

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**HILL HORIZONS ORGANIZATION H20**

Service:

Supported Living Service – HT0336

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

**Audit Section**

**Auditors:** Hung Bang, Chief of Vendor Audit Unit  
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# HILL HORIZONS ORGANIZATION H20

## TABLE OF CONTENTS

	Page(s)
EXECUTIVE SUMMARY .....	1
BACKGROUND.....	2
OBJECTIVE, SCOPE AND METHODOLOGY .....	2
CONCLUSION.....	4
VIEWS OF RESPONSIBLE OFFICIALS .....	4
RESTRICTED USE .....	4
FINDINGS AND RECOMMENDATIONS.....	5
ATTACHMENT A.....	8
ATTACHMENT B – VENDOR’S RESPONSE .....	9

## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Hill Horizons Organization H20 (HHO). The audit was performed upon the Supported Living Service (SLS) for the period of January 1, 2021, through December 31, 2021.

The audit disclosed the following issues of non-compliance:

### **Finding 1: Supported Living Service – Unsupported Billings**

The review of HHO's SLS program, Vendor Number HT0336, revealed that HHO had a total of \$164,870 of unsupported billings to Tri-Counties Regional Center (TCRC).

### **Finding 2: Non-Compliance to Obtain an Independent Audit of Financial Statements**

HHO did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to \$2,000,000, in purchase of service (POS) during Fiscal Year (FY) 2020-22 to obtain an independent audit of financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.

The total of the findings identified in this audit amounts to \$164,870, which is due back to DDS. A detailed discussion of these findings is contained in the Findings and Recommendations 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 HHO's fiscal accountability requirement and its program were 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 HHO for the period of January 1, 2021, through December 31, 2021.

### **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 HHO, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of HHO'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 HHO 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 service provided to TCRC that utilized HHO's services during the audit period. HHO provided one type of service, which DDS audited. 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.

### **Supported Living Service**

During the audit period, HHO operated one SLS program. The audit included the review of HHO's SLS program, Vendor Number HT0336, SC 896 and testing was done for the sampled months of July 2021 and August 2021.

## **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, POS authorizations and correspondence pertinent to the review.
- Communicated with regional center staff for vendor background information and to obtain insight into the vendor's operations.
- Interviewed vendor 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 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 service records to determine if the appropriate level of staffing was provided.
- Interviewed the vendor's Owner for vendor background information and to gain understanding of accounting procedures and financial reporting process.

## **CONCLUSION**

Based upon items identified in the Findings and Recommendations section, HHO had findings of non-compliance with the requirements of CCR, Title 17.

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on Friday, December 22, 2023. The findings in the report were discussed at an exit conference with HHO on Thursday, December 28, 2023. Subsequent to the exit conference, HHO did not submit a written response to the draft audit report.

## **RESTRICTED USE**

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

## FINDINGS AND RECOMMENDATIONS

### Finding 1: Supported Living Service – Unsupported Billings

The review of HHO's SLS program, Vendor Number HT0336, for the sampled months of July 2021 and August 2021, revealed that HHO had unsupported billings for services billed to TCRC. Unsupported billings occurred due to insufficient payroll hours to support the hours of service billed to TCRC, 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 TCRC. DDS noted that the direct care service hours recorded on the Payroll Journals were 7,235 hours less than the direct care service hours billed to TCRC. HHO billed 7,235 hours of service not supported by Payroll Journal records. The lack of documentation resulted in unsupported billings to TCRC in the amount of \$164,870, which is due back to DDS. (See Attachment A)

Per discussion with HHO, the discrepancies occurred due to the high number of staff turnover HHO experienced during COVID-19. Therefore, DDS tested two more recent months, June 2023 and July 2023, which resulted in payroll hours supporting billed hours to TCRC.

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:**

HHO must reimburse to DDS \$164,870 for the unsupported billings. In addition, HHO should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to TCRC.

**VENDOR’S Response:**

HHO was afforded the opportunity to respond to the draft audit. DDS made several attempts to contact HHO for a response. However, HHO did not submit a response to the draft audit report within the 30 day response period. (See Attachment B)

**Finding 2: Non-Compliance to Obtain an Independent Audit of Financial Statements**

HHO did not comply with Welfare and Institutions (W&I) Code, Section 4652.5, which requires a vendor with more than or equal to \$2,000,000, in POS during Fiscal Years (FYs) 2020-22 to obtain an independent audit of its financial statements for the entity’s fiscal year that includes the last day of the most recent state fiscal year.

W&I Code, Section 4652.5(a)(1)(A) and (b)(c) states:

- “(a) (1) An entity that receives payments from one or more regional centers shall contract with an independent accounting firm to obtain an independent audit or independent review report of its financial statements relating to payments made by regional centers, subject to both of the following:
  - (B) If the amount received from the regional center or regional centers during each state fiscal year is equal to or more than two million dollars (\$2,000,000), the entity shall obtain an independent audit of its financial statements for the entity’s fiscal year that includes the last day of the most recent state fiscal year.
- (b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the



vending regional center within nine months of the end of the entity's fiscal year.

- (c) Regional centers receiving the audit or review reports required by subdivision (b) shall review and require resolution by the entity for issues identified in the report that have an impact on regional center services. Regional centers shall take appropriate action, up to termination of vendorization, for lack of adequate resolution of issues.”

**Recommendation:**

HHO must obtain an independent audit report of its financial statements and provide copies of the independent audit report to TCRC and DDS.

**VENDOR'S Response:**

HHO was afforded the opportunity to respond to the draft audit. DDS made several attempts to contact HHO for a response. However, HHO did not submit a response to the draft audit report within the 30 day response period. (See Attachment B)

# **ATTACHMENT A**

## **HILL HORIZONS ORGANIZATION H2O**

**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**

### **HILL HORIZONS ORGANIZATION H2O**

As part of the audit report process, Hill Horizons Organization H2O was afforded the opportunity to respond to the draft audit report. However, the Hill Horizons Organization H2O did not submit a response to the draft audit report.