



**AUDIT OF THE
WESTSIDE REGIONAL CENTER
FOR FISCAL YEARS 2012-13 AND 2013-14**

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of Westside Regional Center (WRC) to ensure WRC is compliant with the requirements set forth in the California Code of Regulations, Title 17 (CCR, Title 17), the California Welfare and Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. Overall, the audit indicated that, WRC maintains accounting records and supporting documentation for transactions in an organized manner. This audit report identifies some areas where WRC's administrative, operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding WRC's operations. A follow-up review was performed to ensure WRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

The findings in this audit report have been separated into the two categories below.

I. Findings That Need to be Addressed.

Finding 1: Negotiated Rate Above the Statewide Median Rate (Repeat)

The sampled review of 35 Purchase of Service (POS) vendor contracts with negotiated rates revealed that [REDACTED] Vendor Number PW5650, Service Code 077, was contracted above the Statewide Median Rate requirement implemented on July 1, 2008. This resulted in overpayments totaling \$52,043.55. This is not in compliance with W&I Code, Section 4691.9(b).

Finding 2: Over/Understated Claims

The review of the Operational Indicator Reports revealed 43 instances where WRC over claimed expenses to the State, which resulted in overpayments totaling \$23,604.35. In addition, the review of 127 POS vendor files revealed that WRC over and underpaid three vendors for services provided to consumers. This resulted in over and underpayments totaling \$2,363.76 and \$600 respectively. This is not in compliance with CCR, Title 17, Sections 57300(c)(2) and 54326(a)(10).

WRC took corrective action and collected \$8,516.50 in overpayments from the vendors. As a result, the total over and underpayments still remaining are \$17,451.58 and \$600 respectively.

Finding 3: Payment Reduction

The sampled review of 127 POS vendor files revealed that WRC did not apply the 1.25 percent payment reduction for two vendors resulting in overpayments totaling \$119.64. In addition, WRC continued to apply the 1.25 percent payment reduction to two vendors after the payment reduction requirement had ended. This resulted in underpayments totaling \$2,216.53. This is not in compliance with Assembly Bill 1472, Section 34.

Finding 4: Family Cost Participation Program (FCPP) - Late Assessments

The sampled review of 19 FCPP consumer files revealed six instances where WRC did not assess the parents' share of cost participation as part of the consumer's Individual Program Plan (IPP) or Individualized Family Service Plan (IFSP) review. The assessments were completed 15 days or more after the signing of the IPP or IFPS. This is not in compliance with W&I Code, Section 4783(g)(1).

Finding 5: Equipment Inventory

A. Missing Equipment

Two out of 40 sampled items from WRC's Equipment Inventory Listing could not be located. This is not in compliance with the State Contract, Article IV, Section 4(a), and the State's Equipment Management System Guidelines, Section III(c).

B. Capitalized Equipment

The review of the Equipment Inventory Listing revealed that WRC capitalized all its equipment rather than items valued at \$5,000 or more. This is not in compliance with the State Equipment Management Guidelines, Attachment D, Section 8602.

Finding 6: The Achievable Foundation

A. Sublease Payments

The review of the operational vendor invoices revealed that The Achievable Foundation reimbursed WRC \$3,064.40 per month from February 2013 to April 2013, and \$3,129.55 per month from May 2013 to February 2014, instead of \$6,128.80 and \$6,259.20 per month, respectively, for the initial year of the lease. This resulted in \$37,359.60 of unpaid rent due to WRC.

This is not in compliance with Section 10(a), of WRC's lease agreement with The Achievable Foundation.

B. In-Kind Services

The review of WRC's In-Kind Services Agreement with the Foundation, revealed that three WRC employees provided administrative services to the Foundation; however, WRC had no records to show what type of "In-Kind" services were received as payment for the administrative services provided to the Foundation. This is not in compliance with the State Contract, Article III, Section 13(b).

Finding 7: Vendors Not Enrolled in Electronic Billing

The review of WRC's Electronic Billing (EB) process revealed that 31 out of 2,393 eligible vendors have not been enrolled in EB as of July 1, 2012. This is not in compliance with W&I Code, Section 4641.5(a) and (b).

II. Findings that Have Been Addressed and Corrected.

Finding 8: Payroll Procedures

The review of WRC's payroll procedures revealed that WRC was not reviewing its Payroll Summary Data report prior to processing its payroll. This is not in compliance with WRC's Accounting Department Policies, Procedures, and its Internal Controls Section 2.b.1(4).

WRC provided supporting documentation prior to the end of fieldwork indicating that it is now reviewing its Payroll Summary Data report prior to processing payroll.

Finding 9: Multiple Dates of Death

The review of the Uniform Fiscal System (UFS) Deceased Consumers Report revealed three consumers with multiple dates of death. This is not in compliance with the State Contract, Article IV, Section 1(c)(1).

WRC has taken corrective action to resolve the multiple dates of death by researching and updating all three consumers' date of death in UFS.

BACKGROUND

DDS is responsible, under the Lanterman Developmental Disabilities Services Act (Lanterman Act), for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive and normal lives. To ensure that these services and supports are available, DDS contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals with DD and their families in California. These fixed points of contact are referred to as regional centers (RC). The RCs are responsible under State law to help ensure that such persons receive access to the programs and services that are best suited to them throughout their lifetime.

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's HCBS Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each RC no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires RCs to contract with independent Certified Public Accountants (CPA) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

In addition to the fiscal compliance audit, each RC will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on RCs' fiscal, administrative and program operations.

DDS and Coastal Developmental Services Foundation, Inc. (CDSFI) entered into contract HD099003 (State Contract) effective July 1, 2009, through June 30, 2016. The contract specifies that CDSFI will operate an agency known as the WRC to provide services to individuals with DD and their families in the Inglewood and Santa Monica West areas. The contract is funded by State and Federal funds that are dependent upon WRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at WRC from August 12, 2014, through September 12, 2014, and was conducted by the DDS Audit Branch.

AUTHORITY

The audit was conducted under the authority of the W&I Code, Section 4780.5, and Article IV, Section 3 of the State Contract.

CRITERIA

The following criteria were used for this audit:

- California's W&I Code
- "Approved Application for the HCBS Waiver for the Developmentally Disabled"
- CCR, Title 17
- Federal Office of Management Budget (OMB) Circular A-133
- State Contract between DDS and WRC, effective July 1, 2009

AUDIT PERIOD

The audit period was July 1, 2012, through June 30, 2014, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was conducted as part of the overall DDS monitoring system that provides information on the RC's fiscal, administrative, and program operations. The objectives of this audit are:

- To determine compliance with the W&I Code (or the Lanterman Act)
- To determine compliance with CCR, Title 17 regulations
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled
- To determine that costs claimed were in compliance with the provisions of the State Contract

The audit was conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of WRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that WRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether WRC was in compliance with the Lanterman Act, CCR, Title 17, the HCBS Waiver for the Developmentally Disabled, and the State Contract.

DDS' review of WRC's internal control structure was conducted to gain an understanding of the transaction flow and the policies and procedures, as necessary, to develop appropriate auditing procedures.

DDS reviewed the annual audit report that was conducted by an independent accounting firm for:

- Fiscal Year 2011-12, issued on March 27, 2013
- Fiscal Year 2012-13, issued on March 5, 2014

It was noted that no management letter was issued for WRC. This review was performed to determine the impact, if any, upon the DDS audit and as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

DDS selected a sample of POS claims billed to DDS. The sample included consumer services and vendor rates. The sample also included consumers who were eligible for the HCBS Waiver Program. For POS claims, the following procedures were performed:

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by WRC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, Title 17 and the W&I Code of Regulations.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000 as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with WRC staff revealed that WRC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to the Social Security Administration, or other sources, in a timely manner.
- DDS selected a sample of UFS reconciliations to determine if any accounts were out-of-balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of WRC's bank accounts to determine whether DDS had signatory authority as required by the contracts with DDS.

