

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**LNW III**

**Program:**

Specialized Residential Facility - Habilitation – PD3835

Audit Period: January 1, 2022, through December 31, 2022

**Audit Section**

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# LNW III

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited LNW III (LNWIII). The audit was performed upon the Specialized Residential Facility - Habilitation (SRF) for the period of January 1, 2022, through December 31, 2022.

The audit disclosed the following issue of non-compliance:

### **Finding 1: Specialized Residential Facility - Habilitation – Unsupported Billings**

The review of LNWIII's SRF program, Vendor Number PD3835, revealed that LNWIII had a total of \$21,268 of unsupported billings to Frank D. Lanterman Regional Center (FDLRC).

The total of the finding identified in this audit amounts to \$21,268, which is due back to DDS. A detailed discussion of this finding is contained in the Finding and Recommendation 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 LNWI's program was 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 LNWI for the period of January 1, 2022, through December 31, 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 LNWI, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of LNWI'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 LNWI 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 two regional centers that utilized LNWI's services during the audit period. DDS audited services provided to Frank D. Lanterman Regional Center (FDLRC) and South Central Los Angeles Regional Center (SCLARC). These regional centers were chosen due to the large volume of services utilized by the centers as measured by purchase of service (POS) expenditures.

LNWI provided three different types of services, of which DDS audited one. Services chosen were based on the amount of POS expenditures invoiced by LNWI. By analyzing the information received from 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.

### **Specialized Residential Facility - Habilitation**

During the audit period, LNWill operated two SRF programs. The audit included the review of one of LNWill's SRF programs, Vendor Numbers PD3835, SC 113 and testing was done for the sampled months of October 2022 and November 2022.

### **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 finding and conclusion 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.
- Emailed 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 timesheets, payroll and attendance/service records to determine if the appropriate level of staffing was provided.

## **CONCLUSION**

Based upon item identified in the Finding and Recommendation section, LNWIIL had a finding of non-compliance with the requirements of CCR, Title 17.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on November 9, 2023. The finding in the report was discussed at an exit Zoom conference with LNWIIL on November 13, 2023. Subsequent to the exit conference, on December 26, 2023, LNWIIL responded via e-mail stating that LNWIIL agreed with the finding.

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### Finding 1: Specialized Residential Facility - Habilitation – Unsupported Billings

The review of LNWIll’s SRF program, Vendor Number PD3835, for the sampled months of October 2022 and November 2022, revealed that LNWIll had unsupported billings for services billed to FDLRC. Unsupported billings occurred due to the audited hours not meeting the required hours billed to FDLRC and non-compliance with the CCR, Title 17 and LNWIll’s contract with FDLRC.

DDS reviewed the direct care service hours documented on the employee timesheets and ADP timecard reports and compared those hours to the direct care service hours billed to FDLRC. For October 2022 and November 2022, LNWIll was required to provide 1,585 and 1,534 Direct Care Staff (DCS) hours, respectively. However, LNWIll was not able to provide payroll records for a total of 476 of the required hours of services billed to FDLRC. The underprovided payroll hours resulted in unsupported billings to FDLRC in the amount of \$21,268, which is due back to DDS. (See Attachment A)

In an email conversation with LNWIll, DDS noted that the current digital timecard reports contain inaccurate department numbers. These numbers only indicate the department where each employee was initially hired, and they do not accurately represent their actual work location when an employee logs their time in and out of the facility. Therefore, the department numbers should be aligned with the work location.

Furthermore, upon review of the service records, the DDS noted that only a portion of those records has been provided, which it does not meet the expectation of continuous record-documentation as required by the contractual agreement.

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.”

Waters’ Place Program Design (Service Code 113, page 20 and 21) states in part that:

#### Commitment to Daily Ongoing Notes

“Our staff will keep a daily behavior log as well as record behaviors on a form, which has been created by our behaviorist, in order to document the occurrence of behaviors and a description of the intervention, onset and resolution of the behaviors.... We are committed to not only preparing daily logs but maintaining on-going written resident notes, that will assist the staff in supporting the clients. This information will be reviewed weekly, by our behaviorist and administrator.”

#### **Recommendation:**

LNWIII must reimburse to DDS \$21,268 for the unsupported billings. In addition, LNWIII should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to FDLRC.

#### **LNWIII’s Response:**

LNWIII, stated in the response, dated December 26, 2023, that LNWIII, agreed with the finding.

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

# **ATTACHMENT A**

## **LNW III**

**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**

### **LNW III**

**To request a copy of the vendor’s response to the audit finding, please contact the DDS Audit Section at (916) 654-3695.**

**ATTACHMENT C – DDS' EVALUATION OF LNW III's RESPONSE**

DDS evaluated LNWIII's written response to the draft audit report, dated December 26, 2023, and determined that LNWIII agreed with the finding.