Commonwealth of Massachusetts
Office of the State Auditor
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Official Audit Report-Issued August 6, 2013

Delta Projects, Inc. and Affiliates Administration of Limited Unit Rate Service Agreements

For the period July 1, 2008 through June 30, 2011

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INTRODUCTION AND SUMMARY OF FINDINGS AND RECOMMENDATIONS

On April 3, 2013, the Office of the State Auditor (OSA) issued an audit report (No. 2012-0234-3C) on the Department of Developmental Services' (DDS's) administration of its Limited Unit Rate Service Agreements (LUSAs). LUSAs are a form of a master contract agreement that can be used by DDS to purchase services from a preapproved contractor on an intermittent, limited-time basis for clients who are not already covered through an existing contract. Our overall audit of DDS's administration of LUSAs included a review of $16.6 million in LUSA funding provided to 15 human-service contractors during fiscal years 2009 through 2011. Those transactions were a subset of the approximately $62.2 million in total DDS LUSA expenditures for the three-fiscal-year period covered by our audit. The primary focus of our overall audit was to examine transactions processed during the accounts-payable period[1] at the end of each fiscal year, which disproportionately involved over half of all LUSA funding. As part of this audit, OSA engaged each of the 15 contractors, including Delta Projects, Inc. and Affiliates (Delta), for on-site testing. Delta received approximately $1,870,760 of the above-stated $62.2 million in total DDS LUSA payments. Approximately $1,109,395 (59.3%) of the payments to Delta was processed during the accounts-payable periods for fiscal years 2009 through 2011. The overall audit of DDS was conducted as part of OSA's ongoing efforts to audit human-service contracting activity by state agencies and to promote accountability, transparency, and cost effectiveness in state contracting.

This supplemental report presents the results of our testing specific to Delta's accounts-payable-period LUSA transactions and should be read in the context of our overall report on DDS's administration of LUSA agreements. That report presents our system-wide audit, which determined that, although LUSA funding is supposed to be used for intermittent unanticipated services to clients as needed, DDS is not properly administering these contracts. Instead DDS Regional and Area Office staff have used LUSA contracts to provide additional year-end funding to some DDS human-service contractors for various purposes, many of which are not consistent with the intended use of these funds and resulted in unnecessary and excessive compensation to contractors. That report also documents other significant administrative problems, including improper retroactive

[1] The Commonwealth's fiscal year is divided into 13 accounting periods: one for each calendar month of the fiscal year ending June 30, and a thirteenth period known as the accounts-payable period. During the accounts-payable period, payments are processed for services provided during the fiscal year but not submitted and approved for payment before the June 30 fiscal year-end date. Accounts-payable-period processing generally continues through the end of August each year.

service authorization; irregularities in pricing, encumbering, and accounting for LUSA funding; and documentation at numerous contractors that was often inaccurate, misleading, missing, or otherwise deficient. DDS's practice of improperly administering and using LUSAs has led to the problems with the administration and use of these funds at various DDS contractors, such as Delta.

Highlight of Testing Results Specific to Delta Projects, Inc. and Affiliates

We found problems with $1,093,673 of the $1,109,395 in Delta's accounts-payable-period LUSA transactions, including inadequate documentation to substantiate that LUSA services were properly authorized, inadequate documentation to support LUSA billings, and LUSA contract funding not being used for its intended purposes, as follows:

- For $637,725 in payments to Delta of $963,919 subject to DDS service authorization requirements, DDS and Delta retroactively processed the authorization, in violation of DDS requirements.

- We found additional documentation problems for $349,721 of the above $963,919 in LUSA payments to Delta, including $308,941 in payments for which required service authorization documentation was missing. These problems also included other service authorization documentation deficiencies and inadequate documentation of client service delivery. The lack of adequate documentation violated provisions of the Commonwealth Terms and Conditions for Human and Social Services, and as a result, there was insufficient evidence to show that these LUSA payments had been properly authorized and accounted for; that they were not duplicative or excessive; and that the contractor had actually provided the LUSA services billed.

- Contrary to DDS contract requirements, DDS and Delta improperly used $39,409 in LUSA funding during the last 10 days of fiscal year 2010 to purchase residential furniture rather than LUSA-related services.

