

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
PALS, LLC.

Programs and Services:

Supported Living Services – HE0030 and HJ2846

Independent Living Program – HE0452 and HJ3013

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

Audit Section

Auditors: Alimou Diallo, Chief of Vendor Audit Unit
Grace Gwarada, Supervisor
Thai Vang, Auditor

PALS, LLC.

TABLE OF CONTENTS

	Page(s)
EXECUTIVE SUMMARY	1
BACKGROUND.....	2
OBJECTIVE, SCOPE AND METHODOLOGY	2
CONCLUSION.....	4
VIEWS OF RESPONSIBLE OFFICIALS	4
RESTRICTED USE	4
ATTACHMENT A.....	8
ATTACHMENT B – VENDOR’S RESPONSE	9
ATTACHMENT C – DDS’ EVALUATION OF PALS’ RESPONSE.....	10

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited PALS, LLC. (PALS). The audit was performed upon the Supported Living Service (SLS) and Independent Living Program (ILP) 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 PALS' SLS programs, Vendor Numbers HE0030 and HJ2846, revealed that PALS had a total of \$11,901 of unsupported billings to East Los Angeles Regional Center (ELARC), Harbor Regional Center (HRC) and Inland Regional Center (IRC).

Finding 2: Independent Living Program – Unsupported Billings

The review of PALS' ILP, Vendor Number HE0452, revealed that PALS had a total of \$640 of unsupported billings to ELARC.

The total of the findings identified in this audit amounts to \$12,541 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 PALS' 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 PALS 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 PALS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of PALS' 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 PALS 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 three regional centers that utilized PALS' services during the audit period. DDS audited services provided to ELARC, HRC and IRC. These three regional centers were chosen due to the large volume of services utilized by the centers as measured by purchase of service (POS) expenditures.

PALS provided two different types of services, which DDS audited. Services chosen were based on the amount of POS expenditures invoiced by PALS. 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, PALS operated two SLS programs. The audit included the review of both of PALS' SLS programs, Vendor Numbers HE0030 and HJ2846, SC 896 and testing was done for the sampled months of July 2019 and December 2019.

Independent Living Program

During the audit period, PALS operated two ILS programs. The audit included the review of both of PALS' ILP programs, Vendor Numbers HE0452 and HJ3013, SC 520 and testing was done for the sampled months of July 2019 and December 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 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 items identified in the Findings and Recommendations section, PALS had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on March 9, 2023. The findings in the report were discussed at a Zoom exit conference with PALS, LLC on March 17, 2023. Subsequent to the exit conference, on April 14, 2023, PALS, LLC submitted a response stating that PALS, LLC disagreed with the findings.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, ELARC, HRC, IRC and PALS. 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 PALS's SLS programs, Vendor Numbers HE0030 and HJ2846 for the sampled months of July 2019 and December 2019, revealed that PALS had unsupported billings for services billed to ELARC, HRC and IRC.

Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to ELARC, HRC, IRC and non-compliance with the CCR, Title 17 and PALS' contracts with the regional centers.

DDS reviewed contracts along with the direct care service hours documented on the Daily Progress and Service Note Logs, employee timesheets and payroll records and compared those hours to the direct care service hours billed to ELARC, HRC and IRC. DDS noted that PALS did not provide the required hours per its contracts with the regional centers. The direct care service hours on the Daily Progress and Service Note Logs were 425 hours less than the direct care service hours billed to ELARC, HRC and IRC. PALS was not able to provide appropriate supporting documentation for 425 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC, HRC and IRC in the amount of \$11,901, 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:

PALS must reimburse to DDS \$11,901 for the unsupported billings. In addition, PALS should comply with the CCR, Title 17 and its contracts with the regional centers as stated above to ensure that proper documentation is maintained to support the amounts billed to ELARC, HRC and IRC.

VENDOR’S Response:

PALS, stated in the response, dated April 14, 2023, that PALS, disagreed with the finding.

