



**AUDIT OF THE
WESTSIDE REGIONAL CENTER
FOR FISCAL YEARS 2016-17 AND 2017-18**

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 Lanterman Developmental Disabilities Services Act and Related Laws/Welfare and Institutions (W&I) Code; the Home and Community-based Services (HCBS) Waiver for the Developmentally Disabled; California Code of Regulations (CCR), Title 17; Federal Office of Management and Budget (OMB) Circulars A-122 and A-133; and the contract with DDS. Overall, the audit indicated that WRC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2016, through June 30, 2018, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where WRC's administrative and 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.

Findings that need to be addressed.

Finding 1: Overstated Claims (Repeat)

The review of Operational Indicator Reports revealed 13 instances where WRC overpaid vendors a total of \$13,265.04 due to duplicate payments and overlapping authorizations. This issue was noted in the prior DDS audit report; over- and under-payments totaling \$48,493.46 and \$1,748.69, respectively, in that audit remain outstanding. Over- and under-payments from both the current and prior audit total \$61,758.50 and \$1,748.69, respectively. This is not in compliance with CCR, Title 17, Section 54326(a)(10) and Section 57300(c).

Finding 2: Family Cost Participation Program (Repeat)

A. Overstated Share of Cost

The sampled review of 20 Family Cost Participation Program (FCPP) consumer files revealed that WRC overpaid its share of cost for one consumer from February 2018 through June 2018. This resulted in overpayments totaling \$2,159.50. This issue was noted in the prior DDS audit report, which found that WRC paid the share of cost for two consumers, resulting in overpayments totaling \$383.29; this amount remains outstanding. Overpayments from the current and prior DDS audits total \$2,542.79. This is not in compliance with CCR, Title 17, Section 50255(a).

B. Late Assessments

The sampled review of 20 FCPP consumer files revealed four instances where WRC did not assess the parent's 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 30 days or more after the signing of the IPP or IFSP. This issue was noted in two prior DDS audit reports. This is not in compliance with W&I Code, Section 4783(g)(1)(A)(B)(C).

Finding 3: Equipment Inventory (Repeat)

A. Physical Inventory

WRC has not completed a comprehensive inventory triennially; the most recent inventory was conducted March 7, 2013. This issue was noted in two prior DDS audit reports. This is not in compliance with the State's Equipment Management Guidelines, Section III (F) and the State Administrative Manual (SAM) 8652.

B. Missing Equipment

The sampled review of 50 items from WRC's inventory listing revealed five items were missing. This issue was noted in two prior audit reports. 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).

Finding 4: Annual Family Program Fee (Repeat)

The review of the Annual Family Program Fee (AFPF) revealed that WRC did not conduct any AFPF assessments in FYs 2016-17 and 2017-18. This issue was noted in the prior DDS audit report. This is not in compliance with W&I Code, Section 4785 (a)(1) and the DDS AFPF Program Fee Procedures II.B.

Finding 5: Parental Fee Program

The review of the Parental Fee Program (PFP) revealed that WRC did not identify children who are required to participate in the PFP or inform parents about the PFP. This is not in compliance with CCR, Title 17, Section 50225.

Finding 6: Transparency

A. Transparency Reports Not Updated

The review of WRC's website revealed that WRC did not post the current Biennial DDS Audit Report, Financial Audit Report, Prior Year Fiscal Expenditure Report, POS Policies, and the HCBS Review Report. This is not in compliance with W&I Code, Section 4629.5 (b).

B. Whistleblower Notification

The review of WRC's website revealed that the Whistleblower Policy was not posted on its website. In addition, WRC did not notify its Board annually of the Whistleblower Policy. This is not in compliance with the State Contract, Article I, Section 18(b)(6).