- DDS used additional LUSA funding to pay Delta $106,068 for transactions that should have been processed through non-LUSA contracts; this resulted in a variety of procurement, service utilization, and accounting problems. These transactions included $4,070 identified as Personal Support Services (PSS) paid as a matter of administrative convenience for year-end reconciliation payments involving PSS provided through regular contract programs and $101,998 identified by DDS, possibly inaccurately, as Transitional Services that apparently should have been competitively procured but were not. As a result of documentation deficiencies and ambiguities for these payments, there was no assurance that the transactions involved were for appropriate LUSA purposes or that the nature of the payments had been accurately reported in DDS accounting records.

Recommendations of the State Auditor

OSA's overall audit report on DDS's administration of LUSA contracts recommended that responsible oversight agencies, including the state's Operational Services Division and the Office of the State Comptroller, review the issues detailed in the report and take whatever actions they deem appropriate to address those issues, including strengthening their oversight over these DDS transactions. The payments to Delta are covered by that recommendation. In accordance with the recommendations of the overall report and the testing results specific to Delta, Delta should implement appropriate control measures to ensure that all LUSA services are performed, documented, billed, and accounted for in compliance with applicable requirements.

OVERVIEW OF AGENCY

According to its Web site, Delta Projects, Inc. and Affiliates (Delta), located in Dedham, Massachusetts, was incorporated on October 6, 1976 as a nonprofit organization "providing an array of supports for children and adults with intellectual disabilities and other developmental disabilities . . . funded by the Department of Developmental Services, donations and fundraising activities." According to its publications, Delta's mission includes individual and family empowerment; vigorous promotion of individual rights and choice; appreciation of ethnic and cultural diversity; respect, dignity, and freedom from abuse and neglect; ensuring adequate, flexible resources and services, delivered by qualified, trained staff, that are non-intrusive and cost-effective; and the provision of training and expertise to service delivery networks. The organization serves over 100 adults and approximately 90 children with intellectual and developmental disabilities within its residential, adult employment, and children's respite programs. Delta annually receives over $11.1 million in contract payments from the Department of Developmental Services (DDS). Revenues and support from other state agencies and public and private sources raise total revenues for Delta and its affiliated entities to approximately $12.2 million per year. DDS's Limited Unit Rate Service Agreement (LUSA) contract payments to Delta, including the accounts-payable-period transactions covered by our testing for fiscal years 2009 through 2011, were as follows:

Fiscal Year 2009 through 2011 LUSA Funding

Fiscal Year	Total LUSA Payments for Fiscal Year	LUSA Payments Processed During Accounts-Payable Period	Accounts-Payable-Period Percent of Annual Total
2009	$ 895,868	$ 462,860	51.7%
2010	773,513	445,189	57.6%
2011	201,379	201,346	100.0%
	$ 1,870,760	$ 1,109,395	59.3%

SCOPE, OBJECTIVES, AND METHODOLOGY

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws, the Office of the State Auditor (OSA) conducted an audit of the Department of Developmental Services' (DDS's) administration of Limited Unit Rate Service Agreement (LUSA) contracts for the period July 1, 2008 through June 30, 2011 (No. 2012-0234-3C). The scope of that audit included an assessment of the process and related internal controls DDS has established over its administration of LUSA contracts and the use of LUSA funding at 15 selected DDS contractors, together accounting for approximately $16.6 million (26.7%) of the $62.2 million in LUSA payments for the three-fiscal-year period covered by our audit. Based on our analysis of data contained in the Massachusetts Management Accounting and Reporting System, we determined that during our audit period, 12% of all LUSA payments, which are supposed to be provided on an as-needed basis, had been processed during the last month of the fiscal year and that an additional 51% of all LUSA payments had been processed during the Commonwealth's accounts-payable period. This expenditure pattern for LUSA services was in marked contrast to the pattern for DDS's non-LUSA contractor payments, for which fewer than 4% were processed during the accounts-payable period and fewer than 5% were processed during the last month of the fiscal year. Based on this analysis and the results of prior audits that identified issues with LUSA transactions, we concluded that LUSA payments processed late in the year, particularly during the accounts-payable period, might pose disproportionately high risks of improper use or other irregularities. Delta Projects, Inc. and Affiliates (Delta) was one of the 15 contractors selected for on-site testing as part of the overall DDS audit. Delta accounted for approximately $1,870,760 in LUSA payments for the three-fiscal-year period. Approximately $1,109,395 of Delta's LUSA payments was processed during the Commonwealth's accounts-payable periods.