- DDS selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

DDS audited WRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that WRC's accounting staff is properly inputting data, that transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas were valid and reasonable. These tests included the following:

- A sample of the personnel files, time sheets, payroll ledgers and other support documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17 and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed WRC's policies and procedures for compliance with the DDS Conflict of Interest regulations, and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

The Targeted Case Management (TCM) Rate Study is the study that determines the DDS rate of reimbursement from the Federal Government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and WRC's Rate Study. DDS examined the month of June 2013 and traced the reported information to source documents.
- Reviewed WRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared it to the DS 1916 forms to ensure that they were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under W&I Code, Section 4640.6(e), RCs are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code, Section 4640.6(C)(3):

- A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.
- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent operations reduction to regional centers as required per W&I Code, Section 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2014 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

DDS also reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratios to determine reasonableness and that supporting documentation is maintained to support the survey and the ratios as required by W&I Code, Section 4640.6(e).

V. Early Intervention Program (Part C Funding)

For the Early Intervention Program, there are several sections contained in the Early Start Plan. However, only the Part C section was applicable for this review.

For this program, DDS reviewed the Early Intervention Program, including the Early Start Plan and Federal Part C funding to determine if the funds were properly accounted for in WRC's accounting records.

VI. Family Cost Participation Program

The FCPP was created for the purpose of assessing consumer costs to parents based on income level and dependents. The family cost participation assessments are only applied to respite, day care, and camping services that are included in the child's IPP. To determine whether WRC is in compliance with CCR, Title 17, and the W&I Code, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care and camping services, for ages 0 through 17 who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents' income documentation to verify their level of participation based on the FCPP Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' income documentation.
- Reviewed vendor payments to verify that WRC is paying for only its assessed share of cost.

VII. Annual Family Program Fee

The Annual Family Program Fee (AFPF) was created for the purpose of assessing an annual fee of up to \$200 based on income levels of families of children between the ages of 0 through 17 years of age receiving qualifying services through WRC. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from WRC, and a cost for participation is assessed to the parents under FCPP. To determine whether WRC is in compliance with the W&I Code, DDS requested a list of AFPF assessments and verified the following:

- The adjusted gross family income is at, or above, 400 percent of the federal poverty level based upon family size.
- The child has a developmental disability or is eligible for services under the California Early Intervention Services Act.
- The child is less than 18 years of age and lives with his or her parent.
- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.
- The child does not receive services through the Medi-Cal program.
- Documentation was maintained by WRC to support reduced assessments.

VIII. Procurement

The Request for Proposal (RFP) process was implemented to ensure RCs outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires RCs to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, RCs will ensure that the most cost effective service providers, amongst comparable service providers, are selected as required by the Lanterman Act and the State Contract as amended.

To determine whether WRC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during our audit review:

- Reviewed WRC's contracting process to ensure the existence of a Board approved procurement policy and to verify that the RFP process ensures competitive bidding as required by Article II of the State Contract as amended.
- Reviewed the RFP contracting policy to determine whether the protocols in place include applicable dollar thresholds and comply with Article II of the State Contract as amended.
- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicates to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded and authorized by appropriate officials at WRC. The process was reviewed to ensure that the vendor selection process is transparent, impartial, and avoids the appearance of favoritism. Additionally, DDS verified that supporting documentation is retained for the selection process and, in instances where a vendor with a higher bid is selected, there is written documentation retained as justification for such a selection.

DDS performed the following procedures to determine compliance with Article II of the State Contract for new contracts in place as of January 1, 2011:

- Selected a sample of Operational, Start-Up, and negotiated POS contracts subject to competitive bidding to ensure WRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that WRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and those contracts were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures to determine compliance with the W&I Code, Section 4625.5 for new contracts in place as of March 2011:

- Reviewed to ensure WRC has a written policy requiring the Board to review and approve any of its contracts of two hundred fifty thousand dollars (\$250,000) or more before entering into a contract with the vendor.
- Reviewed WRC's Board approved POS, Start-Up and Operational vendor contracts of \$250,000 or more to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. Verified that the funds provided were specifically used to establish new or additional services to consumers and that the usage of funds is of direct benefit to consumers, and that contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess WRC's current RFP process and Board approval of contracts of \$250,000 or more, as well as to determine whether the process in place satisfies the W&I Code and WRC's State Contract requirements as amended.

IX. Statewide/Regional Center Median Rates

The Statewide or Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure RCs are not negotiating rates higher than the set median rates for services. Despite the median rate requirement, rate increases could be obtained from DDS under health and safety exemptions where RCs demonstrate the exemption is necessary for the health and safety of the consumers.

To determine whether WRC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether WRC is using appropriately vendorized service providers and correct service codes, and that WRC is paying authorized contract rates and complying with the median rate requirements of the W&I Code, Section 4691.9.
- Reviewed vendor contracts to verify that WRC is reimbursing vendors using authorized contract median rates, and verified that rates paid represented the lower of the statewide or regional center median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where health and safety exemptions were granted by DDS.

X. Other Sources of Funding from DDS

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure WRC's accounting staff were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- Start-Up Funds, Community and Placement Program
- Prevention Program
- Part C
- Family Resource Center
- Mental Health Services Act (MHSA)

XI. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to WRC and reviewed supporting documentation to determine the degree and completeness of WRC's implementation of corrective actions. The review indicated the prior issues have been resolved by WRC.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that, except for the items identified in the Findings and Recommendations section, WRC was in compliance with applicable sections of CCR, Title 17, the HCBS Waiver, and the State Contract with DDS for the audit period, July 1, 2012, through June 30, 2014.

The costs claimed during the audit period were for program purposes and adequately supported.

From the review of prior audit issues, it has been determined that WRC has taken appropriate corrective action to resolve the prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on September 9, 2015. The findings in the draft audit report were discussed at a formal exit conference with WRC on September 10, 2015. The views of the responsible officials are included in the final audit report.

RESTRICTED USE

This audit report is solely for the information and use of DDS, Department of Health Care Services, CMS, and WRC. This restriction does not limit distribution of this audit report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

The findings in this audit report have been separated into the two categories below:

I. Findings That Need to be Addressed

Finding 1: Negotiated Rate Above the Statewide Median Rate (Repeat)

The sampled review of 35 POS vendor contracts with negotiated rates revealed that one vendor was contracted above the Statewide Median Rate requirement implemented on July 1, 2008. WRC reimbursed [REDACTED] Vendor Number PW5650, Service Code 077, at a rate of \$52.55 per hour, when the Statewide Median Rate was \$15.10 per hour, resulting in overpayments totaling \$52,043.55 from August 2010 through August 2013. WRC indicated that this occurred because the vendor's contract was established prior to receiving notification from DDS of the 2008 Statewide Median rate schedule provided to WRC on September 15, 2008. (See Attachment A)

W&I Code, Section 4691.9(b) states in relevant part:

“Notwithstanding any other provision of the law or regulation, commencing July 1, 2008:

- (b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower.”

Recommendation:

WRC must reimburse to DDS the \$52,043.55 in overpayments made to the vendor. In addition, WRC must also renegotiate its rate with the vendor to comply with the W&I Code, Section 4691.9 and ensure that any rates negotiated after June 30, 2008, adhere to the Statewide Median Rates.

Finding 2: Over/Understated Claims

The review of WRC's Operational Indicator reports revealed 43 instances where WRC over claimed expenses to the State, which resulted in overpayments totaling \$23,604.35. The overpayments were due to duplicate payments and overlapping authorizations. WRC indicated that this occurred due to an error on its part.

