

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**EXPLORE FREEDOM SERVICES, INC.**

**Programs and Services:**

Independent Living Program – HL0619

Supported Living Service – PL0797

Audit Period: July 1, 2019, through June 30, 2020

**Audit Section**

**Auditors:** Alimou Diallo, Chief of Vendor Audit Unit  
Grace Gwarada, Supervisor  
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# EXPLORE FREEDOM SERVICES, INC.

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Explore Freedom Services, Inc. (EFS). The audit was performed upon the Independent Living Program (ILS) and Supported Living Service (SLS) for the period of July 1, 2019, through June 30, 2020.

The audit disclosed the following issues of non-compliance:

### **Finding 1: Supported Living Service – Unsupported Billings**

The review of EFS' SLS program, Vendor Number PL0797, revealed that EFS had a total of \$49,361 of unsupported billings to North Los Angeles County Regional Center (NLACRC).

### **Finding 2: Supported Living Service – Overbillings**

The review of EFS's SLS program, Vendor Number PL0797, revealed that EFS had a total of \$22,263 of overbillings to NLACRC.

The total of the findings identified in this audit amounts to \$71,624, 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 EFS's 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 EFS for the period of July 1, 2019, 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 EFS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of EFS'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 EFS 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 NLACRC that utilized EFS' services during the audit period. EFS provided two different types of services, of which DDS audited. Services chosen by DDS were based on the amount of purchase of service (POS) expenditures invoiced by EFS. 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.

## **Independent Living Program**

During the audit period, EFS operated one ILS programs. The audit included the review of the ILS program, Vendor Number HL0619, SC 520 and testing was done for the sampled months of September 2019 and March 2020.

## **Supported Living Service**

During the audit period, EFS operated one SLS program. The audit included the review of the SLS program, Vendor Number PL0797, SC 896 and testing was done for the sampled months of September 2019 and March 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 and attendance/service records to determine if the appropriate level of staffing was provided.
- Interviewed the vendor's Executive Director 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, EFS had findings of non-compliance with the requirements of CCR, Title 17.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on December 28, 2022. The finding in the report was discussed at an exit video conference with EFS on December 28, 2022. Subsequent to the exit conference, on March 13, 2023, EFS provided a response to the draft audit report, disputing the findings. EFS provided additional documentation with its response to refute the findings.

## **RESTRICTED USE**

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

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Supported Living Service – Unsupported Billings

The review of EFS's SLS program, Vendor Number PL0797, for the sampled months of September 2019 and March 2020, revealed that EFS had unsupported billings for services billed to NLACRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to NLACRC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service hours documented on the employee timesheets and compared those hours to the direct care service hours billed to NLACRC. DDS noted that the direct care service hours on the timesheets were 2,142 hours less than the direct care service hours billed to NLACRC.

EFS was not able to provide appropriate supporting documentation for 2,142 hours of services billed. The lack of documentation resulted in unsupported billings to NLACRC in the amount of \$49,361, 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:**

EFS must reimburse to DDS \$49,361 for the unsupported billings. In addition, EFS should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to NLACRC.

**EFS's Response:**

EFS stated in the response dated March 13, 2023, that EFS disagreed with the finding.

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

**Finding 2: Supported Living Service – Overbillings**

The review of EFS' SLS program, Vendor Number PL0797, for the sampled months of September 2019 and March 2020, revealed that EFS had overbillings for services billed to NLACRC. Overbillings occurred due to EFS billing for overlapping hours of service for multiple staff who provided services to a consumer at the same time during Awake hours.

DDS reviewed the direct care service hours documented on the employee timesheets and compared those hours to the direct care service hours billed to NLACRC. DDS found that EFS billed for 898 hours of service that were provided by two or more employees to the same consumer during the same overlapping hours.

EFS overbilled NLACRC for 898 hours. This resulted in overbillings to NLACRC in the amount of \$22,263, which is due back to DDS.

(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 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.

(13) Comply with all applicable staffing ratio requirements;”

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:**

EFS must reimburse to DDS \$22,263 for the overbillings. In addition, EFS should comply with the SLS program’s required staff to consumer ratio of 1:1 for Awake hours.

**EFS’s Response:**

EFS stated in the response dated March 13, 2023, that it disagreed with the finding.

See Attachment C for the full text of EFS’ response to the draft audit report and Attachment D for DDS’ evaluation of EFS’ response.

## **ATTACHMENTS A-B**

### **EXPLORE FREEDOM SERVICES, INC.**

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

## **ATTACHMENT C – VENDOR’S RESPONSE**

### **EXPLORE FREEDOM SERVICES, 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 D – DDS’ EVALUATION OF EFS’ RESPONSE**

DDS evaluated EFS’ response to the draft report and determined that EFS disagreed with the findings. Below is a summary of the vendor’s response as well as DDS’ evaluation of the vendor’s response.

### **Finding 1: Unsupported Billings and Overbillings**

EFS stated that it had “reviewed the audited timesheets” and had “resubmitted the timesheets based on schedule and ID notes as proof of services provided.”

DDS reviewed the additional documents provided by EFS that had not been provided during the audit fieldwork and allowed an additional 626 hours. This reduced the unsupported hours from 2,768 to 2,142. As a result, there was a reduction of the finding amount from \$65,244 to \$49,361, which is due to back DDS. (See Attachment A)

### **Finding 2: Overbillings**

EFS provided with its response to the draft audit report, summaries of hours provided, consumer’s timesheets and session notes, to support its billings to NLACRC.

DDS reviewed the additional documents provided by EFS that had not been provided during the audit fieldwork and allowed an additional 48 hours. This reduced the overbilled hours from 946 to 898. As a result, there was a reduction of the finding amount from \$23,289 to \$22,263, which is due back to DDS. (See Attachment B)

### **Conclusion:**

DDS made adjustments to findings 1 and 2 to reflect the additional documentation received. As a result, the total amount of the findings was reduced from \$88,533 to \$71,624 for July 2019 through June 2020.