The procedures completed at Delta were part of the overall DDS audit, which was conducted in accordance with generally accepted government auditing standards. Our overall objectives for the DDS audit were to:

- Obtain information required to assess the system of internal controls DDS has established over its administration of LUSA contract funding.
- Determine whether LUSA funding is being used as intended and in compliance with applicable laws, regulations, policies, and procedures by conducting audit testing of a

judgmental sample of DDS human-service contractors that received significant LUSA funding.

Our audit testing at DDS and selected contractors, such as Delta, produced evidence that certain data involving the classification of DDS LUSA expenditures did not reliably represent the actual agreement between DDS and contractors regarding the true purpose and use of the state funding. We provide a complete description of our data reliability and methodology in our overall DDS audit report, No. 2012-0234-3C.

We selected Delta for on-site testing, focusing on accounts-payable-period transactions; conducted interviews with management and staff; reviewed prior audit reports where available; and reviewed applicable laws and regulations. We also obtained and reviewed policies and procedures, accounting records, and supporting source documents and performed tests of these records and transactions, where necessary. We performed testing on all identified accounts-payable-period LUSA transactions, so our findings do not involve the use of projections based on samples. At the conclusion of field work, we met with Delta managers to discuss testing results pertaining to Delta. We also solicited Delta information and input regarding DDS system-wide LUSA issues for use in the overall LUSA audit project.

TESTING RESULTS

1. QUESTIONABLE USE OF $1,093,673 IN LUSA FUNDS

Our testing identified a number of problems with the granting, receipt, and use of Limited Unit Rate Service Agreement (LUSA) funds that the Department of Developmental Services (DDS) provided to by Delta Projects, Inc. and Affiliates (Delta). These included DDS and Delta retroactively processing service authorization approval for $637,725 in LUSA transactions, contrary to DDS requirements; Delta maintaining insufficient authorization, invoicing, and service delivery documentation for $349,721 in transactions; DDS improperly using $39,409 of LUSA funding to reimburse Delta for capital assets (furniture) purchased during the last ten days of fiscal year 2010; and DDS improperly using $106,068 of LUSA funding to pay Delta for transactions that should instead have been processed through other payment mechanisms. In many instances, the same transaction was associated with multiple problems. The unduplicated amount of questioned funding is $1,093,673.

LUSA contractual agreements are designed to be relatively flexible in order to address client service needs. DDS's Purchase of Service Manual states that LUSA contracts are "for purchasing intermittent, as-needed services for developmentally disabled individuals needing limited time placements." The LUSA's purpose is to provide a contract that can be accessed at any time during its multiyear term to pay for unexpected services for clients authorized by DDS where, because of special circumstances, services have not been included within the scope of an existing state-funded program contract. DDS has established separate categories for LUSA agreements (residential, day, work, and support service), and LUSA services may only be provided within the scope of the categories for which a contractor has been approved.

DDS requires that in order to obtain funding to pay for LUSA services, DDS managers and contractors such as Delta complete an Authorization for Services before services begin. The process uses an Authorization for Services Form (ASF) signed by a DDS manager, typically an Area Director, to establish the specific type of service, service date ranges, appropriation source, and amount of LUSA funding that will reimburse the contractor for services provided to the client.[2]

[2] Certain exceptions to this authorization requirement involve DDS's use of LUSA funds for transactions that should instead have been processed through other payment mechanisms as described in Section d. of this finding. DDS has not uniformly required use of ASFs for those transactions.

In addition to obtaining ASF approval, contractors must maintain service delivery and related documentation as required by Section 7 of the Commonwealth Terms and Conditions for Human and Social Services, which specifies that:

> *The Contractor shall maintain records, books, files and other data as required by 808 CMR 1.00 and as specified in a Contract and in such detail as shall properly substantiate claims for payment under a Contract, for a minimum retention period of seven (7) years beginning on the first day after the final payment under a Contract, or such longer period as is necessary for the resolution of any litigation, claim, negotiation, audit or other inquiry involving a Contract.*

It is essential that, in addition to authorization, invoices, and accompanying summary service delivery reports, contractors maintain documentation sufficient to verify that invoiced services were actually delivered and to establish that the services rendered were not within the scope of activity already covered and reimbursed by regular, non-LUSA, program contracts. Documentation of compliance with the activity and reimbursement restriction is of particular concern, since DDS's regular non-LUSA contracts have typically been established using payment rates that have been increased by as much as 17.6% to ensure that contractors are appropriately reimbursed for full program costs where programs are underutilized for legitimate reasons such as unanticipated vacancies or client hospitalizations. As explained by applicable Operational Services Division (OSD) policy:[3]

