

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES'
AUDIT
OF
DENVER RESIDENTIAL FACILITY**

Program and Services:

Specialized Residential Facility - Habilitation – HX1127

Specialized Therapeutic Services – PX1313

Audit Period: January 1, 2024, through December 31, 2024

Audit Services Branch

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DENVER RESIDENTIAL FACILITY

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EXECUTIVE SUMMARY

The Department of Developmental Services (Department) has audited Denver Residential Facility (DRF). The audit was performed upon the Specialized Residential Facility – Habilitation (SRF) and Specialized Therapeutic Services (STS) for the period of January 1, 2024, through December 31, 2024.

The audit disclosed the following issues of non-compliance:

Finding 1: Specialized Residential Facility – Habilitation – Unsupported Billings

The review of DRF's SRF program, Vendor Number HX1127, revealed that DRF had a total of \$28,036 of unsupported billings to South Central Los Angeles Regional Center (SCLARC).

Finding 2: Specialized Therapeutic Services – Unsupported Billings

The review of DRF's STS program, Vendor Number PX1313, revealed that DRF had a total of \$4,676 of unsupported billings to SCLARC.

The total of the findings identified in this audit amounts to \$32,712, which is due back to the Department. A detailed discussion of these findings is contained in the Findings and Recommendations 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 DRF's programs were compliant with the WIC, California Code of Regulations (CCR), Title 17, State laws and regulations and the regional centers' contracts with DRF for the period of January 1, 2024, through December 31, 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 DRF, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of DRF'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 DRF complied with WIC and CCR, Title 17. Any complaints that the 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 programs and services provided to SCLARC that utilized DRF's services during the audit period. DRF provided three different types of services, of which the Department audited two. Services chosen by the Department were based on the amount of purchase of service (POS) expenditures invoiced by DRF. 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.

Specialized Residential Facility – Habilitation

During the audit period, DRF operated one SRF program. The audit included the review of one of DRF's SRF program, Vendor Number HX1127, SC 113 and testing was done for the sampled months of September 2024 and October 2024.

Specialized Therapeutic Services

During the audit period, DRF operated one STS program. The audit included the review of one of DRF's STS program, Vendor Number PX1313, SC 117 and testing was done for the sampled months of September 2024 and October 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 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.

CONCLUSION

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

VIEWS OF RESPONSIBLE OFFICIALS

The Department issued a draft audit report on September 9, 2025. The findings in the report were discussed at an exit conference with DRF on September 10, 2025. Subsequent to the exit conference, on September 11, 2025, DRF submitted a response via email agreeing with the audit findings.

RESTRICTED USE

This report is solely for the information and use of the Department, Department of Health Care Services, SCLARC and DRF. 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 DRF's SRF program, Vendor Number HX1127, for the sampled months of September 2024 and October 2024, revealed that DRF had unsupported billings for services billed to SCLARC.

Unsupported billings occurred due to a lack of supporting documentation to support the units of service billed to SCLARC and non-compliance with the CCR, Title 17.

The Department reviewed the direct care service hours documented on the employee timesheets and payroll records and compared those hours to the direct care service hours billed to SCLARC. According to the contract between DRF and SCLARC, an SRF housing four residents requires a minimum of 56 hours of Direct Support Professional (DSP) services daily. For September 2024, DRF was required to provide a minimum of 1,680 DSP hours, based on 30 days at 56 hours per day. For October 2024, DRF was required to provide a minimum of 1,736 DSP hours, based on 31 days at 56 hours per day. However, DRF could not provide appropriate supporting documentation, such as employee timesheets and payroll records, for 1,381 hours of services billed to SCLARC. The lack of documentation led to unsupported billings to SCLARC amounting to \$28,036, 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:

DRF must reimburse the Department \$28,036 for the unsupported billings. In addition, DRF should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SCLARC.

Vendor’s Response:

DRF stated in the response, dated September 11, 2025, that DRF agreed with the finding.

See Attachment C for the full text of DRF’s response to the draft audit report and Attachment D for the Department’s evaluation of DRF’s response.

Finding 2: Specialized Therapeutic Services – Unsupported Billings

The review of DRF’s STS program, Vendor Number PX1313, for the sampled months of September 2024 and October 2024, revealed that DRF had unsupported billings for services billed to SCLARC.

Unsupported billings occurred due to a lack of supporting documentation to support the units of service billed to SCLARC and non-compliance with the CCR, Title 17.

The Department reviewed the direct care service hours documented on the employee timesheets and payroll records and compared those hours to the direct care service hours billed to SCLARC. The Department noted that the direct care service hours on the employee timesheets and payroll records were 167 hours less than the direct care service hours billed to SCLARC. DRF was not able to provide appropriate supporting documentation for 167 hours of services billed. The lack of documentation resulted in unsupported billings to SCLARC in the amount of \$4,676, which is due back to the Department. (See Attachment B)

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:

DRF must reimburse the Department \$4,676 for the unsupported billings. In addition, DRF should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SCLARC.

Vendor's Response:

DRF stated in the response, dated September 11, 2025, that DRF agreed with the finding.

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

ATTACHMENT A

DENVER RESIDENTIAL FACILITY

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

ATTACHMENT B

DENVER RESIDENTIAL FACILITY

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

ATTACHMENT C – VENDOR’S RESPONSE

DENVER RESIDENTIAL FACILITY

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

ATTACHMENT D – EVALUATION OF RESPONSE

The Department evaluated DRF's written response to the draft audit report, dated September 11, 2025, and determined that DRF agreed with the findings.