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DEPARTMENT OF DEVELOPMENTAL SERVICES' AUDIT OF SELF DETERMINED FUTURES, LLC

Programs and Services:

Coordinated Family Supports – HQ1914, PW8547

Independent Living Program – HQ1761

Coordinated Career Pathways – H39494, HW0873

Audit Period: October 1, 2023, through June 30, 2025

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SELF DETERMINED FUTURES, LLC

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EXECUTIVE SUMMARY

The Department of Developmental Services (Department) has audited Self Determined Futures, LLC (SDF). The audit was performed upon the Coordinated Family Supports (CFS), Independent Living Program (ILP), Coordinated Career Pathways (CCP), and Direct Support Professional (DSP) Stipend Training Program for the period of October 1, 2023, through June 30, 2025.

The audit disclosed the following issues of non-compliance:

Finding 1: Coordinated Family Supports – Unsupported Billings

The review of SDF's CFS program, Vendor Numbers PW8547 and HQ1914, revealed that SDF had a total of $141,888 of unsupported billings to Eastern Los Angeles Regional Center (ELARC), San Diego Regional Center (SDRC), and Westside Regional Center (WRC).

Finding 2: Independent Living Program – Unsupported Billings

The review of SDF's ILP program, Vendor Number HQ1761, revealed that SDF had a total of $25,474 of unsupported billings to SDRC.

Finding 3: Coordinated Career Pathways – Unsupported Billings

The review of SDF's CCP program, Vendor Numbers HW0873 and H39494, revealed that SDF had a total of $41,901 of unsupported billings to ELARC and SDRC.

Finding 4: Direct Support Professional (DSP) Training – Non-Compliance

SDF did not comply with the DSP Training Stipend Program eligibility requirements. As a result, administrative fees totaling $13,800 must be reimbursed to the Department.

The total of the findings identified in this audit amounts to $223,063, which is due 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 SDF's programs were compliant with the WIC, California Code of Regulations (CCR), Title 17, State laws and regulations and the regional centers' contracts with SDF for the period of October 1, 2023, through June 30, 2025.

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 SDF, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of SDF'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 SDF 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 three regional centers that utilized SDF's services during the audit period. The Department audited services provided to ELARC, SDRC, and WRC. These three regional centers were chosen due to the large volume of services utilized by the centers as measured by purchase of service (POS) expenditures.

SDF provided seven different types of services, of which the Department audited three. Services chosen were based on the amount of POS expenditures invoiced by SDF. 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, due to significant discrepancies identified during

testing for May and June 2025, the scope of testing was expanded to include four additional months: January, February, March, and April of calendar year 2025.

Coordinated Family Supports

During the audit period, SDF operated two CFS programs. The audit included the review of both of SDF's CFS programs, Vendor Numbers PW8547 and HQ1914, SC 076 and testing was done for the sampled period January 1, 2025, through June 30, 2025.

Independent Living Program

During the audit period, SDF operated one ILP program. The audit included the review of SDF's ILP program, Vendor Number HQ1761, SC 520 and testing was done for the sampled period January 1, 2025, through June 30, 2025.

Coordinated Career Pathways

During the audit period, SDF operated two CCP programs. The audit included the review of both of SDF's CCP programs, Vendor Numbers HW0873 and H39494, SC 956 and testing was done for the sampled period January 1, 2025, through June 30, 2025.

Methodology

The following methodology was used by the Department to maintain 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 Centers.
- 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, SDF was in compliance with the applicable audit criteria.

VIEWS OF RESPONSIBLE OFFICIALS

The Department issued a draft audit report on July 9, 2026. The findings in the report were discussed at an exit conference with SDF on July 13, 2026. Subsequent to the exit conference, on August 11, 2026, SDF submitted a response via email stating that SDF does not dispute, acknowledges, and accepts the Department's findings.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Finding 1: Coordinated Family Supports – Unsupported Billings

The review of SDF's CFS program, Vendor Numbers PW8547 and HQ1914, for the sampled period January 1, 2025, through June 30, 2025, revealed that SDF had unsupported billings for services billed to ELARC, SDRC, and WRC. Unsupported billings occurred due to insufficient payroll hours to support the hours of service billed to ELARC, SDRC, and WRC 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 ELARC, SDRC, and WRC. The Department noted that the direct care payroll hours documented in the payroll register were 2,384 hours less than the direct care service hours billed to ELARC, SDRC, and WRC. SDF billed for 2,384 hours of service not supported by payroll register. SDF explained the differences between payroll hours, and Purchase of Services hours are due to a "standardized internal travel time adjustment" of up to 16 hours per client per month. This adjustment is their internal method for billable travel time. However, since all transportation and mileage are already included in the rates, the extra 16 hours for travel time are not approved or authorized by the Regional Center. The lack of documentation resulted in unsupported billings to ELARC, SDRC, and WRC in the amount of $141,888, which is due to the Department. (See Attachment A)

In response to the unsupported billings discrepancies, SDF has already taken corrective actions and discontinued the standardized travel-time billing adjustment. In addition, SDF created a compliance role position that reports directly to the CEO to monitor payroll, timekeeping and billing. SDF also strengthened its internal controls by requiring executive review and approval of its billing methodology.

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:

SDF must reimburse the Department $141,888 for the unsupported billings. In addition, SDF should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to ELARC, SDRC, and WRC. In addition, SDF must continue its newly improved process and continuously strengthen its internal controls.

VENDOR'S Response:

SDF stated in the response, dated August 11, 2026, that SDF does not dispute, acknowledges, and accepts the Department's findings.

