

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**CHOICE HOMECARE, INC.**

**Program:**

In-Home Respite Services Agency – HM0926

Audit Period: January 1, 2021, through December 31, 2022

**Audit Section**

**Auditors:** Alimou Diallo, Chief of Vendor Audit Unit  
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# CHOICE HOMECARE, INC.

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Choice Homecare, Inc. (CH). The audit was performed upon the In-Home Respite Services Agency (IHRSA) for the period of January 1, 2021, through December 31, 2022.

The audit disclosed the following issue of non-compliance:

**Finding: In-Home Respite Services Agency – Unsupported Billings**

The review of CH's IHRSA program, Vendor Number HM0926, revealed that CH had a total of \$226,674 of unsupported billings to Regional Center of Orange County (RCOC).

The total of the finding identified in this audit amounts to \$226,674, which is due back to DDS. A detailed discussion of this 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 CH's 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 CH for the period of January 1, 2021, through December 31, 2022.

### **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 CH, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of CH'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 CH complied with W&I Code and CCR, Title 17. Any complaints that DDS' Audit Section 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 RCOC that utilized CH's services during the audit period. CH provided two different types of services, of which DDS audited one. Services chosen by DDS were based on the amount of purchase of service (POS) expenditures invoiced by CH. 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, the two-month sample period demonstrated a significant amount of unsupported billings. As a result, the testing was expanded to include calendar years 2021 and 2022.

## **In-Home Respite Services Agency**

During the audit period, CH operated one IHRSA program. The audit included the review CH's IHRSA program, Vendor Numbers HM0926, SC 862 and testing was done for the calendar years 2021 and 2022.

### **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 finding and conclusion 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 items identified in the Finding and Recommendation section, CH had finding of non-compliance with the requirements of CCR, Title 17.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on September 13, 2023. The finding in the report was discussed at an exit conference with CH on September 21, 2023. Subsequent to the exit conference, in an e-mail, on October 24, 2023, CH did not state whether CH agreed or disagreed with the finding, but stated, "No questions."

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### Finding: In-Home Respite Services Agency – Unsupported Billings

The review of CH's IHRSA program, Vendor Number HM0926, for the calendar years 2021 and 2022, revealed that CH had unsupported billings for services billed to RCOC. Unsupported billings occurred due to insufficient payroll hours to support the hours of service billed to RCOC and non-compliance with the CCR, Title 17.

DDS reviewed the direct care payroll hours and compared those hours to the direct care service hours billed to RCOC. DDS noted that the direct care payroll hours documented in the compensation report were 9,854 hours less than the direct care service hours billed to RCOC. CH billed for 9,854 hours of service not supported by documentation. The lack of documentation resulted in unsupported billings to RCOC in the amount of \$226,674, which 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 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:**

CH must reimburse to DDS \$226,674 for the unsupported billings. In addition, CH should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to RCOC.

**Vendor's Response:**

In the response, dated October 24, 2023, CH did not state whether CH agreed or disagreed with the finding but did not provide any additional source documents to the DDS audit team to dispute the finding. CH stated, "No questions..." regarding the issued draft report.

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



**ATTACHMENT A**  
**CHOICE HOMECARE, INC.**

**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**

### **CHOICE HOMECARE, INC.**

**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 CH's RESPONSE**

DDS evaluated CH's written response to the draft audit report, dated October 24, 2023. Although, CH did not state whether CH agreed or disagreed with the finding identified, it appears CH will not dispute the finding.