

**DEPARTMENT OF DEVELOPMENTAL SERVICES'**  
**AUDIT OF**  
**AEN HOMES, LLC**

**Program:**

Adult Residential Facilities for Persons with Special Health Care Needs – HN0420

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

**Audit Section**

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**AEN HOMES, LLC**  
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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited AEN HOMES, LLC (AEN). The audit was performed upon the Adult Residential Facility for Persons with Special Health Care Needs (ARFPSHN) program for the period of July 1, 2017, through June 30, 2018.

The audit disclosed the following issue of non-compliance:

**Finding 1: Adult Residential Facility for Persons with Special Health Care Needs – Unsupported Staffing Hours**

The review of AEN's ARFPSHN program, Vendor Number HN0420, revealed that AEN had unsupported staffing levels, which resulted in a total of \$10,151 of overpayments of services billed to NBRC.

The total finding identified in this audit amounts to \$10,151, 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 AEN's ARFPSHN program was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, State and Federal laws and regulations and the regional center's contracts with AEN 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 AEN, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of AEN'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 AEN 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 program provided to NBRC that utilized AEN's services during the audit period. AEN operated one ARFPSHN program, 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.

## **Adult Residential Facility for Persons with Special Health Care Needs (Service Code 113)**

During the audit period, AEN operated one ARFPSHN program. The audit included the review of that program, Vendor Number HN0420, SC 113, and testing was done for the sampled months of August 2017 and June 2018.

### **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(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 Administrator and Program Coordinators, for vendor background information and to gain understanding of accounting procedures and financial reporting process.

## **CONCLUSION**

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

DDS issued a draft audit report on September 8, 2021. The finding in the report was discussed at an exit conference via Zoom with AEN on September 21, 2021. Subsequent to the exit conference, on November 5, 2021, AEN provided an email response to the draft audit report agreeing with the audit finding.

## **RESTRICTED USE**

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

## FINDING AND RECOMMENDATION

### **Finding 1: Adult Residential Facility for Persons with Special Health Care Needs – Unsupported Staffing Hours**

The review of AEN's ARFPSHN program, Vendor Number HN0420 for the sampled months of August 2017 and June 2018 revealed that AEN did not meet the required licensed staffing requirements per the W&I code and AEN's contract with NBRC.

Per statute, AEN was required to have licensed personnel awake and on duty 24 hours per day, or 168 hours per week. Further, AEN's contract with NBRC required 128 hours per week of Licensed Vocational Nurse (LVN) and 40 hours per week of Registered Nurse (RN) staffing.

For the two sampled months of August 2017 and June 2018, DDS' review of timesheets and payroll documentation found a total of 252.25 hours when no licensed personnel were on duty.

Since supporting documentation was found for the total number of required weekly RN level staffing hours, the 252.25 hours without supporting documentation should have been provided by LVN-level staff. The total unsupported LVN hours of 252.25, multiplied by the LVN hourly rate of \$40.24 (\$32.00 plus benefits), amounts to \$10,151, 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.”

W&I Code, Section 4684.63 (a)(1) states:

“(a) Each ARFPSHN shall do all of the following:

- (1) Meet the minimum requirements for a Residential Facility Service Level 4-i pursuant to Sections 56004 and 56013 of Title 17 of the California Code of Regulations, and ensure that all of the following conditions are met:

- (A) That a licensed registered nurse, licensed vocational nurse, or licensed psychiatric technician, is awake and on duty 24-hours per day, seven days per week.
- (B) That a licensed registered nurse is awake and on duty at least eight hours per person, per week.”

AEN’s contract with NBRC, Paragraph 12.1 m. requires AEN to provide:

- i. 128 hours per week of LVN staffing
- ii. 372 hours per week of Direct Professional staffing
- iii. 40 hours per week of RN staffing”

AEN’s contract with NBRC, Paragraph 12.4.1 states:

“Wages and benefits for regular staff and Administrator(s)

- a. DSP, LVN and RN Wages: Service Provider will pay the following wages:
  - i. Direct Support Professionals will be paid fifteen dollars (\$15.00) per hour;
  - ii. Licensed Vocational Nurse will be paid thirty two dollars (\$32.00) per hour;
  - iii. Registered Nurse will be paid forty five dollars (\$45.00) per hour;

These wages shall not include health, dental, retirement benefits or Workman’s Compensation.”

**Recommendation:**

AEN must reimburse to DDS \$10,151 for the unsupported LVN hours. In addition, AEN should comply with the W&I Code and its contract with NBRC as stated above to ensure that the required staffing levels are met.

**AEN’s Response:**

AEN stated in its response dated November 5, 2021, that it accepts the finding. See Attachment B for the full text of AEN’s response to the draft audit report and Attachment C for DDS’ evaluation of AEN’s response.



# **ATTACHMENT A**

## **AEN HOMES, LLC**

**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**

### **AEN HOMES, LLC**

**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 AEN'S RESPONSE**

AEN's response dated November 5, 2021 to the draft audit report stated it accepts the draft audit report finding.