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

Finding 2: Independent Living Program – Unsupported Billings

The review of PALS’s ILS program, Vendor Number HE0452 for the sampled month of December 2019, revealed that PALS had unsupported billings of services billed to ELARC.

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

DDS reviewed the direct care service hours documented on the Daily Progress and Service Note Logs, employee 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 Daily Progress and Service Note Logs were 18 hours less than the direct care service hours billed to ELARC. PALS was not able to provide appropriate supporting documentation for 18 hours of services billed. The lack of documentation resulted in unsupported billings to ELARC in the amount of \$640, 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:

PALS must reimburse to DDS \$640 for the unsupported billings. In addition, PALS should ensure that the number of hours billed are consistent with the number of hours reported on the Daily Progress and Service Note Logs, employee timesheets, and payroll records.

VENDOR’S Response:

PALS, stated in the response, dated April 14, 2023, that PALS disagreed with the finding.

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

ATTACHMENT A

PALS, LLC

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

PALS, LLC

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 PALS’ RESPONSE

DDS evaluated PALS’ written response to the draft audit report and determined that PALS disagreed 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: Supported Living Service - Unsupported Billing

PALS argues that *“It is also the position of PALS that where the “Payment Agreement” references a negotiated monthly rate as well as a reference to minimum hours, the monthly rate should supersede and cancel out any reference to minimum hours because there can only be one unit of measure for the service provided.”*

DDS disagrees with PALS’ assertion. DDS reviewed PALS’ contracts with the regional centers and determined that PALS did not provide services based on its contract agreement with the regional centers. As a result, PALS had unsupported billings to the regional centers.

For example, PALS’ payment agreement for consumer T.U. clearly states:

“Agreement : *To be billed as specified on the purchase authorization for a negotiated rate of providing a minimum of 86 hours per month or approximately 20 hours per week.”* However, PALS only provided 36.46 hours in July 2019 but it billed ELARC the full monthly rate of \$2,695.81.

PALS states that, *“LB and RJ are two clients that appear to have been mistakenly included in the auditor’s spreadsheet and should be removed altogether as there is no inconsistency between the “Payment Agreement” and Authorization to Purchase Service” contract, and all service were provided and billed appropriately for each client.”*

DDS’ adjusted the audit calculations to exclude consumers L.B. and R.J.

After adjustments, PALS had a total of 424 unsupported hours for July 2019 and December 2019, which amounted to \$11,901. (See Attachment A)

Finding 2: Independent Living Program - Unsupported Billing

PALS states that, *“PALS has requested additional information from DDS regarding its source of information used to determine “Unsupported Billing” and how those hours were calculated. Without more detail provided by DDS, PALS maintains the position that the billings are accurate with no unjustified hours.*

DDS reviewed PALS’ service records which included the Daily Progress and Service Note Logs, employee timesheets and payroll records. DDS reviewed the direct care service

ATTACHMENT C – DDS’ EVALUATION OF PALS’ RESPONSE

hours documented on the Daily Progress and Service Note Logs, employee timesheets and payroll records and compared those hours to the direct care service hours billed to the regional centers. Based on the review, DDS determined that PALS was not able to provide appropriate supporting documentation for 18 hours of services billed.

On March 16, 2023, DDS provided PALS with the “Summary of Audit Findings” spreadsheet. The spreadsheet included the month/year, consumer name, claim amounts, hourly rate of pay, billed units, audited units and unsupported units. The audit finding was calculated by multiplying the rate of pay by the unsupported units to arrive at the total unsupported dollar amount. Since PALS did not submit any additional documentation to support the 18 hours of service billed, DDS did not make any adjustments to Finding 2. Therefore, PALS must still reimburse to DDS \$640.

Conclusion:

DDS has reviewed PALS’ response to the draft audit report and found that no new information or source documentation was provided to refute Finding 2. However, DDS made adjusted Finding 1 to reflect the additional documentation received. As a result, the total amount of the findings was reduced from \$20,491 to \$12,541 for July 1, 2019 through June 30, 2020.