

DEPARTMENT OF DEVELOPMENTAL SERVICES'

AUDIT OF

**KAT & SEY CORPORATION
DBA
THE ADVANTAGE CENTER**

Program:

Adult Development Program – H59091

Audit Period: July 1, 2021, through June 30, 2022

Audit Section

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KAT & SEY CORPORATION DBA THE ADVANTAGE CENTER

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited KAT & SEY Corporation dba The Advantage Center (AC). The audit was performed upon the Adult Development Center (ADC) for the period of July 1, 2021, through June 30, 2022.

The audit disclosed the following issues of non-compliance:

Finding 1: Adult Development Center – Unsupported Staffing Ratio

The review of AC's ADC program, Vendor Number H59091, revealed a lack of supporting documentation for its required direct care staffing hours. This resulted in a shortage of direct care staffing of 835 hours and overpayments of \$13,478 for services billed to San Diego Regional Center.

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

AC provided an independent review of its financial statements. Therefore, this finding is resolved.

The total of the findings identified in this audit amounts to \$13,478, 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 AC's fiscal accountability requirement and its program 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 AC for the period of July 1, 2021, through June 30, 2022.

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 AC, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of AC'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 AC 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 program provided to SDRC that utilized AC's services during the audit period. AC provided one type of services, 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.

Adult Development Center

During the audit period, AC operated one ADC program. The audit included the review of one of AC's ADC programs, Vendor Number H59091, SC 510 and testing was done for the sampled months of October 2021 and November 2021.

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.
- Reviewed the vendor's general ledger, payroll records and trial balance to determine the vendor's costs.
- Interviewed the vendor's 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, AC had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on November 21, 2022. The finding in the report was discussed at a Microsoft Teams exit teleconference with AC on November 30, 2022. Subsequent to the exit conference, on December 29, 2022, AC responded via email stating that AC disagreed with the findings.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, SDRC and AC. 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 – Unsupported Staffing Ratio

The review of AC's ADC program, Vendor Number H59091 for the sampled months of October 2021 and November 2021, revealed that AC had overpayments of services billed to SDRC. Overpayments occurred due to AC not meeting the approved staff-to-consumer ratio of 1:4 for the units of service billed to SDRC.

DDS reviewed the direct care service hours documented on the Instructor/Aides Timecard Reports and payroll records. DDS found that the actual direct care hours were 835 hours less than the required hours to meet the approved staff-to-consumer ratio of 1:4 hours billed to SDRC. The total unsupported direct care staffing hours of 835 multiplied by the average salary of the staff for the ADC program for the sampled months, amounts to \$13,478, which is due back to DDS. (See Attachment A)

CCR, Title 17, Section 56756 (a) (e) (1) and (i) (1) and (2) states:

- “(a) A staffing ratio shall be approved for each adult day program by the Department pursuant to this section. This ratio shall be based on the program design, the curriculum as vendored, the characteristics and needs of the consumers to be served, and the number of consumers enrolled.
- (e) Adult development centers shall provide a direct care staff to-consumer ratio of 1:4.
 - (1) The vendor is authorized to request Department approval for modification of the staffing for an Adult Development Center to an overall direct care staff-to-consumer ratio of 1:3. A written request and justification shall be submitted to the Department by the regional center which documents the findings pursuant to the criteria listed below. The overall direct care staffing ratio shall be determined by averaging the specific staff-to-consumer ratio needed for each individual consumer. The regional center shall consider whether the Adult Development Center meets the following criteria for modification of the direct care staffing ratio of 1:4.
 - (i) The vendor shall maintain the approved staffing ratio during its direct service hours. The vendor shall not be required to schedule the ratio with each subgroup of consumers at all times, but shall maintain both:

- (1) The ratio of staff on duty to consumers in attendance during all service hours which shall be determined by a numerical comparison of the number of individuals on duty as direct care staff with the number of consumers in attendance. If the numerical comparison results in a fraction, more than one-half of a staff person shall be rounded up to the next whole number. Less than one-half of a staff person shall be rounded up to the next one-half of a whole number. One-half of a staff person shall not be rounded.
- (2) Sufficient supervision for each subgroup to protect the health and safety of the consumers.