BACKGROUND

DDS is responsible, under the W&I Code, for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive, and integrated 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 (RCs). 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 Section 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 (CPAs) 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 State Contract HD099017, effective July 1, 2014, through June 30, 2021. This contract specifies that CDSFI will operate an agency known as the Westside Regional Center (WRC) to provide services to individuals with DD and their families in Inglewood and Santa Monica West County Health Districts. 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 September 10, 2018, through October 5, 2018, by the Audit Section of DDS.

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 between DDS and WRC.

CRITERIA

The following criteria were used for this audit:

- W&I Code,
- “Approved Application for the HCBS Waiver for the Developmentally Disabled,”
- CCR, Title 17,
- OMB Circulars A-122 and A-133, and
- The State Contract between DDS and WRC, effective July 1, 2014.

AUDIT PERIOD

The audit period was July 1, 2016, through June 30, 2018, 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 RCs' fiscal, administrative, and program operations. The objectives of this audit were:

- To determine compliance with the W&I Code,
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine compliance with CCR, Title 17 regulations,
- To determine compliance with OMB Circulars A-122 and A-133, and
- To determine that costs claimed were in compliance with the provisions of the State Contract between DDS and WRC.

The audit was conducted in accordance with the 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 W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and WRC.

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 CPA firm for Fiscal Year (FY) 2016-17, issued on June 19, 2018. 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 Purchase of Service (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 compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and WRC.
- 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 10th of each month, and 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 Uniform Fiscal Systems (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 State Contract with DDS.

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

II. Regional Center Operations

DDS selected a sample of OPS claims billed to DDS to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to ensure WRC's accounting staff properly input data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, 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 OPS 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 (TCM) and Regional Center Rate Study

The TCM Rate Study 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 months of April 2017 and April 2018 and traced the reported information to source documents.
- The last Case Management Time Study, performed in May 2016, was reviewed in the prior DDS audit that included FY 2015-16. As a result, there was no Case Management Time Study to review for this audit period.

IV. Service Coordinator Caseload Survey

Under the 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)(1)(2)(3)(A)(B)(C):

- “(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:
 - (1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.
 - (2) An average service coordinator-to-consumer ratio of 1 to 45 for all consumers who have moved from a developmental center to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 59 consumers for more than 60 days.
 - (3) Commencing January 1, 2004, the following coordinator-to-consumer ratios shall apply:
 - (A) All consumers three years of age and younger and for consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, an average service coordinator-to-consumer ratio of 1 to 62.
 - (B) 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, an average service coordinator-to-consumer ratio of 1 to 62.
 - (C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in subparagraph (A), an average service coordinator-to-consumer ratio of 1 to 66.”

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 (EIP; Part C Funding)

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

VI. Family Cost Participation Program (FCPP)

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 Individual Program Plan (IPP)/Individualized Family Services Plan (IFSP). To determine whether WRC was in compliance with CCR, Title 17, and the W&I Code, Section 4783, 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 years 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 was paying for only its assessed share of cost.

VII. Annual Family Program Fee (AFPF)

The AFPF was created for the purpose of assessing an annual fee of up to \$200 based on the income level of families with children between the ages of 0 through 17 years receiving qualifying services through the RC. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the RC and a cost for participation was assessed to the parents under FCPP. To determine whether WRC was in compliance with the W&I Code, Section 4785, 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 DD 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 the RC to support reduced assessments.

VIII. Parental Fee Program (PFP)

The PFP was created for the purpose of prescribing financial responsibility to parents of children under the age of 18 years who are receiving 24-hour, out-of-home care services through an RC or who are residents of a state hospital or on leave from a state hospital. Parents shall be required to pay a fee depending upon their ability to pay, but not to exceed (1) the cost of caring for a child without DD at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether WRC is in compliance with the W&I Code, Section 4782, DDS requested a list of PFP assessments and verified the following:

- Identified all children with DD who are receiving the following services:
 - (a) All 24-hour, out-of-home community care received through an RC for children under the age of 18 years;
 - (b) 24-hour care for such minor children in state hospitals. Provided, however, that no ability to pay determination shall be made for services required by state or federal law, or both, to be provided to children without charge to their parents.
- Provided DDS with a listing of new placements, terminated cases, and client deaths for those clients. Such listings shall be provided not later than the 20th day of the month following the month of such occurrence.
- Informed parents of children who will be receiving services that DDS is required to determine parents' ability to pay and to assess, bill, and collect parental fees.
- Provided parents a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope within 10 working days after placement of a minor child.
- Provided DDS a copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed.

