

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**LIFE STEPS FOUNDATION, INC.**

**Programs and Services:**

Supported Living Service – PH1329, PW0018

Infant Development Program – HE0147, H89117

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

**Audit Section**

**Auditors:** Alicia Watts, Chief of Vendor Audit Unit  
Grace Gwarada, Supervisor  
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# LIFE STEPS FOUNDATION, INC.

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Life Steps Foundation, Inc. (LSF). The audit was performed upon the Supported Living Service (SLS), and Infant Development Program (IDP) 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 LSF's SLS program, Vendor Numbers PH1329 and PW0018, revealed that LSF had a total of \$2,290 of unsupported billings to Harbor Regional Center (HRC), Regional Center of the Orange County (RCOC), and Westside Regional Center (WRC).

### **Finding 2: Infant Development Program – Unsupported Billings**

The review of LSF's Infant Development Program, Vendor Number HE0147, revealed that LSF had a total of \$1,254 of unsupported billings to Eastern Los Angeles Regional Center (ELARC).

The total of the findings identified in this audit amounts to \$3,544, 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 LSF'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 LSF 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 LSF, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of LSF'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 LSF 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 four regional centers that utilized LSF's services during the audit period. DDS audited services provided to HRC, RCOC, WRC, ELARC and Golden Gate Regional Center (GGRC). These five regional centers were chosen due to the large volume of services utilized by the centers as measured by purchase of service (POS) expenditures.

LSF provided four different types of services, of which DDS audited two. Services chosen were based on the amount of POS expenditures invoiced by LSF. 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.

## **Supported Living Service**

During the audit period, LSF operated two SLS programs. The audit included the review of the two SLS programs, Vendor Numbers PH1329 and PW0018, SC 896 and testing was done for the sampled months of September 2019 and January 2020.

## **Infant Development Program**

During the audit period, LSF operated two IDP programs. The audit included the review of the two IDP programs, Vendor Numbers HE0147 and H89117, SC 805 and testing was done for the sampled months of September 2019 and January 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 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 Financial Statements for FY 19-20 to determine the vendor's costs.

## **CONCLUSION**

Based upon items identified in the Findings and Recommendations section, LSF had findings of non-compliance with the requirements of CCR, Title 17.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on January 20, 2023. The findings in the report were discussed at an exit conference via Zoom with LSF on January 26, 2023. Subsequent to the exit conference, on January 27, 2023, LSF sent an e-mail stating that LSF agreed with the findings.

## **RESTRICTED USE**

This report is solely for the information and use of DDS, Department of Health Care Services, HRC, RCOC, WRC, ELARC, GGRC and LSF. 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 LSF's SLS program, Vendor Numbers PH1329 and PW0018, for the sampled months of September 2019 and January 2020, revealed that LSF had unsupported billings for services billed to HRC, RCOC, and WRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to HRC, RCOC, WRC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service units documented on the Client Monthly Service Records, employees timesheets and payroll records and compared those units to the direct care service units billed to HRC, RCOC, and WRC. DDS noted that the direct care service units on the Client Monthly Service Records, employee timesheets and payroll records were 33.31 units less than the direct care service units billed to HRC, RCOC, and WRC. LSF was not able to provide appropriate supporting documentation for 33.31 units of services billed. The lack of documentation resulted in unsupported billings to HRC, RCOC, and WRC in the amount of \$2,290, 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:**

LSF must reimburse to DDS \$2,290 for the unsupported billings. In addition, LSF should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to HRC, RCOG, and WRC.

**Vendor's Response:**

LSF stated in the response dated January 27, 2023, that LSF agreed with the finding. See Attachment B for LSF's email response and Attachment C for DDS' evaluation of LSF's response.

**Finding 2: Infant Development Program – Unsupported Billings**

The review of LSF's IDP program, Vendor Number HE0147 for the sampled month of September 2019, revealed that LSF had unsupported billings for services billed to ELARC. Unsupported billings occurred due to a lack of appropriate documentation to support the hours of service billed to ELARC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service hours documented on the Client Monthly Service Records, employees timesheets and payroll records and compared those hours to the direct care service hours billed to ELARC. DDS noted that the direct care service hours on the Client Monthly Service Records, employee timesheets and payroll records were 14 hours less than the direct care service hours billed to ELARC. LSF was not able to provide appropriate supporting documentation for 14 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC in the amount of \$1,254, 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:**

LSF must reimburse to DDS \$1,254 for the unsupported billings. In addition, LSF should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to ELARC.

**Vendor’s Response:**

LSF stated in the response dated January 27, 2023, that LSF agreed with the finding. See Attachment B for LSF’s email response and Attachment C for DDS’ evaluation of LSF’s response.

# **ATTACHMENT A**

## **LIFE STEPS FOUNDATION, 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**

### **LIFE STEPS FOUNDATION, 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 LSF's RESPONSE**

DDS evaluated LSF's written response to the draft audit report, dated January 27, 2023, and determined that LSF agreed with the findings.