Recommendation:

AC must reimburse to DDS \$13,478 for the overpayment of services for the unsupported direct care staffing hours. In addition, AC should ensure that the approved staff-to-consumer ratio is met.

VENDOR'S Response:

AC disputed the finding, as stated in the response, dated December 29, 2022. (See Attachment B)

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

AC provided an independent review of its financial statements. Therefore, this finding is resolved.

VENDOR'S Response:

“AC provided a complete audit to SDRC as well as to CDSS. See Ex. D. As a result, Advantage Center respectfully requests that CDSS remove Finding 2 since AC has complied.”

ATTACHMENT A
THE ADVANTAGE CENTER

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 ADVANTAGE CENTER

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 AC’S RESPONSE

DDS evaluated AC’s written response to the draft audit report and determined that AC did not agree with the draft audit report Findings. Below is a summary of the vendor’s response as well as the DDS’ evaluation of the vendor’s response.

Finding 1: Unsupported Staffing Ratio

AC stated in their response, ... “Advantage Center respectfully requests that CDSS re-evaluate the allegations of the unsupported staffing ratio in light of the COVID-19 pandemic staffing ratio waivers, and reverse its finding that AC must reimburse to DDS \$13,478.”

AC referenced Department of Social Services’ (CDSS) PIN-20-37-ASC, dated October 6, 2020, which states “Personnel staffing ratios are waived as necessary for prevention containment, and mitigation measures as long as the licensee is able to meet the health and safety needs of each person in care. The written notice to CDSS for use of this waiver shall include what the adjusted ratio is for each program and the facility’s plan to meet the health and safety needs of persons in care. This waiver applies to a facility’s obligations regarding staff ratio under CCR, Title 22, Division 6 ...”

AC further provided email correspondence between AC and the San Diego Regional Center (SDRC) which might have approved AC to provide the ADC program at Hilldale Habilitation Center as well as additional clarifications regarding alternative location and alternative services. AC stated that AC provided the same services as before the state of emergency, and that the services at Hilldale Habilitation Center constituted an alternative location and not alternative services. “If a service provider is not providing alternative nonresidential services . . . may bill their established hourly or daily rate for the hours provided under the authorization provided by the SDRC.”

DDS disagrees with the assertions for Finding 1. DDS reviewed CDCC PIN-20-37-ASC, dated October 6, 2020, which also states that the written notice to CDSS for use of this waiver shall include the adjusted ratio for each program and the facility’s plan to meet the health and safety needs of persons in care. However, AC did not submit a written notice to CDSS to request a waiver for the required staffing ratio for AC’s Adult Development Center in accordance with PIN 20 37-ASC and therefore was never granted the permission. As a result, DDS did not change the shortage of direct care staffing of 835 hours and overpayments of \$13,478, which is due back to DDS.

ATTACHMENT C – DDS’ EVALUATION OF AC’S RESPONSE

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

As stated in the response letter, “The Draft Report also alleges that Advantage Center did not comply with Welfare and Institutions Code section 4652.5 because it did not provide an independent review report or audit for 2021. However, on November 3, 2022, AC provided a complete audit to SDRC as well as to CDSS. See Ex. D. As a result, Advantage Center respectfully requests that CDSS remove Finding 2 since AC has complied.”

In response to the draft audit report, AC provided the audit team with an independent review of the financial statements for the period under audit.

As a result, DDS adjusted the non-compliance to obtain an independent review of financial statements finding in Finding 2.

Conclusion:

The finding amount of \$13,478 for the Unsupported Staffing Ratio in Findng1 was not adjusted. However, DDS made an adjustment to Finding 2 of the draft audit report to reflect the independent review report provided by AC.