IX. 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. To determine whether WRC implemented the required RFP process, DDS performed the following procedures during the 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 included 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 communicated 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 and 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, written documentation is retained as justification for such a selection.

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

- Selected a sample of Operations, Community Placement Plan (CPP), 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 and written justification for final vendor selection decisions and that 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 contracts in place as of March 24, 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 Board-approved Operations, Start-Up, and POS 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, the usage of funds is of direct benefit to consumers, and the 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 for 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.

X. Statewide/Regional Center Median Rates

The Statewide and RC Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure that 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 W&I Code, Section 4691.9.
- Reviewed vendor contracts to ensure that WRC is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or RC 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 required by regulation, or health and safety exemptions were granted by DDS.

- Reviewed vendor contracts to ensure that WRC did not negotiate rates with new service providers for services which are higher than the RC'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. DDS also ensured that units of service designations conformed with existing RC designations or, if none exists, ensured that units of service conformed to a designation used to calculate the statewide median rate for the same service code.

XI. 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:

- CPP;
- Denti-Cal;
- Part C – Early Start Program;
- Family Resource Center; and
- Mental Health Services Act.

XII. 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 of completeness of WRC's implementation of corrective actions.

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 the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and WRC for the audit period, July 1, 2016, through June 30, 2018.

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

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on June 6, 2019. The findings in the draft audit report were discussed at a formal exit conference with WRC on June 6, 2019. The views of WRC's responsible officials are included in this final audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: Overstated Claims (Repeat)

The review of the Operational Indicator Reports revealed 13 instances where WRC overpaid vendors a total of \$13,265.04 due to duplicate payments and overlapping authorizations. WRC indicated this was an error on its part, as the overpayments were not identified during the monthly review of the operational indicator reports. This issue was also noted in the prior DDS audit report, which had over- and under-payments totaling \$48,493.46 and \$1,748.69, respectively, which remains outstanding. The over- and under-payments from both the current and prior audit total \$61,758.50 and \$1,748.69, respectively. (See Attachment A)

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

“All vendors shall...

(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 57300(c) also 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”

Recommendation:

WRC must reimburse to DDS the overpayments totaling \$61,758.50 and reimburse \$1,748.69 in underpayments to the three underpaid vendors. In addition, WRC must ensure its staff monitors the operational indicator reports for errors that may have occurred in the course of doing business with its vendors to ensure compliance with CCR, Title 17, Section 54326(a)(10) and Section 57300(c).

Finding 2: Family Cost Participation Program (Repeat)

A. Overstated Share of Cost

The sampled review of 20 FCPP consumer files revealed that WRC overpaid its share of cost for one consumer from February 2018 through June 2018. This resulted in overpayments totaling \$2,159.50. WRC indicated this occurred due to oversight, as the authorization was not updated to reflect its share of cost. This issue was also noted in the prior DDS audit report. WRC paid share of cost for two consumers, resulting in overpayments totaling \$383.29, which remains outstanding. Overpayments from the current and prior DDS audits total \$2,542.79. (See Attachment B)

CCR, Title 17, Section 50255(a) states in part:

“The parents of a child who meet the definition under Section 4783(a) (1) of the Welfare and Institutions Code shall be jointly and severally responsible for the assessed amount of family cost participation.”

Recommendation:

WRC must reimburse to DDS a total of \$2,542.79 in overpayments that resulted from WRC paying above its share of cost. In addition, WRC must ensure any changes to a consumer’s authorization are updated timely, so it does not pay for the families’ share of cost, to ensure compliance with CCR, Title 17, Section 50255(a).

