

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
INSPIRATIONAL ILSP

Program:

Independent Living Program – HA1271, HA1378

Audit Period: January 1, 2023, through December 31, 2023

Audit Section

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INSPIRATIONAL ILSP

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Inspirational ILSP (IILSP), which was converted from a Sole Proprietorship to an S Corporation under the same ownership. The audit was performed upon the Independent Living Program (ILP) for the period of January 1, 2023, through December 31, 2023.

The audit disclosed the following issue of non-compliance:

Finding 1: Independent Living Program - Unsupported Billings

The review of IILSP's ILP, Vendor Numbers HA1271 and HA1378, revealed that IILSP had a total of \$54,512 of unsupported billings to Alta California Regional Center (ACRC).

The total of the finding identified in this audit amounts to \$54,512, 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 IILSP's program was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State laws and regulations and the regional center's contracts with IILSP for the period of January 1, 2023, through December 31, 2023.

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 IILSP, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of IILSP'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 IILSP 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 program provided to ACRC that utilized IILSP's services during the audit period. IILSP provided one service, which DDS audited. By analyzing the information received from the vendor, an internal control questionnaire and a risk analysis, it was determined that a calendar year period would be sufficient to fulfill the audit objectives.

Independent Living Program

During the audit period, IILSP operated one ILP. The audit included the review of IILSP's ILP, Vendor Number HA1271 (Sole Proprietorship) and HA1378 (S Corporation), SC 520, and testing was done for calendar year 2023.

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.
- 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.
- 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 Finding and Recommendation section, IILSP had the finding of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on June 26, 2024. The finding in the report was discussed at an exit conference with IILSP on July 9, 2024. IILSP responded via email on August 7, 2024, that ILSP did not disagree with the finding in the report.

RESTRICTED USE

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

FINDING AND RECOMMENDATION

Finding 1: Independent Living Program – Unsupported Billings

The review of IILSP's ILP, Vendor Numbers HA1271 and HA1378, for calendar year 2023, revealed that IILSP had unsupported billings for services billed to ACRC. IILSP was unable to provide sufficient payroll hours to support the hours of service billed to ACRC.

DDS reviewed the direct care payroll hours and compared those hours to the direct care service hours billed to ACRC. DDS noted that the direct care payroll hours documented in the payroll records were 1,341 hours less than the direct care service hours billed to ACRC. IILSP billed for 1,341 hours of service not supported by payroll records. The lack of documentation resulted in unsupported billings to ACRC in the amount of \$54,512, which is due back to DDS. (See Attachment A)

In addition, IILSP did not maintain the historical data documenting the actual delivery of service to consumers for which IILSP has claimed payments. Specifically, IILSP did not maintain records of attendance logs and daily case notes approved in the program design to record the direct care hours of services provided to each consumer. This is not in compliance with the CCR, Title 17, which requires that vendors maintain complete service records to support billings for each regional center consumer in sufficient detail to verify the delivery of units of service billed.

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:

IILSP must reimburse to DDS \$54,512 for the unsupported billings. In addition, IILSP should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to ACRC.

VENDOR’S Response:

IILSP stated in the response, dated August 7, 2024, that IILSP did not disagree with the finding.

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

ATTACHMENT A
INSPIRATIONAL ILSP

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

INSPIRATIONAL ILSP

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 IILSP’S RESPONSE

DDS evaluated Inspirational ILSP’s written response to the draft audit report, dated August 7, 2024, and determined that Inspirational ILSP agreed with the finding.