> *The inclusion of a utilization factor in unit rate contracts may result in a situation where a specific contractor is serving consumers at a higher utilization level than negotiated or anticipated and thus reaches the maximum obligation of the contract (or "bills out") before the end of the contract period. In this case, the contractor is required to provide services up to the total capacity purchased by the contract . . . for the remainder of the contract period with no additional funding. The application of a utilization factor does not result in the contractor delivering "free" services; rather, in these cases, a contractor has merely been fully reimbursed for the costs associated with the program in a shorter period of time than the full contract duration . . . .*

As a result, if a LUSA agreement is erroneously used to pay for services that have already been effectively reimbursed through a regular contract, the contractor may improperly receive excessive or duplicative reimbursement of program costs.

The subsections below describe the Delta-related issues identified as part of testing procedures performed.

[3] OSD Procurement Policies and Procedures, "How to Draft a Request for Response" (issued November 1, 2005, revised August 13, 2007).

a. Retroactive Authorization of LUSA Services Totaling $637,725

Despite the above-described ASF processing requirement established by DDS, of $963,919 in accounts-payable-period LUSA payments to Delta that were subject to service authorization requirements, $637,725 had been paid for services that DDS and Delta had retroactively authorized, in violation of the requirements. Retroactive authorizations had been processed in each year of the testing period as follows:

Retroactive Authorization Amounts

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Total
Retroactive Authorization	$202,975	$295,965	$138,785	$637,725

As described in the next section, these amounts exclude payments totaling $308,941 for which documentation available at Delta was not sufficient to determine whether authorization had been properly processed in a timely manner.

Delta's Response

> *Delta submitted service authorizations consistent with the process in place and requested by DDS at the time. Notwithstanding the above, it is our understanding that new processes have been put in place by DDS requiring that LUSA authorizations requested after the 3-day requirement require special approval to ensure compliance with the timely authorization standard.*

b. Inadequate Documentation Related to $349,721 in LUSA Service Authorizations and Payments

We found documentation problems for LUSA payments totaling $349,721. These problems included ASF documentation deficiencies, missing invoices, and missing or inadequate documentation of client service delivery. The lack of adequate documentation violated the previously quoted provisions of the Commonwealth Terms and Conditions for Human and Social Services, and as a result, there was insufficient evidence to show that these LUSA payments had been properly authorized and accounted for; that they were not duplicative or excessive; and that the contractor had actually provided the LUSA services billed.

Documentation inadequacies were identified for each year of the testing period, as follows:

Service Authorization and Documentation Deficiencies

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Total
Major Documentation Deficiencies	$184,190	$105,342	$60,189	$349,721

ASF documentation was entirely missing for $308,941 in payments, including $21,214 in payments for which Delta was also not able produce any invoice-related documentation. Even when ASF documentation was present, it was not always possible to determine when, or even whether, the service authorization process had been completed for individual clients and the agreed-upon terms of service. For example, an ASF might be present but documentation might not identify individual clients to be served, the type of service to be provided, or the timeframe authorized for service delivery.

Required documentation of actual service delivery was also inadequate (e.g., unsigned timesheets) or so ambiguous as to be questionable. Examples of the type of documentation that should be maintained include contemporaneously prepared daily program attendance sheets signed by employees present at the program site and time/service documentation records for one-on-one services to individual clients, which correlate to invoice submissions. Delta typically retained copies of invoices and Service Delivery Reports, which are monthly calendars listing individual clients and the days or hours for which they were being billed. Those documents are prepared by administrative support personnel who themselves lack the personal knowledge necessary to attest to the accuracy of the billing submissions, and the billing documents are therefore insufficient for compliance-assurance purposes. While, in most cases, Delta had adequate contemporaneously prepared signed time cards sufficient to document the delivery of services, such documentation was missing or inadequate for $63,547 of the LUSA transactions. Since some of those transactions were also characterized by missing ASF documentation, the net total with major documentation deficiencies was $349,721, as displayed in the above table. Documentation both in Delta's year-end financial report filings with OSD[4] and in Delta's records was also not sufficient to adequately correlate to service delivery information, DDS

[4] Uniform Financial Statements and Independent Auditor's Reports, also known as UFRs.