Secondly, WRC overpaid two vendors for services provided to the consumers. WRC reimbursed B.I.G. Time Transportation, Vendor Number HE0462, Service Code 875, from July 2012 through April 2013, at a rate of \$20.20 per round trip, instead of the contracted per round trip rate of \$18.31, resulting in overpayments totaling \$2,233.98. WRC also reimbursed California Institute, Vendor Number HW0117, Service Code 904, from July 2012 through September 2012, at a monthly rate of \$4,267.37 instead of the contracted monthly rate of \$4,224.12, resulting in overpayment totaling \$129.75. The overpayments for the two vendors totaled \$2,363.73.

Lastly, WRC underpaid one vendor, Rosewood Place, Vendor Number PW5614, Service Code 113, at a monthly rate of \$9,834.25 instead of the contracted monthly rate of \$9,934.25, which resulted in an underpayment totaling \$600 from January 2013 through June 2013.

WRC has resolved \$8,516.50 out of the \$25,968.11 in total overpayments. As a result the outstanding over and underpayments are \$17,451.58 and \$600, respectively. (See Attachment B)

CCR, Title 17, Section 57300(c) states:

“Regional centers shall not reimburse vendors:

- (1) Unless they have a rate established pursuant to these regulations which is currently in effect; nor
- (2) For services in an amount greater than the rate established pursuant to these regulations.”

CCR, Title 17, Section 54326(a)(10) states in part:

“(a) All vendors shall:

- (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center . . .”

Recommendation:

WRC must reimburse to DDS the overpayment totaling \$17,451.58, and reimburse Rosewood Place the underpayment totaling \$600. In addition, WRC must ensure its staff is monitoring the payment invoices, rate letters and Operational Indicator reports for errors that may have occurred in the course of doing business with its vendors.

Finding 3: Payment Reduction

The sampled review of 127 POS vendor files revealed WRC did not apply the 1.25 percent payment reductions for two vendors from July 2012 through June 2013. This resulted in overpayments totaling \$119.64.

In addition, from July 2013 through September 2013, WRC continued to apply the 1.25 percent payment reduction to Work Creation Training Program, Inc., Vendor Number HW0442, Service Code 515, after the mandated payment reduction had been lifted as of June 30, 2013. WRC stated that this occurred because of a problem with the software program used to calculate payment reductions for these vendors. This resulted in underpayments totaling \$2,216.53. (See Attachment C)

Assembly Bill 1472, Section 34 states:

“Section 10 of Chapter 13 of the Statutes of 2009, Third Extraordinary Session, as amended by Section 24 of Chapter 37 of the Statutes of 2011, is amended to read:

- (a) Notwithstanding any other provision of law, in order to implement changes in the level of funding for regional center purchase of services, regional centers shall reduce payments for services and supports provided pursuant to Title 14 (commencing with Section 95000) of the Government Code and Division 4.1 (commencing with Section 4400) and Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code. From February 1, 2009, to June 30, 2010, inclusive, regional centers shall reduce all payments for these services and supports paid from purchase of services funds for services delivered on or after February 1, 2009, by 3 percent, from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent, and, commencing July 1, 2012, until June 30, 2013, by 1.25 percent, unless the regional center demonstrates that a nonreduced payment is necessary to protect the health and safety of the individual for whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval.”

Recommendation:

WRC must reimburse to DDS a total of \$119.64 overpaid to two vendors and reimburse the two vendors a total of \$2,216.53 underpaid due to the payment reduction miscalculation. In addition, WRC must review its vendor invoices to ensure any payments made in error are identified and corrected.

Finding 4: Family Cost Participation - Late Assessments

The sampled review of 19 FCPP consumer files revealed six instances where WRC did not assess the parents' share of cost participation as part of the consumer's IPP or IFSP review. The assessments were completed 15 days or more after the signing of the IPP or IFSP. WRC indicated this occurred when the FCPP Coordinator was not notified timely by the service coordinators that the consumers required FCPP assessments. (See Attachment D)

W&I Code, Section 4783(g)(1) states in relevant part:

“(g) Family cost participation assessments or reassessments shall be conducted as follows:

- (1)(A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.
- (B) A regional center shall assess the cost participation of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.
- (C) Reassessments for cost participation shall be conducted as part of the individual program plan or the individualized family service plan review . . .”

Recommendation:

WRC must ensure consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review. This will ensure compliance with the W&I Code, Section 4873(g)(1).

Finding 5: Equipment Inventory

A. Missing Equipment

The sampled review of 40 items from WRC's Equipment Inventory Listing revealed two items that could not be located. WRC stated that the items had been set aside for surveying, but were misplaced during the survey process. (See Attachment E)

State Contract, Article IV, Section 4(a) states in part:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. Contractor shall comply with the State's Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”

Recommendation:

WRC must survey the two missing items and remove the items from the Equipment Inventory Listing. This will ensure compliance with State Contract, Article IV, Section 4(a).

B. Capitalized Equipment

The review of the Equipment Inventory Listing and general ledger for capitalized equipment revealed that WRC capitalized all of its equipment rather than items valued at \$5,000 or more. WRC indicated it was not aware that only items valued at \$5,000 or more are to be capitalized.

The State Equipment Management Guidelines, Attachment D, Section 8602 states:

“State property is capitalized for accounting purposes when certain conditions are met. Capitalization means to record the property in the accounting records as assets. Tangible property must meet the following three requirements in order to meet the capitalization requirements:

1. Have a normal useful life of at least one year;
2. Have a unit acquisition cost of at least \$5,000; and
3. Be used to conduct State business.”

Recommendation:

WRC must correct its general ledger account to reflect only capitalized equipment with acquisition cost of \$5,000 or more. This will ensure compliance with the State's Equipment Systems Guidelines and the State Administrative Manual as required by its contract with DDS.

Finding 6: The Achievable Foundation

A. Sublease Payments

The review of the operational vendor invoices revealed that from February 2013 through January 2014, The Achievable Foundation reimbursed WRC half of the rent due every month. WRC indicated that it had agreed to reduce The Achievable Foundation’s rent during the initial fiscal year; however, there was no amendment to the sublease which authorized the reduced rent payments. According to the sublease agreement, The Achievable Foundation was to reimburse WRC \$6,128.80 per month from February 2013 to April 2013, and \$6,259.20 per month from May 2013 to February 2014. However, The Achievable Foundation reimbursed WRC \$3,064.40 and \$3,129.55 per month respectively. This resulted in unpaid rent to WRC totaling \$37,359.60. (See Attachment F)

WRC’s sublease agreement for The Achievable Foundation, Section 10(a), Sublease Fee Schedule, states in part:

“(a) Monthly Basic Fee:

<u>Sublease Months</u>	<u>Basis RSF</u>	<u>Monthly Basic Fee</u>
2/1/13-4/30/13	\$2.35 = 2,608	\$ 6,128.80/ mo.
5/1/13-4/30/14	2.40 = 2,608	6,259.20/ mo.
5/1/14	2.15 = 2,608	5,607.20/ mo.

Recommendation:

WRC must reimburse to DDS the unpaid rent totaling \$37,359.60.

B. In-Kind Services

The review of WRC’s In-Kind Services Agreement revealed three WRC employees provided administrative services to the The Achievable Foundation. However, WRC had no records to show what type of “In-kind” services were received as payment for the administrative services provided to the The Achievable Foundation.

State Contract, Article III, Section 13(b) states:

“Through a written agreement between the Contractor and a foundation, or similar entity, Contractor may provide in-kind administrative services to a foundation, or similar entity, provided such agreement requires reimbursement from the foundation to the Contractor for any services performed by the Contractor or its employees on behalf of the foundation or

similar entity. In-kind reimbursement shall be in the form of specifically identifiable, non-monetary benefits for persons with developmental disabilities.”

Recommendation:

WRC must maintain documentation for the In-kind services provided by The Achievable Foundation and ensure the In-kind reimbursement provided by The Achievable Foundation is equivalent to the cost of the services provided by WRC.