B. Late Assessments

The sampled review of 20 FCPP consumer files revealed four instances where WRC did not assess the parent’s share of cost participation as part of the consumer’s IPP or IFSP review. The assessments were completed 30 days or more after the signing of the IPP or IFSP. This issue was identified in two prior audit reports. In its prior responses, WRC agreed with the recommendation to ensure that assessments are completed as part of the consumer’s IPP or IFSP, but continues to be noncompliant with the FCPP requirements. WRC stated that the issue was due to the service coordinators not sending documentation to the FCPP coordinator in a timely matter, but WRC has not taken action to resolve this issue. (See Attachment C)

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

“(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 for parents 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 individual family service plan review pursuant to subdivision (b) of Section 4646 of this code or subdivision (f) of Section 95020 of the Government Code.”

Recommendation:

WRC must ensure service coordinators submit the required FCPP documentation to the FCPP coordinators timely to ensure assessments are completed as part of the consumers' IPP or IFSP review. This will ensure compliance with the W&I Code, Section 4783(g)(1)(A)(B)(C).

Finding 3: Equipment Inventory (Repeat)

A. Physical Inventory

WRC has not completed a comprehensive inventory triennially; the most recent inventory was conducted March 7, 2013. WRC indicated it has not conducted a comprehensive inventory because it has not hired a Facilities Manager. This position has been vacant since 2013. This issue was also noted in two prior DDS audit reports.

State's Equipment Management Guidelines Section III (F), dated February 1, 2003, states in part:

“Each RC shall conduct a comprehensive physical inventory of all state-owned, nonexpendable equipment and sensitive equipment, as defined in Attachment A, at least once every three years. The inventory will be conducted per State Administrative Manual (SAM) Section 8652.”

State Administrative Manual (SAM) 8652 states in part:

“Departments will make a physical count of all property and reconcile the count with accounting records at least once every three years.”

Recommendation

WRC must adhere to the State’s Equipment Management Guidelines and SAM requiring that a physical inventory is conducted at least once every three years. In addition, WRC should designate a back-up person who is trained to conduct a physical inventory in the event the position is vacant. This will ensure compliance with the State’s Equipment Management Guidelines, Section III (F) and the SAM 8652.

B. Missing Equipment

The sampled review of 50 items from WRC’s inventory listing revealed five items were missing. WRC indicated it was not aware the items were missing, as its Facilities Manager position still remains vacant. WRC stated that its Director of Finance has assumed the responsibilities of the Facilities Manager until a replacement can be found. The issue was also noted in the two prior reports. In its prior response, WRC stated that it would follow the State’s Equipment Management System Guidelines to safeguard State property; however, the issues remain ongoing. (See Attachment D)

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.”

State’s Equipment Management System Guidelines, Section III (C) states:

“All state-owned equipment must be promptly and clearly tagged as State of California, DDS’ property. The RC Property Custodian will order supplies of appropriate tags as described below by the Customer Support Section (CSS).”

Recommendation:

WRC must ensure it adheres to all of the requirements set forth in the State Contract regarding the safeguarding of State property. In addition, if WRC is unable to locate the missing items, the items must be reported to the proper authorities and properly removed from its inventory listing. Also, WRC should make it a priority to fill the Facilities Manager vacancy. This will ensure compliance with the State Contract, Article IV, Section 4(a) and the State's Equipment Management System Guidelines, Section III (C).

Finding 4: Annual Family Program Fee (Repeat)

The review of the AFPF revealed that WRC did not conduct any AFPF assessments in FYs 2016-17 and 2017-18. This issue was also noted in the prior DDS audit report. WRC indicated that it did not implement the AFPF as it continues to have staffing shortages.

