

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES'
AUDIT
OF
DOORWAYS SUPPORTED LIVING
IN ORANGE COUNTY**

Service:

Supported Living Service – PM2940

Audit Period: July 1, 2022, through June 30, 2024

Audit Services Branch

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DOORWAYS SUPPORTED LIVING IN ORANGE COUNTY

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EXECUTIVE SUMMARY

The Department of Developmental Services (Department) has audited Doorways Supported Living in Orange County (DSLOC). The audit was performed upon the Supported Living Service (SLS) for the period of July 1, 2022, through June 30, 2024.

The audit disclosed the following issue of non-compliance:

Finding: Supported Living Service – Unsupported Billings

The review of DSLOC's SLS program, Vendor Number PM2940, revealed that DSLOC had a total of \$613,168 of unsupported billings to the Regional Center of Orange County (RCOC).

The total of the finding identified in this audit amounts to \$613,168, which is due back to the Department. A detailed discussion of this finding is contained in the Finding and Recommendation section of this report.

BACKGROUND

The Department 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. The Department 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 Code (WIC), Section 4648.1, the Department 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 DSLOC's program was compliant with the WIC, California Code of Regulations (CCR), Title 17, State laws and regulations and the regional centers' contracts with DSLOC for the period of July 1, 2022, through June 30, 2024.

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 DSLOC, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of DSLOC'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 DSLOC complied with WIC and CCR, Title 17. Any complaints that Department's 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 the RCOC that utilized DSLOC's services during the audit period. DSLOC provided one type of service, which was audited by the Department. 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 expanded to include the period July 1, 2022, through June 30, 2024.

Supported Living Service

During the audit period, DSLOC operated one SLS program. The audit included the review of the DSLOC's SLS program, Vendor Number PM2940, SC 896 and testing was done for the sampled months in the audit period July 1, 2022, through June 30, 2024.

Methodology

The following methodology was used by the Department 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, the Department has determined that except for the items identified in the Finding and Recommendation section, the DSLOC was in compliance with applicable audit criteria.

VIEWS OF RESPONSIBLE OFFICIALS

The Department issued a draft audit report on February 7, 2025. The finding in the report was discussed at an exit conference with DSLOC on February 12, 2025. Subsequent to the exit conference, on March 10, 2025, DSLOC submitted a response to the draft audit report via email stating that DSLOC does not agree with the report.

RESTRICTED USE

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

FINDING AND RECOMMENDATION

Finding: Supported Living Service – Unsupported Billings

The review of DSLOC's SLS program, Vendor Number PM2940, for the audit period of July 1, 2022, through June 30, 2024, revealed that DSLOC had unsupported billings for services billed to RCOC. Unsupported billings occurred due to insufficient payroll hours to support the service hours billed to RCOC and non-compliance with CCR, Title 17.

The vendor provided schedules and timesheets/daily case notes to support the hours billed to RCOC. Upon the initial review and verification of the vendor's schedules and timesheets/daily case notes, it was revealed that 174 out of 3,446 hours billed to RCOC for March 2024 and 128 out of 3,299 hours billed for April 2024 were unsupported.

Due to the significant number of unsupported hours identified for March and April 2024, testing was expanded to cover the period from July 1, 2022, through June 30, 2024. To determine the actual service hours for these two fiscal years, the Department compared the vendor's payroll hours to the hours billed to RCOC. The vendor's payroll registers recorded only flat paycheck amounts paid to employees and did not include direct hour records. To determine the direct hours worked by employees, the Department divided each employee's gross pay by the minimum pay rate for the region. By applying this methodology, the flat paycheck amounts paid to DSLOC employees were converted into direct hours, allowing the Department to identify discrepancies between the hours billed to RCOC and the actual service hours provided by the vendor's employees.

The Department found that the payroll records did not support the hours billed to RCOC and noted that the documented payroll hours were 18,933 hours less than the service hours billed to RCOC.

DSLOC billed a total of 55,892 service hours, of which 18,933 service hours were not supported by payroll records. This resulted in \$613,168 in unsupported billings to RCOC, which is due back to the Department. (See Attachment A)

WIC, 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:

DSLOC must reimburse \$613,168 to the Department for the unsupported billings. In addition, DSLOC should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to RCOC.

VENDOR'S Response:

DSLOC, stated in the response, dated March 10, 2025, that DSLOC disagreed with the audit finding.

See Attachment B for the full text of DSLOC's response to the draft audit report and Attachment C for the Department's evaluation of DSLOC's response.

ATTACHMENT A

DOORWAYS SUPPORTED LIVING IN ORANGE COUNTY

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

ATTACHMENT B – VENDOR’S RESPONSE

DOORWAYS SUPPORTED LIVING IN ORANGE COUNTY

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

ATTACHMENT C – DDS' EVALUATION OF DSLOC'S RESPONSE

To request a copy of the Department's evaluation of DSLOC's response to the audit finding, please contact the Audit Services Branch at (916) 654-3695.