

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES'
AUDIT
OF
EMPOWERING EXCELLENT COMMUNITIES AND ESTABLISHING
LEADERS, INC. DBA REDWOOD INTEGRATION SERVICES**

Program:

Adaptive Skills Trainer – PN1236

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

Audit Services Branch

Auditors: Hung Bang, Chief of Vendor Audit Section
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EMPOWERING EXCELLENT COMMUNITIES AND ESTABLISHING LEADERS, INC. DBA REDWOOD INTEGRATION SERVICES

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Empowering Excellent Communities and Establishing Leaders, Inc. dba Redwood Integration Services (RIS). The audit was performed upon the Adaptive Skills Trainer (AST) program for the period of January 1, 2023, through December 31, 2023.

The audit disclosed the following issues of non-compliance:

Finding 1: Adaptive Skills Trainer – Overbillings

The review of RIS' AST program, Vendor Number PN1236, revealed that RIS had a total of \$134,103 of overbillings to North Bay Regional Center (NBRC).

Finding 2: Adaptive Skills Trainer – Lack of Requisite Qualifications

The review of RIS' AST program, Vendor Number PN1236, revealed that staff who provided services to consumers did not meet the education requirement specified in the vendor's program design. The lack of requisite credentials resulted in overbillings in the amount of \$9,413 to NBRC.

Finding 3: Adaptive Skills Trainer – Unsupported Billings

The review of RIS' AST program, Vendor Number PN1236, revealed that RIS had a total of \$6,157 of unsupported billings to NBRC.

Finding 4: Non-Compliance to Obtain an Independent Review of Financial Statements

RIS 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) 2022-23 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 \$149,673, 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 RIS' fiscal accountability requirement and its program were compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State laws and regulations and the regional centers' contracts with RIS 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 RIS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of RIS' 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 RIS complied with W&I Code and CCR, Title 17. Any complaints that DDS' Audit Services Branch 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 NBRC that utilized RIS' services during the audit period. RIS provided one AST type of 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 whole calendar year period would be sufficient to fulfill the audit objectives.

Adaptive Skills Trainer

During the audit period, RIS operated one AST program. The audit included the review of RIS' AST program, Vendor Number PN1236, SC 605 and testing was done for the whole calendar year of 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 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.
- Analyzed the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.
- Interviewed the vendor's Certified Public Accountant, Executive Director, Administrator and Program Coordinators, for vendor background information and to gain understanding of accounting procedures and financial reporting process.

CONCLUSION

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, RIS was in compliance with applicable audit criteria.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on February 14, 2025. The findings in the report were discussed at an exit conference with RIS on February 19, 2025. However, RIS did not submit a response to the draft report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Adaptive Skills Trainer – Overbillings

The review of RIS' AST program, Vendor Number PN1236 for calendar year 2023, revealed that RIS had overbillings for services billed to NBRC.

There were three types of overbillings found in RIS' AST program based on a review of the appointment timesheets, payroll records and employees' credentials as follows:

- RIS overbilled NBRC by \$51,909 for 684 hours of service that were provided by two or more employees to the same consumer during the same overlapping hours. RIS' program design provided for a staff to consumer ratio of one staff to one consumer (1:1) for the AST program. DDS did allow some instances of two staff providing service to one consumer where one was a supervisor with higher credentials.
- RIS and Redwood Development Services (RDS), which is also a company owned by [REDACTED], billed for overlapping hours by the same staff to NBRC and GGRC respectively. DDS noted that both RIS and RDS employed the same employee who provided service to two consumers, one at RIS and the other one at RDS, at the same time. DDS further noted that both RIS and RDS billed NBRC and GGRC for these overlapping hours. As a result, RIS overbilled NBRC by \$8,365 for 81 overlapping direct care service hours.
- RIS billed NBRC for 950 Administrative hours, which were primarily general office work unrelated to the direct care services provided to the consumers. The general office duties include payroll, accounting and timesheet. As a result, RIS overbilled NBRC by \$73,829, which is due back to DDS.

The total overbilled hours were 1,715 units. As a result, RIS overbilled NBRC in the amount of \$134,103, 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), (10), and (13), 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.

(13) Comply with applicable staffing ratio requirements;”

Recommendation:

RIS must reimburse to DDS \$134,103 for the overbillings. In addition, RIS should provide services in accordance with the NBRC program design and authorization with NBRC to ensure that hours are accurately billed to NBRC.

Vendor's Response:

RIS did not submit a response to the draft audit report.