Finding 7: Vendors Not Enrolled in Electronic Billing

The review of WRC’s EB process revealed that 31 out of 2,393 eligible vendors have not been enrolled in EB as of July 1, 2012. None of the vendors received an exemption from WRC, which would have precluded them from enrolling in the EB process. WRC indicated that eligible vendors who are not on EB were sent notices to enroll; however, these vendors have been unwilling to comply.

W&I Code, Section 4641.5(a) states:

“(a) Effective July 1, 2011, all regional centers shall begin transitioning all vendors of all regional center services to electronic billing for services purchased through a regional center. All vendors and contracted providers shall submit all billings electronically for services provided on or after July 1, 2012, with the exception of the following:

- (1) A vendor or provider whose services are paid for by vouchers, as that term is defined in subdivision (i) of Section 4512 of the Welfare and Institutions Code.
- (2) A vendor or provider who demonstrates that submitting billings electronically for services presents substantial financial hardship for the provider.”

Recommendation:

WRC must continue to work on enrolling these vendors into the EB process to ensure compliance with W&I Code, Section 4641.5(a).

II. Findings That Have Been Addressed and Corrected.

Finding 8: Payroll Procedures

The review of WRC’s payroll procedures revealed WRC did not follow its policies and procedures for processing payroll. WRC’s Controller did not review

and approve the Payroll Summary Data report prior to the Payroll/OPS Clerk transmitting the payroll file to ADP for processing.

WRC's Accounting Department's Policies, Procedures, and Internal Controls, Section 2.b.1(4) and (5), states:

- “4. The Controller checks and reconciles the spreadsheet and the ADP Pay Data Summary report.
5. Upon approval by the Controller, the Payroll/OPS clerk transmits the payroll file to ADP for processing.”

WRC has taken corrective action and provided supporting documentation prior to the end of fieldwork indicating WRC is now complying with its payroll procedures.

Recommendation:

WRC must continue to follow its procedures and ensure the Payroll Summary Data report is reviewed and approved by the Controller prior to submitting the file to ADP for processing.

Finding 9: Multiple Dates of Death

The review of the UFS Deceased Consumers Report revealed three consumers with multiple dates of death. The date of death on the report did not match the date of death recorded on the consumer's death certificate. WRC stated this occurred because the service coordinator recorded the date of death based on the consumer's Special Incident Report rather than the actual death certificate. However, the review found that there were no payments made beyond the actual date of death for the three consumers.

State Contract, Article IV, Section 1(c)(1) states in part:

“(c) Contractor shall make available accurate and complete UFS and SANDIS information to the State. Accordingly Contractor shall:

- (1) Update changes to all mandatory items of the Client Master File at least annually except for the following elements, which must be updated within thirty (30) days of Contractor being aware of the following events:
 - (a) The death of a consumer;
 - (b) The change of address of a consumer; or
 - (c) The change of residence type of a consumer.”

In addition, for good internal controls and sound accounting practices, WRC should ensure the consumer's actual date of death is accurately recorded in UFS to avoid any potential payments after the consumer's death.

WRC has taken corrective action to resolve the multiple dates of death by researching and updating all three consumers' actual date of death in UFS.

Recommendation:

WRC must ensure staff accurately records the consumer's date of death in UFS by utilizing the date stated on the consumer's certificate of death. In addition, WRC should review all current deceased consumer files to ensure that only one date of death is recorded in UFS.

EVALUATION OF RESPONSE

As part of the audit report process, WRC was provided with a draft audit report and requested to provide a response to the findings. WRC's response dated November 16, 2015, is provided as Appendix A. This audit report includes the complete text of the findings in the Findings and Recommendations section, as well as a summary of the findings in the Executive Summary section.

DDS' Audit Branch has evaluated WRC's response. Except as noted below, WRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve these issues. DDS' Audit Branch will confirm WRC's corrective action identified in the response during the next scheduled audit.

Finding 1: Negotiated Rate above the Statewide Median Rate (Repeat)

WRC does not agree with the finding that [REDACTED] [REDACTED] Vendor Number PW5650, was vendorized above the Statewide Median Rate. WRC indicated that [REDACTED] [REDACTED] went through the vendorization process prior to the implementation of the Statewide Median Rates. However, WRC did not provide any additional documentation to indicate that the rate was negotiated prior to July 1, 2008. Therefore, WRC must reimburse to DDS the \$52,043.55 for the overpayments made to the vendor.

Finding 2: Over/Understated Claims

WRC agrees with the finding and stated it will comply with DDS' recommendation to reimburse DDS the overpayment totaling \$17,451.58, and Rosewood Place the underpayment totaling \$600. In addition, WRC must ensure its staff is monitoring the payment invoices, rate letters and Operational Indicator reports for errors that may have occurred in the course of doing business with its vendors.

Finding 3: Payment Reduction

WRC is in agreement with this finding and will comply with the recommendation to reimburse DDS a total of \$119.64 that was overpaid to two vendors and reimburse a total of \$2,216.53 that was underpaid due to the payment reduction miscalculation for two vendors. In addition, WRC agrees to review its vendor invoices to ensure any payments made in error are identified and corrected.

Finding 4: Family Cost Participation - Late Assessments

WRC is in agreement with this finding and will ensure consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review.

Finding 5: Equipment Inventory

A. Missing Equipment

WRC agrees with the finding and provided supporting documentation indicating that both items have been surveyed.

B. Capitalized Equipment

WRC agrees with the finding and will correct its general ledger account to reflect only capitalized equipment with acquisition cost of \$5,000 or more.

Finding 6: The Achievable Foundation

A. Sublease Payments

WRC agrees with the finding and will reimburse to DDS the unpaid rent totaling \$37,359.60.

B. In-Kind Services

WRC agrees with the finding and stated it will maintain documentation for the In-kind services provided by The Achievable Foundation and ensure that the In-kind reimbursement provided by The Achievable Foundation is equivalent to the cost of the services provided by WRC.

Finding 7: Vendors Not Enrolled in Electronic Billing

WRC stated that the 31 vendors identified in the finding were new vendors that have since been enrolled in EB. However, WRC did not provide supporting documentation indicating that the vendors have been enrolled in EB.

Westside Regional Center
Overpayment Due to Negotiated Rate Above the Statewide Median Rate
Fiscal Years 2012-13 and 2013-14

Vendor Number	Vendor Name	Service Code	Sub Code	Sevice Period	Overpayments			
PW5650	[REDACTED]	777		Jul-10	\$304.77			
				Aug-10	\$227.02			
				Sep-10	\$2,751.48			
				Oct-10	\$3,030.17			
				Nov-10	\$2,662.61			
				Dec-10	\$2,070.92			
				Jan-11	\$7,485.78			
				Feb-11	\$3,514.28			
				Apr-11	\$941.33			
				May-11	\$1,237.17			
				Jun-11	\$1,676.46			
				Jul-11	\$1,183.38			
				Aug-11	\$860.64			
				Sep-11	\$1,183.38			
				Nov-11	\$627.55			
				Dec-11	\$537.90			
				Jan-12	\$1,084.77			
				Feb-12	\$1,290.96			
			Mar-12	\$1,703.35				
						G1GR	May-12	\$2,501.24
							Jun-12	\$1,273.03
							Jul-12	\$1,266.52
							Aug-12	\$517.70
							Sep-12	\$369.79
							Oct-12	\$721.08
							Nov-12	\$739.58
							Dec-12	\$1,229.54
							Jan-13	\$804.28
							Feb-13	\$1,719.52
							Mar-13	\$1,100.12
			Apr-13	\$1,460.66				
			May-13	\$1,738.00				
			Jun-13	\$1,442.16				
			Jul-13	\$674.10				
			Aug-13	\$112.35				
Total Overpayment Due to Negotiated Rate Above the Statewide Median Rate					\$52,043.55			

