

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**THE SAILS GROUP, INC.**

**Program:**

Community Integration Training Program – HB0818

Audit Period: July 1, 2013, through June 30, 2014

**Audit Section**

**Auditors:** Michael Masui, Chief of Vendor Audit Unit  
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# THE SAILS GROUP, INC.

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited The SAILS Group, Inc. (SAILS). The audit was performed upon the Community Integration Training Program (CITP) for the period of July 1, 2013, through June 30, 2014.

The audit disclosed the following issue of non-compliance:

### **Finding 1: Community Integration Training Program – Unsupported Billings**

The review of SAILS' CITP, Vendor Number HB0818, revealed that SAILS had a total of \$132,206 of unsupported billings to the Regional Center of the East Bay (RCEB).

The total finding identified in this audit amounts to \$132,206, 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 SAILS' CITP was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State and Federal laws and regulations and the regional center's contract with SAILS for the period of July 1, 2013, through June 30, 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 program provided to RCEB that utilized SAILS' services during the audit period. SAILS 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.

### **Community Integration Training Program**

During the audit period, SAILS operated one CITP. The audit included the review of SAILS' CITP, Vendor Number HB0818, Service Code (SC) 055 and testing was done for the sampled months of April and May 2014. However, due to a high billing discrepancy,

the testing was expanded to include the entire audit period of July 1, 2013, through June 30, 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 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.

## **CONCLUSION**

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on October 2, 2019. The areas of review and conclusion of the audit were discussed in an exit conference with [REDACTED], Chief Executive Director (CED) of SAILS, on October 22, 2019. [REDACTED] responded via email on February 18, 2020, that SAILS does not agree with the finding and conclusion of the audit report, but [REDACTED] did not provide any supporting documents to refute the finding.

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### Finding 1: Community Integration Training Program – Unsupported Billings

The review of SAILS' CITP, Vendor Number HB0818, for the audit period of July 1, 2013, through June 30, 2014, revealed that SAILS had unsupported billings for services billed to RCEB.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to RCEB and non-compliance with the CCR, Title 17.

SAILS was not able to provide appropriate supporting documentation for 7,082 hours of services billed. The lack of documentation resulted in unsupported billings to RCEB in the amount of \$132,206 and 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:**

SAILS must reimburse to DDS \$132,206 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 RCEB.

**SAILS' Response:**

██████████, CED of SAILS, submitted a response on February 18, 2020, stating that SAILS does not agree with the finding and conclusion of the audit report, but ██████████ did not provide any supporting documents to support his dispute.

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

**ATTACHMENT A**  
**THE SAILS GROUP, 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**

### **THE SAILS GROUP, 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 SAILS’S RESPONSE**

SAILS’ response, dated February 18, 2020, disputed the finding and DDS’ conclusion in the audit report. However, SAILS did not provide any supporting documents to refute the finding, stating “we do not have any additional information to supply at this time.”

In reviewing SAILS’s response to refute DDS’ audit finding with regard to unsupported billings, it was determined that no additional supporting documentation was provided that would result in a reduction of the finding. Title 17 requires that service providers shall maintain complete service records to support all billings to each regional center.