LUSA payments, and service delivery costs to the organization's operational programs as needed to ensure that payments were outside the scope of regular DDS contracts and did not result in excessive or duplicative reimbursement. Because these deficiencies were so extensive, it was not possible to perform the analysis and testing required to reasonably estimate the extent to which the compensation DDS provided to Delta was excessive.

Delta's Response

> *Delta has a long-standing mechanism for documenting services we provide to individuals that are outside the scope of contract funding. Any staff member providing supports to an individual that are unanticipated and not included in the agency's contract for services, documents those hours of service on a "One to One" timesheet that specifies the individual's name and is verified and signed by the program supervisor. One to One timesheets are entered into payroll with a separate code and then entered onto a spreadsheet broken down by month and person. The spreadsheet and timesheets are used to prepare the Service Delivery Report for any LUSA billing.*
>
> *Delta has policies in place to ensure that service authorization is timely and properly documented. Additionally, Delta will take steps to continue to ensure that contemporaneously prepared documentation evidencing client service delivery and supporting invoice submissions for all transactions is maintained in accordance with Commonwealth of Massachusetts regulations.*

c. Improper Capital-Asset Reimbursements Totaling $39,409

LUSA agreements are supposed to be used to provide direct services to clients, rather than to directly reimburse contractors for capital items such as vehicles or other non-service items such as employee overtime costs. Pursuant to rules and regulations established by OSD and the Office of the State Comptroller (OSC), contractors providing human services to state agencies are, with limited exceptions, reimbursed only for providing units of services such as a day of residential service to a client. However, contractors often require the use of capital assets such as property and equipment to provide these services. Such items are typically treated as capital-asset items, and contractors are allowed to charge the costs of the capital items they purchase over their useful life against their state contracts. OSD has also established a Capital Item Procurement Policy that, under special circumstances, allows DDS and other state agencies either to lend state-owned assets to contractors for program use or to reimburse contractors for the preapproved purchase of certain capital items. Those special arrangements are carefully restricted to protect the Commonwealth's title interest in the assets and, in addition to requiring preapproval, require that purchased items be competitively procured and that purchases be limited to movable assets such as vehicles, appliances, and furniture rather than fixed assets such as buildings, heating systems, or other property improvements such as driveway paving. State capital-item reimbursements must also be separately accounted for through special contracting forms promulgated by OSD and be recorded in the state accounting system using special expenditure classification codes different from the ones established by OSC for use in purchasing human-service program and support services. Regardless of whether a particular non-service item is a capital item or another form of non-service activity such as non-capitalized small value items, none of these non-service items should be purchased through the LUSA contracting mechanism, since the purchase of these items would not be consistent with the specified purpose of LUSA funding.

Despite these restrictions, we found that DDS and Delta improperly used $39,409 in LUSA funding during our testing period to purchase capital/non-service items rather than LUSA-related services. These transactions involved purchases of residential furniture (e.g., dining-room tables, chairs, beds, and a media cabinet) all made during the last 10 days of fiscal year 2010. OSD policy does provide contractors with some latitude regarding decisions about whether to treat this type of purchase as an expense or as a capital item. However, when the purchases are directly reimbursed by state agencies, as these transactions were, OSD policy requires contractors to aggregate related purchases and capitalize them (i.e., classify them as capital items), using specific forms and procedures, when the items' consolidated cost exceeds a particular threshold. Although Delta did not capitalize all of these transactions, we have characterized all of the items involved as capital items because, had they been properly processed in accordance with the OSD policy, the purchases would have been aggregated and processed as capital-asset transactions to be reimbursed using the required procedures and forms. However, even had that aggregation-based capitalization requirement not applied, use of LUSA funding for reimbursement of the transactions would have been prohibited as non-service transactions beyond the permissible scope for LUSA payment.

Delta's Response

> *Delta submitted invoices for reimbursement of purchases of residential furniture consistent with the DDS process and guidance in place at the time of submission. All of the furniture items reimbursed through LUSA funding were necessary replacements for damaged and worn out pieces in homes where Delta provides residential support. The residential contract did not include funding to cover these costs. Delta identified the unfunded costs to DDS and was advised to submit invoices for the purchases.*

We currently understand that LUSA funding cannot be used to reimburse non-service transactions, however at the time we viewed the furniture as essential to service provision and believed it was appropriate.