Finding 2: Adaptive Skills Trainer – Lack of Requisite Qualifications

The review of RIS' AST program, Vendor Number PN1236, for calendar year, revealed that some of the staff who provided supervision services to the consumers of NBRC did not meet the education requirements per CCR, Title 17 and RIS' program design for the AST program. Per the regulations, services under the AST program must be provided by personnel who hold a Master's degree. Furthermore, RIS' program design required staff providing supervision services under the AST program to hold a Master's degree or higher.

DDS reviewed the credentials of RIS' staff who provided supervision under the AST program and the appointment list/timesheets to determine if the staff had the required qualifications to provide such services. If staff did not have the required qualifications, DDS lowered the hourly rate by 29 percent to match RIS' regular AST rate. DDS found that RIS' staff with lower credentials provided 307 hours of supervision. These hours were equivalent to 88 overbilled supervision hours. DDS further noted that RIS billed for these services at the higher rate of \$106.50. DDS calculated the billable amounts based on the reduced rates and determined that RIS overbilled NBRC by \$9,413, which is due back to DDS. (See Attachment B)

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 54342(a)(3)(A) states:

“(a) The following service codes shall be assigned to the following types of services:

(3) Adaptive Skills Trainer – Service Code 605. A regional center shall classify a vendor as an adaptive skills trainer if the vendor possesses the skills, training and education necessary to enhance existing consumer skills....

(A) Possess a Master’s Degree in one of the following: education, psychology, counseling, nursing, social work, applied behavior analysis, behavioral medicine, speech and language, or rehabilitation; and...”

RIS Program Design under the Personal Requirements Section states in part:

“Title – Consultant – Aids the BCBA in assessing the function of the behavior of an individual...”

- Role-Supervise tutor positions,
- Minimum qualifications, PH.D., M.A., M.S.”

Recommendation:

RIS must reimburse to DDS \$9,413 for the overbillings. In addition, RIS should comply with the CCR, Title 17 and RIS’ program design as stated above to ensure staff with the required credentials provide supervision under the AST program.

Vendor’s Response:

RIS did not submit a response to the draft audit report.

Finding 3: Adaptive Skills Trainer – Unsupported Billings

The review of RIS' AST program, Vendor Number PN1236, for calendar year 2023, revealed that RIS had unsupported billings for services billed to NBRC. Unsupported billings occurred due to a lack of supporting documentation to support the units of service billed to NBRC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service hours documented on the employee appointment list/timesheets and payroll records and compared those hours to the direct care service hours billed to NBRC. DDS noted that the direct care service hours on the appointment list/timesheets were 62 hours less than the direct care service hours billed to NBRC. RIS was not able to provide appropriate supporting documentation for 62 hours of services billed. As a result, RIS had unsupported billings to NBRC in the amount of \$5,162.

DDS also reviewed the mileage logs documented on the employee appointment list/timesheets and compared those miles to the miles billed to NBRC. DDS noted that the miles on the appointment list/timesheets were 1,519 miles less than the miles billed to NBRC. RIS was not able to provide appropriate supporting documentation for 1,519 miles billed. As a result, RIS had unsupported billings to NBRC in the amount of \$995.

The lack of documentation resulted in unsupported billings to NBRC in the amount of \$6,157, which is due back to DDS.

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:

RIS must reimburse to DDS \$6,157 for the unsupported billings. In addition, RIS should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to NBRC.

Vendor’s Response:

RIS did not submit a response to the draft audit report.

Finding 4: Non-Compliance to Obtain an Independent Review of Financial Statements

RIS 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) 2022-23 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), (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:

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

Vendor's Response:

RIS did not submit a response to the draft audit report.

ATTACHMENT A

REDWOOD INTEGRATION SERVICES

To request a copy of the attachment for this audit report, please contact the DDS Audit Services Branch at (916) 654-3695.

ATTACHMENT B

REDWOOD INTEGRATION SERVICES

To request a copy of the attachment for this audit report, please contact the DDS Audit Services Branch at (916) 654-3695.

ATTACHMENT C

REDWOOD INTEGRATION SERVICES

To request a copy of the attachment for this audit report, please contact the DDS Audit Services Branch at (916) 654-3695.

ATTACHMENT D – VENDOR’S RESPONSE

REDWOOD INTEGRATION SERVICES

As part of the audit report process, RIS was afforded the opportunity to respond to the draft audit report. However, RIS did not submit a response to the draft audit report.