**Westside Regional Center
Over/Understated Claims
Fiscal Years 2012-13 and 2013-14**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Month	Over Payment	Corrected	Outstanding Balance
Overpayments Due to Incorret Rate									
1						Jul-12	\$39.69	\$0.00	\$39.69
2							\$39.69	\$0.00	\$39.69
3							\$39.69	\$0.00	\$39.69
4							\$39.69	\$0.00	\$39.69
5							\$39.69	\$0.00	\$39.69
6							\$39.69	\$0.00	\$39.69
7							\$39.69	\$0.00	\$39.69
8							\$39.69	\$0.00	\$39.69
9						Aug-12	\$43.47	\$0.00	\$43.47
10							\$43.47	\$0.00	\$43.47
11							\$43.47	\$0.00	\$43.47
12		HE0462	B.I.G Time, Co.	875			\$43.47	\$0.00	\$43.47
13							\$43.47	\$0.00	\$43.47
14							\$43.47	\$0.00	\$43.47
15							\$41.58	\$0.00	\$41.58
16						\$43.47	\$0.00	\$43.47	
17						Sep-12	\$35.91	\$0.00	\$35.91
18							\$35.91	\$0.00	\$35.91
19							\$35.91	\$0.00	\$35.91
20							\$35.91	\$0.00	\$35.91
21							\$35.91	\$0.00	\$35.91
22							\$35.91	\$0.00	\$35.91
23							\$35.91	\$0.00	\$35.91

**Westside Regional Center
Over/Understated Claims
Fiscal Years 2012-13 and 2013-14**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Month	Over Payment	Corrected	Outstanding Balance
24						Sep-12	\$35.91	\$0.00	\$35.91
25						Sep-12	\$35.91	\$0.00	\$35.91
26							\$41.58	\$0.00	\$41.58
27							\$41.58	\$0.00	\$41.58
28						Oct-12	\$41.58	\$0.00	\$41.58
29						Oct-12	\$41.58	\$0.00	\$41.58
30						Oct-12	\$41.58	\$0.00	\$41.58
31						Oct-12	\$41.58	\$0.00	\$41.58
32							\$35.91	\$0.00	\$35.91
33							\$35.91	\$0.00	\$35.91
34						Nov-12	\$35.91	\$0.00	\$35.91
35		HE0462	B.I.G Time Co. (Continued)	875		Nov-12	\$35.91	\$0.00	\$35.91
36						Nov-12	\$35.91	\$0.00	\$35.91
37						Nov-12	\$35.91	\$0.00	\$35.91
38							\$32.13	\$0.00	\$32.13
39							\$34.02	\$0.00	\$34.02
40						Dec-12	\$34.02	\$0.00	\$34.02
41						Dec-12	\$34.02	\$0.00	\$34.02
42						Dec-12	\$34.02	\$0.00	\$34.02
43						Dec-12	\$34.02	\$0.00	\$34.02
44							\$39.69	\$0.00	\$39.69
45						Jan-13	\$39.69	\$0.00	\$39.69
46						Jan-13	\$39.69	\$0.00	\$39.69
47						Jan-13	\$39.69	\$0.00	\$39.69

**Westside Regional Center
Over/Understated Claims
Fiscal Years 2012-13 and 2013-14**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Month	Over Payment	Corrected	Outstanding Balance
48		HE0462	B.I.G Time, Co. (Continued)	875		Jan-13	\$39.69	\$0.00	\$39.69
49						Feb-13	\$35.91	\$0.00	\$35.91
50						Feb-13	\$35.91	\$0.00	\$35.91
51							\$35.91	\$0.00	\$35.91
52							\$35.91	\$0.00	\$35.91
53						Mar-13	\$39.69	\$0.00	\$39.69
54							\$39.69	\$0.00	\$39.69
55							\$39.69	\$0.00	\$39.69
56							\$39.69	\$0.00	\$39.69
57						Apr-13	\$39.69	\$0.00	\$39.69
58							\$39.69	\$0.00	\$39.69
59						HW0117	California Institute	904	
60		Aug-12	\$43.25	\$0.00	\$43.25				
61		Sep-12	\$43.25	\$0.00	\$43.25				
Total Overpayments Due to Incorrect Rates							\$2,363.73	\$0.00	\$2,363.73
Overpayments Due to Duplicate Payments/Overlapping Authorizations									
1		HH1371	24HR Homecare	862		Jul-12	\$332.91	\$0.00	\$332.91
2						Aug-12	\$343.44	\$0.00	\$343.44
3						Sep-12	\$343.44	\$0.00	\$343.44
4		HW0427	Independent Living Connections	880		Jul-12	\$170.73	\$0.00	\$170.73
5		HW0542	Morning Sky, Inc.	880		Mar-14	\$142.80	\$0.00	\$142.80
6		HX0464	Life Wask Svs. Inc.	896		Nov-13	\$2,044.50	\$0.00	\$2,044.50

**Westside Regional Center
Over/Understated Claims
Fiscal Years 2012-13 and 2013-14**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Month	Over Payment	Corrected	Outstanding Balance
7	█	PD0060	LivHome, Inc.	860	█	Jul-12	\$1,220.40	\$1,220.40	\$0.00
8	█					Jul-12	\$987.50	\$987.50	\$0.00
9	█					Oct-13	\$135.00	\$0.00	\$135.00
10	█	PL0230	HELP Group	102		Oct-13	\$135.00	\$135.00	\$0.00
11	█					Sep-13	\$540.00	\$0.00	\$540.00
12	█	PW0013	HELP Group	896		Nov-13	\$2,352.00	\$0.00	\$2,352.00
13	█					Dec-14	\$2,352.00	\$0.00	\$2,352.00
14	█	PW2736	Carousel's Occupational Therapy	116		Jun-13	\$339.35	\$0.00	\$339.35
15	█	PW2737	█ █ █ █	116		Aug-13	\$339.35	\$0.00	\$339.35
16	█					Oct-12	\$708.48	\$0.00	\$708.48
17	█	PW5065	My Life Foundation	896		Nov-12	\$708.48	\$0.00	\$708.48
18	█					Nov-12	\$1,209.92	\$1,209.92	\$0.00
19	█					Jan-13	\$1,337.28	\$1,337.28	\$0.00
20	█					Jan-13	\$1,146.24	\$1,146.24	\$0.00
21	█	PW5411	Lucas Health Partners	702		Feb-13	\$1,146.24	\$1,146.24	\$0.00
22	█					Feb-13	\$827.84	\$0.00	\$827.84
23	█					Feb-13	\$1,209.92	\$1,209.92	\$0.00
24	█					Nov-13	\$1,315.35	\$0.00	\$1,315.35
25	█	PW5492	Kai-Tez Inc.	896		Nov-13	\$496.22	\$0.00	\$496.22
26	█	PW5699	█ █ █ █	102		Nov-13	\$170.00	\$0.00	\$170.00
27	█	PW5825	Napa Center	773		Jun-13	\$166.20	\$0.00	\$166.20
28	█	PW5947	Pediatric Pal	116		Nov-12	\$230.00	\$0.00	\$230.00
29	█	PW5959	█ █ █ █ █ █ █ █	116		May-13	\$225.57	\$0.00	\$225.57
30	█	PW5974	█ █ █ █ █ █ █ █	116		Jul-12	\$75.19	\$0.00	\$75.19