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

Finding 2: <u>Independent Living Program – Unsupported Billings</u>

The review of SDF's ILP program, Vendor Number HQ1761, for the sampled period January 1, 2025, through June 30, 2025, revealed that SDF had unsupported billings for services billed to SDRC. Unsupported billings occurred due to insufficient payroll hours to support the hours of service billed to SDRC 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 SDRC. The Department noted that the direct care payroll hours documented in the payroll register were 485 hours less than the direct care service hours billed to SDRC. SDF billed for 485 hours of service not supported by payroll register. SDF explained the differences between payroll hours, and Purchase of Services hours are due to a "standardized internal travel time adjustment" of up to 16 hours per client per month. This adjustment is their internal method for billable travel time. However, since all transportation and mileage are already included in the rates, the extra 16 hours for travel time are not approved or authorized by the

Regional Center. The lack of documentation resulted in unsupported billings to SDRC, in the amount of $25,474, which is due to the Department. (See Attachment A)

In response to the unsupported billings discrepancies, SDF has already taken corrective actions and discontinued the standardized travel-time billing adjustment. In addition, SDF created a compliance role position that reports directly to the CEO to monitor payroll, timekeeping, and billing. SDF also strengthened its internal controls by requiring executive review and approval of its billing methodology.

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:

SDF must reimburse the Department $25,474 for the unsupported billings. In addition, SDF should comply with the CCR, Title 17 and maintain proper documentation to support the amounts billed to SDRC. In addition, SDF must continue its newly improved process and continuously strengthen its internal controls.

VENDOR'S Response:

SDF stated in the response, dated August 11, 2026, that SDF does not dispute, acknowledges, and accepts the Department's findings.

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

Finding 3: <u>Coordinated Career Pathways – Unsupported Billings</u>

The review of SDF's CCP program, Vendor Numbers HW0873 and H39494, for the sampled period January 1, 2025, through June 30, 2025, revealed that SDF had unsupported billings for services billed to ELARC, and SDRC. Unsupported billings occurred due to insufficient payroll hours to support the hours of service billed to ELARC and SDRC, 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 ELARC and SDRC. The Department noted that the direct care payroll hours documented in the payroll register were 466 hours less than the direct care service hours billed to ELARC and SDRC. SDF billed for 466 hours of service not supported by payroll register. SDF explained the differences between payroll hours, and Purchase of Services hours are due to a "standardized internal travel time adjustment" of up to 16 hours per client per month. This adjustment is their internal method for billable travel time. However, since all transportation and mileage are already included in the rates, the extra 16 hours for travel time are not approved or authorized by the Regional Center. The lack of documentation resulted in unsupported billings to ELARC and SDRC in the amount of $41,901, which is due to the Department. (See Attachment A)

In response to the unsupported billings discrepancies, SDF has already taken corrective actions and discontinued the standardized travel-time billing adjustment. In addition, SDF created a compliance role position that reports directly to the CEO to monitor payroll, timekeeping and billing. SDF also strengthened its internal controls by requiring executive review and approval of its billing methodology.

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:

SDF must reimburse the Department $41,901 for the unsupported billings. In addition, SDF should comply with the CCR, Title 17 and maintain proper documentation to support the amounts billed to ELARC and SDRC. In addition, SDF must continue its newly improved process and continuously strengthen its internal controls.

VENDOR'S Response:

SDF stated in the response, dated August 11, 2026, that SDF does not dispute, acknowledges, and accepts the Department's findings.

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

Finding 4: <u>Direct Support Professional (DSP) Training – Non-Compliance</u>

The review of SDF's DSP stipend training program for the sampled period October 1, 2023, through June 30, 2025, revealed that SDF enrolled 59 individuals who did not meet eligibility requirements in the DSP training program billed to SDRC since they were volunteers, on-call staff or contractors. As a result, administrative fees totaling $13,800 received by the vendor must be reimbursed to the Department. (See Attachment B)

DSP Stipend Training Program eligibility guidelines state:

"To be eligible for the training stipend, DSPs, including some frontline supervisors and clinical staff, must meet the following eligibility requirements:

- Work as a paid DSP for an average of 10 hours or more per week.
- Perform direct support tasks like skills development, guidance, and personal assistance to individuals served by a regional center as a regular part of their job duties.
- Spend at least 50% of work hours doing direct support tasks; and
- Are employed by a regional center vendor, or by a participant in the Self-Determination Program.

For the purpose of this training stipend program, the following are not eligible even if a portion of their work involves providing direct support:

- Staff hired through temporary personnel agency.
- Contract or 1099 workers.
- On-call or PRN workers.
- Volunteers; and
- Administrative or supervisory staff, unless they spend 50% or more of their time doing direct support work."

In response to the overbillings and non-compliance regarding the Direct Support Professional (DSP) Training, SDF has improved its DSP training enrollment verification process and created a compliance role position that reports directly to the CEO to monitor compliance with the DSP training program eligibility guidelines.

Recommendation:

SDF must reimburse the Department for the administrative fees totaling $13,800 received for the DSP training program. In addition, SDF should maintain compliance with the DSP training program eligibility guidelines. In addition, SDF must continue its newly improved process and continuously strengthen its internal controls.

VENDOR'S Response:

SDF stated in the response, dated August 11, 2026, that SDF does not dispute, acknowledges, and accepts the Department's findings.

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

ATTACHMENTS A-B

SELF DETERMINED FUTURES, LLC

To request a copy of the attachments for this audit report, please contact the Audit Services Branch via email at AuditServices@dds.ca.gov.

ATTACHMENT C – VENDOR'S RESPONSE

SELF DETERMINED FUTURES, LLC

To request a copy of the vendor's response to the audit finding, please contact the Audit Services Branch via email at AuditServices@dds.ca.gov.

ATTACHMENT D – EVALUATION OF RESPONSE

The Department evaluated SDF's written response to the draft audit report, dated August 11, 2026, and determined that SDF agreed with the findings.