

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
NEW HORIZON'S SLS

Services:

Supported Living Services – PN1021

Audit Period: July 1, 2017, through June 30, 2018

Audit Section

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NEW HORIZON'S SLS

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited New Horizon's SLS (NHS). The audit was performed upon Supported Living Services (SLS) for the period of July 1, 2017, through June 30, 2018.

The audit disclosed the following issue of non-compliance:

Finding 1: Supported Living Services – Unsupported Billings

The review of NHS' SLS program, Vendor Number PN1021, revealed that NHS had a total of \$2,313 of unsupported billings to North Bay Regional Center (NBRC).

The finding identified in this audit amounts to \$2,313, which is due back to DDS. A detailed discussion of the finding is contained in the Finding and Recommendation section of this report.

BACKGROUND

DDS 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. DDS 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 (W&I) Code, Section 4648.1, DDS 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 NHS' program was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State and Federal laws and regulations and the regional centers' contracts with NHS for the period of July 1, 2017, through June 30, 2018.

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 NHS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of NHS' 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 NHS complied with W&I Code and CCR, Title 17. Also, any complaints that DDS' Audit Section was aware of regarding non-compliance with laws and regulations were reviewed and addressed during the course of the audit.

The audit scope was determined by reviewing the program or service provided to NBRC that utilized NHS' services during the audit period. NHS provided SLS services, which DDS audited. By analyzing the information received during a pre-audit meeting with 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.

Supported Living Services

During the audit period, NHS operated one SLS program. The audit included the review of NHS' SLS, Vendor Number PN1021, SC 896 and testing was done for the sampled months of August and September 2017.

Methodology

The following methodology was used by DDS 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(s).
- Analyzed the vendor's payroll and attendance/service records to determine if the appropriate level of staffing was provided.
- Reviewed the vendor's general ledger, payroll records and trial balance to determine the vendor's costs.
- Interviewed the vendor's Executive Director, Administrator and Program Coordinators, for vendor background information and to gain understanding of accounting procedures and financial reporting process.

CONCLUSION

Based upon the item identified in the Finding and Recommendation section, NHS had a finding of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on August 31, 2020. The areas of review and conclusion of the audit were discussed in an exit conference with [REDACTED], CEO of NHS, on September 8, 2020. [REDACTED] responded via email on September 8, 2020, that NHS agreed with the conclusion of the audit report.

RESTRICTED USE

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

FINDING AND RECOMMENDATION

Finding 1: Supported Living Services – Unsupported Billings

The review of NHS' SLS program, Vendor Number PN1021, for the sampled months of August and September 2017, revealed that NHS had unsupported billings for services billed to NBRC. Unsupported billings occurred due to a lack of appropriate documentation to support the units of service billed to NBRC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care service hours documented on the Employee Timesheets, Schedule of Supports and T-Logs and compared those hours to the direct care service hours billed to NBRC. DDS noted that the direct care service hours on the Employee Timesheets, Schedule of Supports and T-Logs which were reconciled to payroll were 100 hours less than the direct care service hours billed to NBRC.

NHS was not able to provide appropriate supporting documentation for 100 hours of services billed. The lack of documentation resulted in unsupported billings to NBRC in the amount of \$2,313 and is due back to DDS.
(See Attachment A)

W&I Code, 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 deliver 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:

NHS must reimburse to DDS \$2,313 for the unsupported billings. In addition, NHS should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to NBRC.

NHS's Response:

[REDACTED], CEO of NHS, submitted a response on September 8, 2020, stating that NHS accepted the finding and does not dispute it.

See Attachment B for the full text of NHS' response to the draft audit report and Attachment C for DDS' evaluation of NHS' response.

ATTACHMENT A

NEW HORIZON'S SLS

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

ATTACHMENT B – VENDOR’S RESPONSE

NEW HORIZON’S SLS

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

ATTACHMENT C – DDS’ EVALUATION OF NHS’ RESPONSE

DDS evaluated NHS’ response, dated September 8, 2020 to the draft audit report and determined that NHS did not disagree with the draft audit report finding. Therefore, NHS needs to refund DDS the amount identified in the draft audit report.