Notwithstanding the above, Delta has taken steps to ensure that employees are aware that LUSA funding cannot be used to reimburse non-service transactions and any reimbursement will comply with existing Commonwealth of Massachusetts and DDS regulations.

d. Inappropriate Use of $106,068 in LUSA Funding to Pay for Personal Support and Transitional Services

During our testing period, DDS used LUSA funding to pay Delta $106,068 for transactions that should have been processed through non-LUSA contracts; this resulted in a variety of procurement, service utilization, and accounting problems. These transactions included $4,070 identified as Personal Support Services (PSS) and $101,998 identified as Transitional Services.

Specifically, we found that DDS reported using $4,070 in LUSA funding to make year-end reconciliation payments to Delta for PSS provided through regular residential contract programs. PSS cover preauthorized staffing hours needed to provide MassHealth- (Medicaid-) eligible DDS clients with instrumental activities of daily living (IADL) assistance that has been contracted for through regular DDS human-service-program contracts. Because authorized service levels are routinely underutilized, only approximately 88% of the authorized PSS reimbursement is incorporated into each contractor's regular program contract. As a matter of administrative processing convenience, DDS has used LUSA payments for the purpose of making supplemental year-end reconciliation payments to contractors for any amounts determined to be owed where actual utilization is claimed to exceed 88%. Those payments were made through LUSAs even though the terms of LUSA agreements do not provide for the reconciliation process. DDS policies governing the use of LUSAs and DDS policy and contract language instead provide for the use of amendments to regular DDS contracts to address such situations. DDS should have processed the payments to Delta through other, non-LUSA, means such as year-end amendments to Delta's regular non-LUSA contracts.

DDS records identified $101,998 in LUSA payments as being for institutional-to-community-living Transitional Services, part of a special DDS initiative that was mandated by a legal settlement agreement resulting from a federal lawsuit. As detailed in our full report on DDS's administration of LUSA agreements, the Transitional Service transactions with Delta were apparently part of a larger set of transactions that should have been competitively procured and reimbursed through regular contracts rather than through LUSAs. However, the accuracy of DDS's characterization of these transactions as Transitional Services was questionable. The transactions that DDS identified as Transitional Services in the state accounting system had not been identified as such by Delta. Delta had simply documented and labeled the transactions in billing submissions as "support services" and invoiced the transactions at rates other than the DDS established rate for Transitional Services. Thus, it appears that DDS may have misidentified these transactions in the state accounting system.

The table below breaks out these transactions with Delta by category and fiscal year:

Inappropriate LUSA PSS and Transitional Service Transactions

	Fiscal Year 2009	Fiscal Year 2010	Fiscal Year 2011	Total
Personal Support Services	$ 1,698	$ 0	$ 2,372	$ 4,070
Transitional Services	101,998	0	0	101,998
Total	$ 103,696	$ 0	$ 2,372	$ 106,068

In addition to the inappropriate DDS use of LUSA payment mechanisms, other issues existed for these transactions. Despite the above-quoted contracting terms and conditions, Delta did not maintain adequate documentation that correlated to $2,372 of fiscal year 2011 LUSA PSS amounts. Both invoice documentation and service-specific detailed time sheets were absent. Similar service delivery documentation deficiencies existed for all Transitional Service LUSA payments. As a result of these documentation deficiencies, there was no assurance that the transactions were for appropriate LUSA purposes or that the nature of the payments had been accurately reported in DDS accounting records.

Delta's Response

> *Delta billed and was reimbursed for $1,698 for supplemental support services to one individual in FY 09. These services were provided because of an increased need for assistance in Activities of Daily Living before an application for supplemental PSS hours could be processed and included in our contract. We believe that this represented an appropriate use of LUSA funding. The audit report indicates that these supports were designated by DDS as Personal Support Services. Delta Projects was unaware of this discrepancy.*

Delta submitted invoices totaling $101,998 for supplemental support services to varied individuals in FY 09. These unanticipated support services were not included in Delta's contract for services and represented an appropriate use of LUSA funding. The audit report indicates that these supports were designated by DDS as Transitional Services. Delta Projects was unaware of this discrepancy.

Recommendations

OSA's overall audit report on DDS's administration of LUSA contracts recommended that responsible oversight agencies, including OSD and OSC, review the issues detailed in the report and take whatever actions they deem appropriate to address those issues, including strengthening their oversight over these DDS transactions. The payments to Delta are covered by that recommendation. In accordance with the recommendations of the overall report and the testing results specific to Delta, Delta should implement appropriate control measures to ensure that all LUSA services are performed, documented, billed, and accounted for in compliance with applicable requirements.