, however, Contractor shall provide direct care staffing, staff qualifications and consultant services at levels that are equivalent to or exceed the requirements of a Service Level 4I residential facility, and as set forth in the Program Design. The staffing levels in the Program Design constitute the minimum acceptable staffing levels for the Facility;”

Recommendation:

SAILS must reimburse to DDS \$7,991 for the overpayment of underprovided direct care staff hours. In addition, SAILS should comply with the CCR, Title 17 as stated above to ensure it has sufficient direct care staff hours to support the amounts billed to KRC.

Vendor’s Response:

SAILS responded in an email dated November 3, 2020, that SAILS will not dispute the findings. (see Attachment D)

Finding 2: Specialized Residential Facility (Habilitation) – Incorrect Billings

The review of SAILS’ SRFH programs, Vendor Numbers PK3943, PK3946, PK3955, PK3967, PK3978, PK3989, PK4013, PK4020, PK4216, PK5241 and PK5864, for the sampled months of April and May 2014, revealed that SAILS had incorrect billings for services billed to KRC. Incorrect billings occurred due to improper proration of the authorized amount and lack of supporting documentation to support the units of service billed to KRC.

For the sampled month of April 2014, SAILS provided sufficient supporting documentation for ten of the 11 facilities billed to KRC. For one facility, SAILS billed the full amount for one consumer who was present for six days of the month and did not prorate the authorized rate. Incorrect billings to KRC in the amount of \$4319 occurred due to incorrect proration of the authorized rate.

For the sampled month of May 2014, SAILS provided sufficient supporting documentation for ten of the 11 facilities billed to KRC. For one facility, SAILS billed the prorated amount for one consumer for three days of attendance but was not able to provide any supporting documentation, such as consumer daily attendance logs, for the three days of services billed. The lack of supporting documentation resulted in incorrect billings to KRC in the amount of \$710. The total amount of \$5,029 is due back to DDS for the incorrect billings. (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 of 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 service 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.”

CCR, Title 17, Section 56917 (h) and (i), states:

“(h) The established rate shall be paid for the full month when the consumer is temporarily absent from the facility 14 days or less per month.

(i) The established rate shall be prorated for the partial month of service in all other cases by dividing the established rate by 30.44, then multiplying by the number of days the consumer resided in the facility.”

Recommendation:

SAILS must reimburse to DDS \$5,029 for the incorrect billings. In addition, SAILS comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to KRC.

Vendor’s Response:

SAILS responded in an email dated November 3, 2020, that SAILS will not dispute the findings. (see Attachment D)

Finding 3: Supplemental Residential Program Support – Unsupported Billings

The review of SAILS' SRPS programs, Vendor Numbers PK3943, PK4020, PK4216 and PK4013, for the sampled months of April and May 2014, revealed that SAILS had unsupported billings for services billed to KRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to KRC and non-compliance with CCR, Title 17.

For the sampled month of April 2014, SAILS was not able to provide appropriate supporting documentation for 139 hours of services billed. The lack of documentation resulted in unsupported billings to KRC in the amount of \$1,737. For the sampled month of May 2014, SAILS was not able to provide appropriate supporting documentation for 246 hours of services billed. The lack of documentation resulted in unsupported billings to KRC in the amount of \$3,076. The total amount of \$4,813 is due back to DDS for the unsupported billings. (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 service 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:

SAILS must reimburse to DDS \$4,813 for the unsupported billings. In addition, SAILS should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to KRC.

Vendor's Response:

SAILS responded in an email dated November 3, 2020, that SAILS will not dispute the findings. (see Attachment D)

ATTACHMENTS A-B

SAILS BAKERSFIELD, INC.

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

ATTACHMENTS C-D – VENDOR’S RESPONSE

SAILS BAKERSFIELD, 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 E – DDS’ EVALUATION OF SAILS’S RESPONSE

DDS evaluated Supported And Independent Living Services Bakersfield, Inc’s (SAILS) email response to the draft audit report and determined that SAILS will not dispute Findings 1, 2, and 3. Below is a summary of the vendor’s response as well as DDS’ evaluation of the vendor’s response.

SAILS’S Response:

After the meeting to discuss the findings in the draft report, SAILS requested additional documents from DDS to show support for the findings. DDS sent the documents to SAILS. SAILS’ accounting team reviewed the documents and in an email from [REDACTED], SAILS Director of Admin Services, to DDS, on October 23, 2020, they stated that they were unable to obtain proof of any error in the draft audit report so they will not be filing a response to the draft report.

DDS’ Evaluation:

SAILS stated in its email response “We will not be disputing” the findings. SAILS also stated, “Our accounting team reviewed records and was unable to obtain proof that we do not owe this.” Therefore, DDS is issuing the report as final.

Conclusion:

SAILS did not provide any new additional supporting evidence that would result in a reduction of the findings. In view of this, the finding amounts reflected in the draft report will remain unchanged.