DEPARTMENT OF DEVELOPMENTAL SERVICES'

AUDIT OF

ONE STEP CLOSER, INC.

Programs and Services:

Supported Living Service – HB0668

Behavior Management Program – HB0095

Transportation – Additional Component – HB0095

Audit Period: July 1, 2018, through June 30, 2019

Audit Section

Auditors: Alimou Diallo, Chief of Vendor Audit Unit
Ermias Tecle, Supervisor
Vitaliy Bondar, Auditor

ONE STEP CLOSER, INC.

TABLE OF CONTENTS

Page(s)

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited One Step Closer, Inc. (OSC). The audit was performed upon the Supported Living Service (SLS), Behavior Management Program (BMP), and Transportation – Additional Component (TAC) for the period of July 1, 2018, through June 30, 2019.

The audit disclosed the following issues of non-compliance:

Finding 1: Behavior Management Program – Unsupported Staffing Ratio

The review of OSC's BMP program, Vendor Number HB0095, revealed a lack of supporting documentation for its required direct care staffing hours. This resulted in a shortage of direct care staffing hours and overpayments of $31,505 for services billed to the Regional Center of East Bay (RCEB).

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

OSC did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to $2,000,000, in purchase of service (POS) during Fiscal Year (FY) 2018-19 to obtain an independent audit of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.

The total of the findings identified in this audit amounts to $31,505 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 OSC's fiscal accountability requirement and its programs were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State and Federal laws and regulations and the regional center's contracts with OSC for the period of July 1,2018, through June 30,2019.

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 OSC, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of OSC'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 OSC 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 RCEB that utilized OSC's services during the audit period. OSC provided three different types of services, of which DDS audited three. Services chosen by DDS were based on the amount of purchase of service (POS) expenditures invoiced by OSC. 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, OSC operated one SLS program. The audit included the review of OSC's SLS program, Vendor Number HB0668, SC 896 and testing was done for the sampled months of January 2019 and May 2019.

Behavior Management Program

During the audit period, OSC operated one BMP. The audit included the review of OSC's BMP, Vendor Number HB0095, SC 515 and testing was done for the sampled months of January 2019 and May 2019.

Transportation – Additional Component

During the audit period, OSC operated one TAC. The audit included the review of OSC's TAC, Vendor Number HB0095, SC 880 and testing was done for the sampled months of January 2019 and May 2019.

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 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 payroll records to determine the vendor's costs.

- Interviewed the vendor's direct care service staff to gain understanding of the service delivery to the consumers.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on February 23, 2023. The findings in the report were discussed with OSC at an exit conference via Zoom on March 8, 2023. Subsequent to the exit conference, on March 16, 2023, DDS received OSC's response to the draft report via email. OSC stated in the email that OSC will not dispute the audit.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: <u>Behavior Management Program – Unsupported Staffing Ratio</u>

The review of OSC's BMP, Vendor Number HB0095, for the sampled months of January 2019 and May 2019, revealed that OSC had overpayments of services billed to RCEB. Overpayments occurred due to OSC not meeting the approved staff-to-consumer ratio of 1:3 for the units of service billed to RCEB.

DDS reviewed the direct care service hours documented on the Monthly Attendance Sheets, employee timesheets, as well as hours documented on the weekly notes for salary staff and independent contractors.

DDS found that the actual direct care hours were 2,172 hours less than the required hours to meet the approved staff-to-consumer ratio of 1:3 hours billed to RCEB. The total unsupported direct care staffing hours of 2,172 multiplied by the average salary of the staff for the BMP for the sampled months, amounts to $31,505, which is due back to DDS. (See Attachment A)

CCR, Title 17, Section 56756 (a), (f) 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.

(f) Behavior management programs shall provide a direct care staff-to-consumer ratio of 1:3.

(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:

OSC must reimburse to DDS $31,505 for the overpayment of services for the unsupported direct care staffing hours. In addition, OSC should ensure that the approved staff-to-consumer ratio is met.

Vendor's Response:

OSC stated in the response dated March 16, 2023, that OSC will not dispute the audit. See Attachment B for OSC's email response and Attachment C for DDS evaluation of OSC's response.

Finding 2: <u>Non-Compliance to Obtain an Independent Audit of Financial Statements</u>

OSC did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires vendor with more than or equal to $2,000,000, in POS during FY 2018-19 to obtain an independent audit of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.

W&I Code, Section 4652.5(a)(1)(A) and (b)(c) states:

"(a) (1) An entity that receives payments from one or more regional centers shall contract with an independent accounting firm to obtain an independent audit or independent review report of its financial statements relating to payments made by regional centers, subject to both of the following:

(B) If the amount received from the regional center or regional centers during each state fiscal year is equal to or more than two million dollars ($2,000,000), the entity shall obtain an independent audit of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.

(b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within nine months of the end of the entity's fiscal year.

(c) Regional centers receiving the audit or review reports required by subdivision (b) shall review and require resolution by the entity for issues identified in the report that have an impact on regional center services. Regional centers shall take appropriate action, up to termination of vendorization, for lack of adequate resolution of issues."

Recommendation:

OSC must obtain an independent review report of its financial statements and provide copies of the independent audit report to RCEB and DDS.

Vendor's Response:

OSC stated in the response dated March 16, 2023, that OSC will not dispute the audit. See Attachment B for OSC's email response and Attachment C for DDS evaluation of OSC's response.

ATTACHMENT A

ONE STEP CLOSER, 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

ONE STEP CLOSER, 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 OSC's RESPONSE

DDS evaluated OSC's written response to the draft audit report, dated March 16, 2023, and determined that OSC will not dispute the audit.