**Westside Regional Center
Over/Understated Claims
Fiscal Years 2012-13 and 2013-14**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Month	Over Payment	Corrected	Outstanding Balance
31	[REDACTED]	PW6682	[REDACTED]	116	[REDACTED]	Mar-14	\$233.00	\$0.00	\$233.00
32		PW6700	[REDACTED]	24	[REDACTED]	Sep-13	\$300.00	\$0.00	\$300.00
33		VW0153	[REDACTED]	895	[REDACTED]	Jun-13	\$35.00	\$0.00	\$35.00
34		VW1655	[REDACTED]	895	[REDACTED]	Dec-12	\$14.00	\$14.00	\$0.00
35		VW1772	[REDACTED]	895	[REDACTED]	Jan-13	\$35.00	\$35.00	\$0.00
36		VW3314	[REDACTED]	895	[REDACTED]	Sep-12	\$14.00	\$0.00	\$14.00
37		VW3436	[REDACTED]	895	[REDACTED]	Jul-12	\$14.00	\$0.00	\$14.00
38		VW3481	[REDACTED]	895	[REDACTED]	Jul-12	\$14.00	\$0.00	\$14.00
39		VW3561	[REDACTED]	895	[REDACTED]	Jun-13	\$35.00	\$0.00	\$35.00
40		VW3589	[REDACTED]	895	[REDACTED]	Nov-12	\$14.00	\$0.00	\$14.00
41		VW3737	[REDACTED]	895	[REDACTED]	Apr-13	\$35.00	\$0.00	\$35.00
42		VW3788	[REDACTED]	895	[REDACTED]	Jun-13	\$35.00	\$0.00	\$35.00
43		ZW0954	[REDACTED]	895	[REDACTED]	Jun-13	\$75.00	\$75.00	\$0.00
Total Overpayments Due to Duplicate Payments/Overlapping Authorizations							\$23,604.35	\$8,516.50	\$15,087.85
Grand Total for Ovepyaments Due to Incorrect Payments							\$25,968.08	\$8,516.50	\$17,451.58
Underpayments Due to Incoret Rate									
1	[REDACTED]	PW5614	Rosewood Place	113	[REDACTED]	Jan-13	(\$100.00)	\$0.00	(\$100.00)
2						Feb-13	(\$100.00)	\$0.00	(\$100.00)
3						Mar-13	(\$100.00)	\$0.00	(\$100.00)
4						Apr-13	(\$100.00)	\$0.00	(\$100.00)
5						May-13	(\$100.00)	\$0.00	(\$100.00)
6						Jun-13	(\$100.00)	\$0.00	(\$100.00)
Total Underpayments Due to Incorrect Rates							(\$600.00)	\$0.00	(\$600.00)

**Westside Regional Center
Payment Reduction
Fiscal Years 2012-13 and 2013-14**

Vendor Number	Vendor Name	Service Code	Sub Code	Payment Period	Over/Under Payments
Underpayments Due to Payment Reduciton					
HW0214	Work Creations Training Program	515	G1SR	Jul-13	(\$778.32)
				Aug-13	(\$771.74)
				Sep-13	(\$660.82)
PW0230	[REDACTED]	890	O/W-B	Jul-13	(\$0.50)
				Aug-13	(\$0.50)
				Sep-13	(\$0.40)
				Oct-13	(\$0.50)
				Nov-13	(\$0.45)
				Dec-13	(\$0.50)
				Jan-14	(\$0.50)
				Feb-14	(\$0.40)
				Mar-14	(\$0.45)
				Apr-14	(\$0.50)
				May-14	(\$0.45)
Jun-14	(\$0.50)				
Total Underpayments Due to Payment Reductions					(\$2,216.53)
Overpayments Due to Payment Reduciton					
PW5864	[REDACTED]	020	CN2RC	Oct-12	\$37.84
				Nov-12	\$37.84
				Dec-12	\$37.84
PW6441	Brite Kids	116	ERORT	Nov-12	\$0.34
				Dec-12	\$0.34
				Jan-13	\$1.36
				Feb-13	\$0.68
				Mar-13	\$0.34

**Westside Regional Center
Payment Reduction
Fiscal Years 2012-13 and 2013-14**

Vendor Number	Vendor Name	Service Code	Sub Code	Payment Period	Over/Under Payments
PW6441	Brite Kids (Continued)	116	ERORT	Apr-13	\$2.04
				May-13	\$0.34
				Jun-13	\$0.68
Total Underpayments Due to Payment Reductions					\$119.64

**Westside Regional Center
Family Cost Participation Program - Late Assessments
Fiscal Years 2012-13 and 2013-14**

	Unique Client Identification Number	IPP Date	Assessment Date
1		6/18/13	7/10/13
2		10/15/13	10/31/13
3		1/30/14	2/28/14
4		5/23/12	6/27/12
5		5/30/12	8/1/12
6		1/22/13	2/20/13

**Westside Regional Center
Equipment Inventory-Missing Equipment
Fiscal Years 2012-13 and 2013-14**

	Item	Serial Number	State Tag Number
1	IBM Laptop	LV-BA969	345455
2	PA System	SKH5786	357280

**Westside Regional Center
Sublease Payments
Fiscal Years 2012-13 and 2013-14**

Lessee	Service Month	Total Monthly Rent	Monthly Rent Paid	Unpaid Monthly Rent
The Achievable Foundation	Feb-13	\$6,128.80	\$3,064.40	\$3,064.40
	Mar-13	\$6,128.80	\$3,064.40	\$3,064.40
	Apr-13	\$6,128.80	\$3,064.40	\$3,064.40
	May-13	\$6,259.20	\$3,129.60	\$3,129.60
	Jun-13	\$6,259.20	\$3,129.60	\$3,129.60
	Jul-13	\$6,259.20	\$3,129.60	\$3,129.60
	Aug-13	\$6,259.20	\$3,129.60	\$3,129.60
	Sep-13	\$6,259.20	\$3,129.60	\$3,129.60
	Oct-13	\$6,259.20	\$3,129.60	\$3,129.60
	Nov-13	\$6,259.20	\$3,129.60	\$3,129.60
	Dec-13	\$6,259.20	\$3,129.60	\$3,129.60
	Jan-14	\$6,259.20	\$3,129.60	\$3,129.60
	Total Unpaid Monthly Rent			

APPENDIX A

WESTSIDE REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**

Finding 1: Negotiated Rate above the Statewide Median Rate (Repeat)

The sampled review of 35 POS vendor contracts with negotiated rates revealed that one vendor was contracted above the Statewide Median Rate requirement implemented on July 1, 2008. WRC reimbursed [REDACTED] Vendor Number PW5650, Service Code 077, at a rate of \$52.55 per hour, when the Statewide Median rate was \$15.10 per hour, resulting in overpayments totaling \$52,043.55 from August 2010 through August 2013. WRC indicated that this occurred because the vendor's contract was established prior to receiving notification from DDS of the 2008 Statewide Median rate schedule provided to WRC On September 15, 2008 (See Attachment A)

W&I Code, Section 4691.9(b) states in relevant part:

“Notwithstanding any other provision of the law regulation, commencing July1, 2008:

(b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center's median rate same service code service, or the statewide median rate for the same service code and unit of service, whichever is lower.”

Recommendation:

WRC must reimburse to DDS the \$52,043.55 in overpayments made to the vendor. In addition, WRC must also renegotiate its rate with the vendor to comply with the W&I Code, Section 4691.9 and ensure that any rates negotiated after June 30, 2008, adhere to the Statewide Median Rates.

Response:

[REDACTED] PW5650, completed the vendorization process prior to the implementation of the Median Rates. His number was assigned on July 1, 2008. WRC did not have Median Rates from DDS until October 2008. WRC did not know that it had to reverse an approved service in the client's IPP due to information that was not provided until 4 months after the service had begun. WRC could not have implemented the client's IPP under the Median Rate assigned four (4) months later.

This vendored service is no longer in use at WRC and the client is no longer a client of WRC. WRC does not know the vendor or the client's whereabouts.

This provider used a licensed behavior therapist to provide services and the current rate, in July 2008, was \$52.55 per hour. Services were rendered by a licensed professional and the rate of \$15.00 per hour would not have covered the service and violated the signed IPP.

Finding 2: Over/Understated Claims

The review of WRC's Operational Indicator reports revealed 43 instances where WRC over claimed expenses to the State, which resulted in overpayments totaling \$23,604.35. The overpayments were due to duplicate payments and overlapping authorizations. WRC indicated that this occurred due to an error on its part.

