

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES'
AUDIT
OF
LIFE PATHWAY VOCATIONAL DEVELOPMENT CENTER, INC**

Programs:

Adult Development Center – HV0591

Supplemental Day Services Program Support – PV4898

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

Audit Services Branch

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LIFE PATHWAY VOCATIONAL DEVELOPMENT CENTER, INC

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EXECUTIVE SUMMARY

The Department of Developmental Services (Department) has audited Life Pathway Vocational Development Center, Inc (LPVDC). The audit was performed upon the Adult Development Center (ADC) and Supplemental Day Services Program Support (SDSPS) for the period of January 1, 2024, through December 31, 2024.

The audit disclosed the following issues of non-compliance:

Finding 1: Adult Development Center – Unsupported Staffing Ratio

The review of LPVDC's ADC program, Vendor Number HV0591, revealed that LPVDC did not meet its required direct care staffing hours. This resulted in a shortage of the required direct care staffing of 2,636 hours and overpayments of \$48,731 for services billed to Valley Mountain Regional Center (VMRC).

Finding 2: Adult Development Center – Unsupported Billings

The review of LPVDC's ADC program, Vendor Number HV0591, revealed that LPVDC had a total of \$33,359 of unsupported billings to VMRC.

Finding 3: Supplemental Day Services Program Support – Unsupported Billings

The review of LPVDC's SDSPS program, Vendor Number PV4898, revealed that LPVDC had a total of \$11,517 of unsupported billings to VMRC.

The total of the findings identified in this audit amounts to \$93,607, 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 LPVDC's programs were compliant with the WIC, California Code of Regulations (CCR), Title 17, State laws and regulations and the regional centers' contracts with LPVDC 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 LPVDC, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of LPVDC'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 LPVDC 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 VMRC that utilized LPVDC's services during the audit period. LPVDC provided two 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 LPVDC. 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.

Adult Development Center

During the audit period, LPVDC operated one ADC program. The audit included the review of LPVDC's ADC program, Vendor Number HV0591, SC 510 and testing was done for the sampled months of March 2024 and April 2024. However, the two sampled months demonstrated a high amount of unsupported billings. As a result, the testing was expanded to include the entire CY of 2024.

Supplemental Day Services Program Support

During the expansion audit period, LPVDC operated one SDSPS program, which was vendorized in August 2024. The audit included the review of LPVDC's SDSPS program, Vendor Number PV4898, SC 110 and testing was done for the five months of August 2024 through December 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 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, LPVDC was in compliance with applicable audit criteria.

VIEWS OF RESPONSIBLE OFFICIALS

The Department issued a draft audit report on August 22, 2025. The findings in the report were discussed at an exit conference with LPVDC on September 3, 2025. Subsequent to the exit conference, on September 3, 2025, LPVDC submitted a response via email agreeing with the findings.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Adult Development Center – Unsupported Staffing Ratio

The review of LPVDC's ADC programs, Vendor Number HV0591 for the entire calendar year of 2024, revealed that LPVDC had overpayments of services billed to VMRC. Overpayments occurred due to LPVDC not meeting the approved staff-to-consumer ratio of 1:3 for the units of service billed to VMRC.

The Department reviewed the direct care service hours documented on the Consumer Attendance Sheets, Consumer Daily Activity Records, and Progress Notes, and employees' payroll records.

The Department found that the actual direct care service hours were 2,636 hours less than the required hours to meet the approved staff-to-consumer ratio of 1:3 hours billed to the Regional Center. LPVDC has acknowledged that the staffing ratio issues are primarily attributed to challenges related to high employee turnover and staff shortages. The total unsupported direct care staffing hours of 2,636 multiplied by the average salary of the staff for the Adult Development Center for the sampled months of calendar year 2024, amounts to \$48,731, which is due back to the Department.
(See Attachment A)

CCR, Title 17, Section 56756 (a), (e), and (i) (1) and (2) states:

- “(a) A staffing ratio shall be approved for each adult day program by the Department pursuant to this section. This ratio shall be based on the program design, the curriculum as vendored, the characteristics and needs of the consumers to be served, and the number of consumers enrolled.
- (e) Adult development centers shall provide a direct care staff to-consumer ratio of 1:4.
 - (1) The vendor is authorized to request Department approval for modification of the staffing for an Adult Development Center to an overall direct care staff-to-consumer ratio of 1:3. A written request and justification shall be submitted to the Department by the regional center which documents the findings pursuant to the criteria listed below. The overall direct care staffing ratio shall be determined by averaging the specific staff-to-consumer ratio needed for each individual consumer. The regional center shall consider whether the Adult Development Center meets the following criteria for modification of the direct care staffing ratio of 1:4.