W&I Code, Section 4785 (a)(1) states:

“(a) (1) Effective July 1, 2011, a regional center shall assess an annual family program fee, as described in subdivision (b), from parents whose adjusted gross family income is at or above 400 percent of the federal poverty level based upon family size and who have a child to whom all of the following apply:...”

DDS AFPF Program Fee Procedures II.B. states:

“Required Program Components for Regional Centers

B. Regional center shall complete the APF registration form with parents at the time of the consumer's individual program plan (IPP) or individualized family services plan (IFSP).”

Recommendation:

WRC must implement the AFPF to comply with the AFPF procedures developed by DDS to ensure compliance with W&I Code, Section 4785 (a)(1) and the DDS AFPF Program Fee Procedures II.B.

Finding 5: Parental Fee Program

The review of the PFP revealed that WRC did not identify children who are required to participate in the PFP and did not inform parents about the

PFP. WRC indicated that it did not implement the PFP as it continues to have staffing shortages.

CCR, Title 17, Sections 50225(a), (b), (c), (d), and (e) states in part:

“Regional centers shall have the following duties and responsibilities:

- (a) Identify all children with developmental disabilities who are receiving services as specified in Section 50223.
- (b) Provide the Department of Developmental Services with a listing of new placements, terminated cases, and client deaths for those clients identified in paragraph (a) of this section. Such listing shall be provided not later than the 20th day of the month following the month of such occurrence and shall be provided in the format as determined by the Department of Developmental Services.
- (c) Inform parents of children who will be receiving services as identified in Section 50223 that the Department of Developmental Services is required to determine parents' ability to pay, and to assess, bill, and collect parental fees pursuant to Chapter 9 of Division 4.5 of the Welfare and Institutions Code.
- (d) Within 10 working days after placement of a minor child, provide the parent(s) a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope. The informational letter, FFS, and envelope shall be provided to the centers by the Department of Developmental Services.
- (e) A copy of each informational letter given or sent to parent(s), indicating the addressee and the date given or mailed, shall be attached to and submitted with the report identified in paragraph (b) of this section.”

Recommendation:

WRC must implement policies and procedures to ensure that it complies with the PFP requirements set forth in CCR, Title 17, Section 50225 (a), (b), (c), (d), and (e).

Finding 6: Transparency

A. Transparency Reports Not Updated

The review of WRC's website revealed that WRC did not post the Biennial DDS Audit Report, Financial Audit Report, Prior Year Fiscal Expenditure Report, POS Policies, and the HCBS Review Report. WRC indicated the reports were not posted because its links for the reports and policies were inactive due to a technical issue with the website.

W&I Code, Section 4629.5 (b) states:

"To promote transparency, Contractor shall include on its Internet website, as expeditiously as possible, at least all of the following:

- (1) Regional center annual independent audits.
- (2) Biennial fiscal audits conducted by the State.
- (3) Reports included in WIC section 4639.5:
 - (a) Current salary schedule for all personnel classifications
 - (b) Prior year fiscal expenditures
- (4) Contract awards, including the organization or entity awarded the contract, and the amount and purpose of the award.
- (5) POS policies.
- (6) The names, types of service, and contact information of all vendors, except consumers or family members of consumers.
- (7) Board meeting agendas and approved minutes of open meetings of the board and all committees of the board.
- (8) Bylaws of the regional center governing board.
- (9) The annual performance contract and year-end performance contract report entered into with the State pursuant to this division.

(10) The HCBS Waiver program review reports conducted by the State and the DHCS Services.”

Recommendation:

WRC must ensure that all required public information is posted on its Internet website in accordance with CCR, Title 17, Section 4629.5 (b). In addition, WRC should monitor its links to ensure they are active.

B. Whistleblower Notification

The review of WRC’s website revealed that the Whistleblower Policy was not posted on its website. In addition, WRC did not annually notify its Board members of the Whistleblower Policy. WRC indicated this occurred due to a technical issue, as the link was inactive.