Secondly, WRC overpaid two vendors for services provided to the consumers. WRC reimbursed B.I.G. Time Transportation, Vendor Number HE0462, Service Code 875, from July 2012 through April 2013 at a rate of \$20.20 per round trip, instead of the contracted per round trip rate of \$18.31, resulting in overpayments totaling \$2,233.98. WRC also reimbursed California Institute, Vendor Number HW0117, Service Code 904, from July 2012 through September 2012 at a monthly rate of \$4,267.37 instead of the contracted monthly rate of \$4,224.12, resulting in (an) overpayment totaling \$129.75. The overpayments for the two vendors totaled \$2,363.73.

Lastly, WRC underpaid one vendor, Rosewood Place, Vendor Number PW5614, Service Code 113, at a monthly rate of \$9,834.25 instead of the contracted monthly rate of \$9,934.25, which resulted in an underpayment totaling \$600 from January 2013 through June 2013.

WRC has resolved \$8,516.50 out of the \$25,968.11 in total overpayments. As a result the outstanding over- and underpayments are \$17,451.58 and \$600, respectively. (See Attachment B)

CCR, Title 17, Section 57300© states:

“Regional centers shall not reimburse vendors:

- (1) Unless they have a rate established pursuant to these regulations which is currently in effect; nor
- (2) For services in an amount greater than the rate established pursuant to these regulations.”

CCR, Title 17, Section 54326(a)(10) states in part:

"(a) All vendors shall:

- (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center ..."

Recommendation:

WRC must reimburse to DDS the overpayment totaling \$17,451.58, and reimburse Rosewood Place the underpayment totaling \$600. In addition, WRC must ensure its staff is monitoring the payment invoices, rate letters and Operational Indicator reports for errors that may have occurred in the course of doing business with its vendors.

Response:

WRC is in agreement with this finding and will comply with the recommendation set forth above.

Finding 3: Payment Reduction

The sampled review of 127 POS vendor files revealed WRC did not apply the 1.25 percent payment reductions for three vendors from July 2012 through June 2013. This resulted in overpayments totaling \$546.30.

In addition, from July 2013 through September 2013, WRC continued to apply the 1.25 percent payment reduction to Work Creation Training Program, Inc., Vendor Number HW0442, Service Code 515, after the mandated payment reduction had been lifted as of June 30, 2013. WRC stated that this occurred because of a problem with the software program used to calculate payment reductions for these vendors. This resulted in underpayments totaling \$2,216.53. (See Attachment C)

Assembly Bill 1472, Section 34 states:

"Section 10 of Chapter 13 of the Statutes of 2009, Third Extraordinary session, as amended by Section 24 of Chapter 37 of the statutes of 2011, is amended to read:

(a) Notwithstanding any other provision of the law, in order to implement changes in the level of funding for regional center purchases of services, regional centers shall reduce payments for services and supports provided pursuant to Title 14 (commencing with Section 95000) of the Government Code and Division 4.1 (commencing with Section 4400) and Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code, From February 1, 2009 to June 30, 2010, inclusive, regional centers shall reduce all payments for these services and supports paid from purchase of services funds for services delivered on or after February 1, 2009, by 3 percent, from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent, and, commencing July 1, 2012, until June 30, 2013, by 1.25 percent, unless the regional center demonstrates that a nonreduced payment is necessary to protect the health and safety of the individual for whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval."

Recommendation:

WRC must reimburse to DDS a total of \$546.30 that was overpaid to two vendors and reimburse the three vendors a total of \$2,216.53 that were underpaid due to the payment reduction miscalculation. In addition, WRC must review its vendor invoices to ensure any payments made in error are identified and corrected.

Response:

WRC is in agreement with this finding and will comply with the recommendation set forth above.

Finding 4: Family Cost Participation - Late Assessments

The sampled review of 19 FCPP consumer files revealed six instances where WRC did not assess the parents' share of cost participation as part of the consumer's IPP or IFSP review. The assessments were completed 15 days or more after the signing of the IPP or IFSP. WRC indicated this occurred when the FCPP Coordinator was not notified timely by the Service Coordinators that the consumers required FCPP assessments. (See Attachment D)

W&I Code, Section 4783(g)(1) states in relevant part:

"(g) Family cost participation assessments or reassessments shall be conducted as follows:

(1)(A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.

(B) A regional center shall assess the cost participation of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.

(C) Reassessments for cost participation shall be conducted as part of the individual program plan or the individualized family service plan review..."

Recommendation:

WRC must ensure consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review. This will ensure compliance with the W&I Code, Section 4873(g)(1).

Response:

WRC is in agreement with this finding and will comply with the recommendation set forth above.

Finding 5: Equipment Inventory

A. Missing Equipment

The sampled review of 40 items from WRC's Equipment Inventory Listing revealed two items that could not be located. WRC stated that the items had been set aside for surveying, but were misplaced during the survey process. (See Attachment E)

State Contract, Article IV, Section 4(a) states in part:

"Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. Contractor shall comply with the State's Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property."

Recommendation:

WRC must survey the two missing items and remove the items from the Equipment Inventory Listing. This will ensure compliance with State Contract, Article IV, Section 4(a).

Response:

WRC is in agreement with this finding and has surveyed the items and removed them from the inventory listing effective December 2014. Please find the attached supporting documentation. (Attachment A)

B. Capitalized Equipment

The review of the Equipment Inventory Listing and general ledger for capitalized equipment revealed that WRC capitalized all of its equipment rather than items valued at or above \$5,000. WRC indicated it was not aware that only items valued at or above \$5,000 are to be capitalized.

The State Equipment Management Guidelines, Attachment D, Section 8602 states:

“State property is capitalized for accounting purposes when certain conditions are met. Capitalization means to record the property in the accounting records as assets. Tangible property must meet the following three requirements in order to meet the capitalization requirements:

1. Have a normal useful life of at least one year;
2. Have a unit acquisition cost of at least \$5,000; and
3. Be used to conduct State business.”

Recommendation:

WRC must correct its general ledger account to reflect only capitalized equipment with acquisition cost of at least \$5,000. This will ensure compliance with the State's Equipment Systems Guidelines and the State Administrative Manual as required by its contract with DDS.

Response:

WRC is in agreement with this finding and will comply with the recommendation set forth above.

Finding 6: The Achievable Foundation

A. Sublease Payments

The review of the operational vendor invoices revealed that from February 2013 through January 2014, The Achievable Foundation reimbursed WRC half of the rent due every month. WRC indicated that it had agreed to reduce The Achievable Foundation's rent during the initial fiscal year; however, there was no amendment to the sublease which authorized the reduced rent payments. According to the sublease agreement, The Achievable Foundation was to reimburse WRC \$6,128.80 per month from February 2013 to April 2013 and \$6,259.20 per month from May 2013 to February 2014. However, The Achievable Foundation reimbursed WRC \$3,064.40 and \$3,129.55 per month respectively. This resulted in unpaid rent to WRC totaling \$37,359.60. (See Attachment F)

WRC's sublease agreement for The Achievable Foundation, Section 10(a), Sublease Fee Schedule, states in part:

“(a) Monthly Basic Fee:

Sublease Months	Basis RSF	Monthly Basic Fee
2/1/13-4/30/13	\$ 2.35 = 2,608	\$ 6,128.80/mo.
5/1/13-4/30/14	2.40 = 2,608	6,259.20/ mo.
5/1/14	2.15 = 2,608	5,607.20/ mo.

Recommendation:

WRC must reimburse to DDS the unpaid rent totaling \$37,359.60.

Response:

WRC is in agreement with this finding and will comply with the recommendation set forth above.

B. In-Kind Services

The review of WRC's In-Kind Services Agreement revealed three WRC employees provided administrative services to The Achievable Foundation. However, WRC had no records to show what type of "In-kind" services were received as payment for the administrative services provided to The Achievable Foundation.

