

DEPARTMENT OF DEVELOPMENTAL SERVICES'
AUDIT OF
AYA LIVING, INC.

Programs and Services:

Supported Living Service – HQ0674

Independent Living Program – HQ0728

Audit Period: January 1, 2022, through December 31, 2023

Audit Section

Auditors: Hung Bang, Chief of Vendor Audit Unit
Grace Gwarada, Supervisor
Chai Saefong, Auditor

AYA LIVING, INC.
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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited AYA Living, Inc. (AYA). The audit was performed upon the Supported Living Service (SLS) and Independent Living Program (ILP) for the period of January 1, 2022, through December 31, 2023.

The audit disclosed the following issues of non-compliance:

Finding 1: Supported Living Service – Unsupported Billings

The review of AYA's SLS program, Vendor Number HQ0674, revealed that AYA had a total of \$91,840 of unsupported billings to San Diego Regional Center (SDRC).

Finding 2: Independent Living Program – Unsupported Billings

The review of AYA's ILP, Vendor Number HQ0728, revealed that AYA had a total of \$1,594 of unsupported billings to SDRC.

Finding 3: Non-Compliance to Obtain an Independent Audit of Financial Statements

AYA 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) 2021-2022 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.

The total of the findings identified in this audit amounts to \$93,434, 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 AYA's fiscal accountability requirement and its programs 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 AYA for the period of January 1, 2022, through December 31, 2023.

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 AYA, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of AYA'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 AYA 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 SDRC that utilized AYA's services during the audit period. AYA provided three different types of services, of which DDS audited two. Services chosen by DDS were based on the amount of purchase of service (POS) expenditures invoiced by AYA. 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, AYA operated one SLS program. The audit included the review of AYA's SLS program, Vendor Number HQ0674, SC 896 and testing was done for the sampled months of October 2022 and November 2022, and November 2023.

Independent Living Program

During the audit period, AYA operated one ILP. The audit included the review of AYA's ILP, Vendor Number HQ0728, SC 520 and testing was done for the sampled months of October 2022 and November 2022, and November 2023.

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.
- 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 Findings and Recommendations section, AYA had findings of non-compliance with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on March 1, 2024. The findings in the report were discussed at a video exit conference with AYA Living, Inc. on March 6, 2024. Subsequent to the exit conference, on March 6, 2024, AYA Living, Inc. provided additional source documentation regarding Finding 3 that is has obtained an accounting firm to conduct the independent audit. AYA Living, Inc. stated that AYA will not contest the findings.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, SDRC and AYA. 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 AYA's SLS program, Vendor Number HQ0674, for the sampled months of October 2022 and November 2022, revealed that AYA had unsupported billings for services billed to SDRC. Unsupported billings occurred due to insufficient payroll hours to support the units of service billed to SDRC 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 SDRC. DDS noted that the direct care payroll hours documented in the payroll journal were 2,950 hours less than the direct care service hours billed to SDRC. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$91,840, 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:

AYA must reimburse to DDS \$91,840 for the unsupported billings. In addition, AYA should comply with the CCR, Title 17 as stated above to ensure that proper documentation is maintained to support the amounts billed to SDRC.

VENDOR'S Response:

AYA, stated in the response, dated March 6, 2024, that AYA will not contest the finding.

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

Finding 2: Independent Living Program – Unsupported Billings

The review of AYA's ILP, Vendor Number HQ0728, for the sampled months of October 2022 and November 2022, revealed that AYA had unsupported billings for services billed to SDRC. Unsupported billings occurred due to insufficient payroll hours to support the units of service billed to SDRC 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 SDRC. DDS noted that the direct care payroll hours documented in the payroll journal were 39 hours less than the direct care service hours billed to SDRC. The lack of documentation resulted in unsupported billings to SDRC in the amount of \$1,594, 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:

AYA must reimburse to DDS \$1,594 for the unsupported billings. In addition, AYA should ensure that the number of direct care hours reported in the timesheet are consistent with the number of hours reported on the billing.

VENDOR’S Response:

AYA, stated in the response, dated March 6, 2024, that AYA will not contest the finding.

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

Finding 3: Non-Compliance to Obtain an Independent Audit of Financial Statements

AYA 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 Year (FY) 2021-2022 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 vendoring 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:

AYA must obtain an independent review report of its financial statements and provide copies of the independent audit report to SDRC and DDS.

VENDOR'S Response:

AYA, stated in the response, dated March 6, 2024, that AYA will not contest the finding. AYA also provided DDS with the engagement letter from an accounting firm to confirm that AYA has arranged to have its financial statements audited.

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

ATTACHMENT A

AYA LIVING, 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

AYA LIVING, INC.

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

ATTACHMENT C – DDS’ EVALUATION OF AYA’S RESPONSE

DDS evaluated AYA’s written response to the draft audit report and determined that AYA will not contest the findings. DDS also noted that AYA has engaged the services of an Independent CPA firm to address Finding 3.