State Contract, Article I Section 18(b)(6) states:

“Include a process for annually notifying employees and board members of both the regional centers and the States Whistleblower policies and for reporting and maintaining the regional centers Whistleblower Policy prominently on its website. As part of their eligibility determination and vendorization processes, regional center shall also inform all new clients/ families and new vendors of the regional centers and the States Whistleblower policies.

Recommendation:

WRC must post its Whistleblower Policy on its internet website and annually notify its Board members of the policy to ensure compliance with State Contract, Article I, Section 18(b)(6). In addition, WRC should monitor its link to ensure it is active.

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 August 9, 2019, is provided as Appendix A.

DDS' Audit Section has evaluated WRC's response and will confirm the appropriate corrective actions have been taken during the next scheduled audit.

Finding 1: Overstated Claims (Repeat)

WRC is in partial agreement with the finding. WRC agrees with the \$13,265.04 overpayment identified in the FYs 2016-17 and 2017-18 audit period and has since recovered the overpayments. The overpayments recovered by WRC were offset to the claim to DDS. Since WRC was able to recover the overpayments, this part of the finding is resolved.

WRC is also in agreement with the overpayments totaling \$48,493.46 identified in the FYs 2014-15 and 2015-16 audit period. WRC indicated it has recovered \$14,545.06 from Maxim Healthcare Services, Vendor Number PW5042, and has entered into a payment agreement with Specialized Health Services, Vendor Number H19312 to recover \$32,107.14. In addition, WRC stated it will recover the overpayments of \$1,841.26 for 24Hr Homecare, Vendor Number PW5817, by deducting the overpayments from subsequent reimbursements. Since WRC was invoiced for the overpayments as part of the FYs 2014-15 and 2015-16 final audit report, WRC must submit the overpayments collected to DDS and reference Invoice Number 12964.

WRC does not agree with the underpayments identified in the FYs 2014-15 and 2015-16 audit report. The prior audit report identified underpayments for Maxim Healthcare Services, Vendor Number PW5042 totaling \$1,748.69; however, based on its review, WRC indicated the underpayments were \$1,507.86. WRC also provided additional information with its response indicating \$1,267.03 has been reimbursed to Maxim Healthcare Services, with \$240.83 remaining.

Finding 2: Family Cost Participation Program (Repeat)

A. Overstated Share of Cost

WRC indicated it agrees with the finding and will reimburse DDS a total of \$2,542.79 in overpayments resulting from WRC paying above its share of cost. In addition, WRC will comply

with the recommendation to ensure consumer authorizations are updated to reflect WRC's share of cost.

B. Late Assessments

WRC indicated it agrees with the finding and will comply with the recommendation to ensure service coordinators submit the required FCPP documentation to the FCPP coordinators timely to ensure assessments are completed as part of the consumers' IPP or IFSP review.

Finding 3: Equipment Inventory (Repeat)

A. Physical Inventory

WRC indicated it agrees with the finding and will comply with the recommendation to follow the State's Equipment Management System Guidelines, which require a physical inventory to be conducted at least once every three years.

B. Missing Equipment

WRC indicated it agrees with the finding and will comply with the recommendation to follow the State's Equipment Management System Guidelines to safeguard State property. If WRC is unable to locate the missing items, the items must be reported to the proper authorities and removed from its inventory listing.

Finding 4: Annual Family Program Fee (Repeat)

WRC indicated it agrees with the finding and will comply with the recommendation to implement the AFPF program procedures to ensure compliance with the regulations.

Finding 5: Parental Fee Program

WRC indicated it agrees with the finding and will comply with the recommendation to implement policies and procedures to ensure compliance with the PFP requirements.

Finding 6: Transparency

A. Transparency Reports Not Updated

WRC indicated it agrees with the finding and will comply with the recommendation to ensure all required public information is posted on its website.

B. Whistleblower Notification

WRC indicated it agrees with the finding and will comply with the recommendation to post its Whistleblower Policy on its website and annually notify its Board members of the Whistleblower Policy