

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
SUNPOINT HOME LLC

Programs:

In-Home Day Program – PG2281

Supported Residential Program Support – PG2281

Specialized Residential Facility - Habilitation – PG2281

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

Audit Section

Auditors: Alimou Diallo, Chief of Vendor Audit Unit
Hung Bang, Chief of Vendor Audit Unit
Ermias Tecele, Supervisor
Paul Huang, Auditor

SUNPOINT HOME LLC

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Sunpoint Home LLC (SH). The audit was performed upon the In-Home Day Program (IDP), Supplemental Residential Program Support (SRPS) and Specialized Residential Facility – Habilitation (SRF) for the period of January 1, 2022, through December 31, 2022.

The audit disclosed the following issues of non-compliance:

Finding 1: Specialized Residential Facility – Habilitation – Unsupported Billings

The review of SH's SRF program, Vendor Number PG2281, revealed that SH had a total of \$16,839 of unsupported billings to Golden Gate Regional Center (GGRC).

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

SH did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to \$500,000, but less than \$2,000,000, in purchase of service (POS) during Fiscal Year (FY) 2021-22 to obtain an independent review report 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 \$16,839, 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 SH'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 centers' contracts with SH 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 SH, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of SH'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 SH 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 GGRC that utilized SH's services during the audit period. SH 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 SH. 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.

In-Home Day Program

During the audit period, SH operated one IDP program. The audit included the review of SH's IDP program, Vendor Number PG2281, SC091 and testing was done for the sampled months of October 2022 and November 2022.

Supplemental Residential Program Support

During the audit period, SH operated one SRPS program. The audit included the review of SH's SRPS program, Vendor Number PG2281, SC109 and testing was done for the sampled months of October 2022 and November 2022.

Specialized Residential Facility – Habilitation Program

During the audit period, SH operated one SRF program. The audit included the review of SH's SRF program, Vendor Number PG2281, SC113 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 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.
- 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 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, SH had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

The DDS issued a draft audit report on September 18, 2023. The findings in the report were discussed at an exit conference via Microsoft Teams with Sunpoint Home LLC on September 26, 2023. It was agreed to respond by the October 26, 2023. However, Sunpoint Home LLC did not submit a response to the draft audit report by the deadline. DDS attempted to contact SH through all available sources of contact to no avail.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Specialized Residential Facility – Habilitation – Unsupported Billings

The review of SH's SRF program, Vendor Number PG2281, for the sampled months of October 2022 and November 2022, revealed that SH had unsupported billings for services billed to GGRC. Unsupported billings occurred due to the audited hours not meeting the required hours billed to GGRC and non-compliance with the CCR, Title 17 and SH's contract with GGRC.

DDS reviewed the direct care service hours documented on the payroll records and compared those hours to the direct care service hours billed to GGRC. For October 2022 and November 2022, SH was required to provide 1,789 and 1,731 Direct Care Staff (DCS) hours, respectively. However, SH was not able to provide payroll records for a total of 998 of the required hours of services billed to GGRC. The underprovided payroll hours resulted in unsupported billings to GGRC in the amount of \$16,839, 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:

SH must reimburse to DDS \$16,839 for the unsupported billings. In addition, SH should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to GGRC.

Vendor's Response:

SH did not submit a response to the draft audit report by the deadline. DDS attempted to contact SH through all available sources of contact to no avail.

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

SH did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to \$500,000, but less than \$2,000,000, in POS expenditures during Fiscal Year (FY) 2021-22 to obtain an independent review report 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), (b) and (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:
 - (A) If the amount received from the regional center or regional centers during each state fiscal year is more than or equal to five hundred thousand dollars (\$500,000), but less than two million dollars (\$2,000,000), the entity shall obtain an independent review report 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:

SH must obtain an independent review report of its financial statements and provide copies of the independent review report to GGRC and DDS.

Vendor's Response:

SH did not submit a response to the draft audit report by the deadline. DDS attempted to contact SH through all available sources of contact to no avail.

ATTACHMENT A
SUNPOINT HOME, 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

SUNPOINT HOME, LLC

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