- (i) The vendor shall maintain the approved staffing ratio during its direct service hours. The vendor shall not be required to schedule the ratio with each subgroup of consumers at all times, but shall maintain both:
 - (1) The ratio of staff on duty to consumers in attendance during all service hours which shall be determined by a numerical comparison of the number of individuals on duty as direct care staff with the number of consumers in attendance. If the numerical comparison results in a fraction, more than one-half of a staff person shall be rounded up to the next whole number. Less than one-half of a staff person shall be rounded up to the next one-half of a whole number. One-half of a staff person shall not be rounded.
 - (2) Sufficient supervision for each subgroup to protect the health and safety of the consumers.

Life Pathway Vocational Developmental Center Program Design states in part that:

“VI. Staffing

LPVDC shall provide a direct care staff-to-consumer ratio of 1:3 at all times during program hours. At no time will the ratio fall below 1:3. "Floating" staff may be used to move among sub-groups as needed to maintain safety of all clients when behavior issues arise. Only D.S.P. staff are included in this ratio. No administrative staff, consultants, clients or volunteers are included in this ratio.”

Recommendation:

LPVDC must reimburse to the Department \$48,731 for the overpayment of services for the unsupported direct care staffing hours. In addition, LPVDC should ensure that the approved staff-to-consumer ratio is met.

VENDOR’S Response:

LPVDC stated in the response, dated September 5, 2025, that LPVDC agreed with the finding.

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

Finding 2: Adult Development Center – Unsupported Billings

The review of LPVDC’s ADC program, Vendor Number HV0591, for the entire calendar year of 2024, revealed that LPVDC had unsupported billings for

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

The Department reviewed the direct care service days documented on the Consumer Sign-in Sheets/Consumer Daily Activity Records/Progress Notes and compared to the units of service billed to VMRC. The Department noted that there were 320 days of services billed to VMRC that were not adequately supported by Consumer Sign-in Sheets/Consumer Daily Activity Records/Progress Notes. These documents were either missing, not submitted, or incomplete, leading to a lack of proper validation for the service billed. LPVDC has acknowledged that there were instances where LPVDC was understaffed, resulting in the consumers being sent back home without proper notification to VMRC regarding the service cancellation. LPVDC was unable to provide appropriate supporting documentation for 320 days of services billed. The lack of documentation resulted in unsupported billings to VMRC in the amount of \$33,359, 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:

LPVDC must reimburse to the Department \$33,359 for the unsupported billings. In addition, LPVDC should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to VMRC.

VENDOR'S Response:

LPVDC stated in the response, dated September 5, 2025, that LPVDC agreed with the finding.

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

Finding 3: Supplemental Day Services Program Support – Unsupported Billings

The review of LPVDC's SDSPS program, Vendor Number PV4898, for the five months of August 2024 through December 2024, revealed that LPVDC had unsupported billings for services billed to VMRC. Unsupported billings occurred due to insufficient payroll hours to support the hours of service billed to VMRC and non-compliance with the CCR, Title 17.

The Department reviewed the direct care payroll hours and compared those hours to the direct care service hours billed to VMRC. The Department noted that the direct care payroll hours documented in the payroll records were 555 hours less than the direct care service hours billed to VMRC. The Department requested additional documents to support the 555 hours billed to VMRC. LPVDC has acknowledged there were no records available to substantiate the hours that were billed. LPVDC billed for 555 hours of service not supported by payroll records. The lack of documentation resulted in unsupported billings to VMRC in the amount of \$11,517, which is due back to the Department. (See Attachment C)

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.”

Valley Mountain Regional Center Amendment to Independent Contractor Contract states in part that:

“4. Authorization to Purchase Services Required

D. Contractor must maintain separate records to support direct service billing for each consumer served and indirect or administrative billing performed during the course of providing services.”

Recommendation:

LPVDC must reimburse to the Department \$11,517 for the unsupported billings. In addition, LPVDC should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to VMRC.

VENDOR’S Response:

LPVDC stated in the response, dated September 5, 2025, that LPVDC agreed with the finding.

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

ATTACHMENT A

LIFE PATHWAY VOCATIONAL DEVELOPMENT CENTER, INC.

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

ATTACHMENT B

LIFE PATHWAY VOCATIONAL DEVELOPMENT CENTER, INC.

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

ATTACHMENT C

LIFE PATHWAY VOCATIONAL DEVELOPMENT CENTER, INC.

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

ATTACHMENT D – VENDOR’S RESPONSE

LIFE PATHWAY VOCATIONAL DEVELOPMENT CENTER, INC.

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 E – EVALUATION OF RESPONSE

The Department evaluated LPVDC's written response to the draft audit report, dated September 5, 2025, and determined that LPVDC agreed with the findings.