

**DEPARTMENT  
OF  
DEVELOPMENTAL SERVICES'  
AUDIT  
OF  
LEVEL UP NORCAL**

**Service:**

Individual or Family Training – PF5203

Audit Period: January 1, 2022, through December 31, 2023

**Audit Section**

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**LEVEL UP NORCAL**  
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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Level Up NorCal (LUN). The audit was performed upon the Individual or Family Training (IFT) for the period of January 1, 2022, through December 31, 2023.

The audit disclosed the following issue of non-compliance:

### **Finding 1: Individual or Family Training – Unsupported Billings**

The review of LUN's IFT program, Vendor Number PF5203, revealed that LUN had a total of \$1,698,639 of unsupported billings to Far Northern Regional Center (FNRC).

The total of the finding identified in this audit amounts to \$1,698,639 which is due back to DDS. A detailed discussion of these 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 LUN's program was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State laws and regulations and the regional centers' contracts with LUN for the period of January 1, 2022, 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 LUN, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of LUN'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 LUN 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 LUN's services during the audit period. DDS audited services provided to FNRC. This one regional center was chosen due to the large volume of services utilized by the centers as measured by purchase of service (POS) expenditures.

LUN provided three different types of services, of which DDS audited one. Services chosen were based on the amount of POS expenditures invoiced by LUN. 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. However, the two-month sample period demonstrated a significant

amount of unsupported billings. As a result, the testing was extended to include calendar years 2022 and 2023.

### **Individual or Family Training**

During the audit period, LUN operated one IFT program. The audit included the review of one of LUN's IFT program, Vendor Numbers PT5203, SC 102 and testing was done for calendar years 2022 and 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 the audit procedures performed, DDS has determined that except for the Item identified in the Finding and Recommendation section, the LUN was in compliance with applicable audit criteria.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on Monday, August 5, 2024. The finding in the report was discussed during an exit conference via Microsoft Teams with LUN on Thursday, August 8, 2024. DDS received LUN's written response to the draft audit report via email on Tuesday, September 10, 2024. LUN did not agree with finding in the draft audit report.

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### Finding 1: Individual or Family Training – Unsupported Billings

The review of LUN's IFT program, Vendor Number PF5203, for the calendar years 2022 and 2023, revealed that LUN had unsupported billings for services billed to FNRC. Unsupported billings occurred due to insufficient payroll hours to support the hours of service billed to FNRC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care payroll hours and compared those hours to the direct care service hours billed to FNRC. DDS noted that the direct care payroll hours documented in the payroll registers were 38,764 hours less than the direct care service hours billed to FNRC. LUN billed for 38,764 hours of service not supported by payroll registers. The lack of documentation resulted in unsupported billings to FNRC in the amount of \$1,698,639, 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:**

LUN must reimburse to DDS \$1,698,639 for the unsupported billings. In addition, LUN should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to FNRC.

**VENDOR'S Response:**

LUN, stated in the response, dated Tuesday, September 10, 2024, that LUN disagreed the finding. See Attachment B for the full text of LUN's response to the draft audit report and Attachment C for DDS' evaluation of LUN's response.



# **ATTACHMENT A**

## **LEVEL UP NORCAL**

**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**

### **LEVEL UP NORCAL**

**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 LUN'S RESPONSE**

## **Level Up NorCal**

**To request a copy of DDS' Evaluation of LUN'S response to the audit finding, please contact the DDS Audit Section at (916) 654-3695.**