State Contract, Article III, Section 13(b) states:

"Through a written agreement between the Contractor and a foundation, or similar entity, Contractor may provide in-kind administrative services to a foundation, or similar entity, provided such agreement requires reimbursement from the foundation to the Contractor for any services performed by the Contractor or its employees on behalf of the foundation or similar entity. In-kind reimbursement shall be in the form of specifically identifiable, non-monetary benefits for persons with developmental disabilities."

Recommendation:

WRC must maintain documentation for the In-kind services provided by The Achievable Foundation and that the In-kind reimbursement provided by The Achievable Foundation is equivalent to the cost of the services provided by WRC.

Response:

WRC is in agreement with this finding and will comply with the recommendation set forth above.

Finding 7: Vendors Not Enrolled in Electronic Billing

The review of WRC's EB process revealed that 31 out of 2,393 eligible vendors have not been enrolled in EB as of July 1, 2012. None of the vendors received an exemption from WRC, which would have precluded them from enrolling in the EB process. WRC indicated that eligible vendors who are not on EB were sent notices to enroll; however, these vendors have been unwilling to comply.

W&I Code, Section 4641.5(a) states:

“(a) Effective July 1, 2011, all regional centers shall begin transitioning all vendors of all regional center services to electronic billing for services purchased through a regional center. All vendors and contracted providers shall submit all billings electronically for services provided on or after July 1, 2012, with the exception of the following:

- (1) A vendor or provider whose services are paid for by vouchers, as that term is defined in subdivision (i) of Section 4512 of the Welfare and Institutions Code.
- (2) A vendor or provider who demonstrates that submitting billings electronically for services presents substantial financial hardship for the provider.”

Recommendation:

WRC must continue to work on enrolling these vendors into the EB process to ensure compliance with W&I Code, Section 4641.5(a).

Response:

The 31 vendors identified in the above finding were new vendors who were in the process of enrolling in e-billing. WRC is constantly reminding vendors who have not done so, to enroll in e-billing. The 31 vendors noted in the finding are now enrolled in E-billing.

PROPERTY SURVEY REPORT APPROVAL/REJECTION FORM

DATE: 12/03/2014 Received via: WEB

DEPARTMENT: WESTSIDE REGIONAL CTR - DEVELOP DISABILITIES PROG

AGENCY DOCUMENT NUMBER(S): 2014-2015.2R

Please refer to the above Property Survey Report(s) submitted to this office for disposition approval. It has been determined that:

- 1. All items listed on the P.S.R.'s are appropriate for the Property Reutilization Program. When the property becomes available, please deliver it to the Surplus Property Warehouse located at 1700 National Dr., Sacramento, CA 95834. **A COPY OF THE P.S.R. MUST BE INCLUDED WITH THE SHIPMENT.** Undocumented shipments and shipments of hazardous materials cannot be accepted. **ALL DELIVERIES MUST BE SCHEDULED IN ADVANCE.** TO SCHEDULE DELIVERY, CALL (916) 928-5851. Receiving hours 9:00 AM to 12:00 noon and from 1:00 PM until 3:00 PM. (Except state holidays)
- 2. The attached P.S.R.'s are being returned unsigned for the following reason:
 - A. Mixed disposition codes used on the same document.
 - B. No disposition code shown on P.S.R.
 - C. Improper signatures or unsigned by P.S.R. Board. (Two signatures minimum required)
 - D. Mixed locations on same document.
 - E. D.G.S. review and approval not necessary.
 - F. Inadequate or no explanation.
 - G. Inappropriate disposal action.
 - H. No agency assigned "Document Number.:"
 - I. Form used is **OUT OF DATE.**
 - J. See **OTHER** below.
- 3. All property listed on the P.S.R.'s attached is not currently needed, or is unsuitable for the Property Reuse Program. Please dispose of property as indicated by the disposition code shown on the P.S.R.
IF POSSIBLE USE A LOCAL RECYCLER/SALVAGE COMPANY.
- 4. P.S.R.'s must be submitted to D.G.S. PRIOR to disposal action (Refer to S.A.M. Section 3520).

By a copy of this letter, I am authorizing the sale or disposal of all property listed on the attached Property Survey Report(s) that have been determined unsuitable for the Surplus Property Program. Surveyed property must be **disposed of within 30 days** from the date of this letter and in accordance with the guidelines set forth in the S.A.M. Section 3520.

Sincerely,
Norman Cottman, SSA
Telephone: (916) 928-5800 Fax: (916) 928-4644
Email: norman.cottman@dgs.ca.gov
Attachment(s)

OTHER: _____

NOTE: INFORMATION CONTAINED ON MAGNETIC STORAGE DEVICES (COMPUTER HARD DRIVES, ETC.) IS THE RESPONSIBILITY OF THE DISPOSING AGENCY AND NOT THE RESPONSIBILITY OF THE DGS.

SHIPMENTS OF MODULAR FURNITURE TO THE DGS WAREHOUSE MUST BE PALLETIZED AND SHRINK WRAPPED.

**BEFORE DISPOSING OF STATE PROPERTY OR TRANSPORTING IT TO SURPLUS PROPERTY
REMOVE ALL STATE PROPERTY TAGS!**

Rev. 01/11

PROPERTY SURVEY REPORT

DGS Form 152 11/01/2001

Record as of disposition date (lost, stolen or destroyed property-record as of the date such determination was made).

Authority is requested to dispose of the following State property:
 10. Universal Waste - Salvage Dealer, Recycler (E-Waste)

RETURN TO:

REPORTING DEPARTMENT/AGENCY WESTSIDE REGIONAL CTR - DEVELOP DISABILITIES PROG		AGENCY DOCUMENT 2014-2015.2R	DGS DOCUMENT NUMBER S14-08660
ADDRESS 5901 GREEN VALLEY CIRCLE, SUITE 320		LOCATION OF PROPERTY Los Angeles	BILLING CODE 098170
CITY CULVER CITY		ZIP CODE 90230	DATE 12/3/2014
E-MAIL ADDRESS: ELOISAB@WESTSIDERC.ORG		CONTACT PERSON ELOISA BONILLA	TELEPHONE NUMBER 310-258-4052
			PAGE 3 of 4

		ITEM DETAILED DESCRIPTION MODEL YEAR / MANUFACTURER / MAKE SERIAL NUMBER	SANITI- ZATION REQ	QTY	QTY DLVRD	STATE IDENT. (TAG) NUMBER (1)	YEAR PURCHASED	ORIGINAL COST (IF KNOWN)	PRESENT COND **(CODE)	TRADE-IN PRICE OFFERED (2)	PRICE RECEIVED (3)	RECEIPT NUMBER
13		LAPTOP PENT II 0 / / S013001193	<input checked="" type="checkbox"/>	1		00357289	0	895.00	J			
14		LAPTOP PENT II 0 / / S013112528A	<input checked="" type="checkbox"/>	1		00357375	0	895.00	J			
15		LAPTOP PENT II 0 / / CNU1010L2Z	<input checked="" type="checkbox"/>	1		00370098	0	973.00	J			
16		SWITCH 0 / /	<input type="checkbox"/>	1		00357203	0	1,937.00	J			
17		PORTABLE COOLING 0 / /	<input type="checkbox"/>	1		00370108	0	625.00	J			
18		PORTABLE COOLING 0 / /	<input type="checkbox"/>	1		00370110	0	625.00	J			
19		LAPTOP PENT II 0 / / CBU0895698	<input checked="" type="checkbox"/>	1		00357272	0	625.00	J			
20		PA SYSTEM, MISC. 0 / /	<input type="checkbox"/>	1		00357280	0	1,145.68	J			
21		LAPTOP PENT II 0 / / LV-BA969	<input checked="" type="checkbox"/>	1		00345455	0	1,190.00	J			