AUDIT OF THE WESTSIDE REGIONAL CENTER FOR FISCAL YEARS 2014-15 AND 2015-16

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, 2014, through June 30, 2016, 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: <u>Over/Understated Claims</u>

The review of the operational indicator reports revealed WRC made duplicate and incorrect payment adjustments to three vendors related to the July 1, 2014, minimum wage increase. This resulted in over- and under-payments totaling $51,300.74 and $826.03 respectively. In addition, the sample review of 122 POS vendor files revealed WRC reimbursed two vendors at incorrect rates. This resulted in overpayments totaling $89,698.33.

The total over- and under-stated claims are $173,106.21 and $826.03 respectively. This is not in compliance with CCR, Title 17, Sections 54326(a)(12) and 57300(c)(2).

WRC provided additional documentation with its response which resolved and/or modified the over- and under-stated totals. WRC remains with over- and under-payments totaling $48,493.46 and $1,748.69, respectively.

Finding 2: <u>**Unsupported Credit Card Expenditures**</u>

The review of WRC's operational expenditures revealed 38 credit card transactions totaling $7,284.45 that were missing receipts and five credit card transactions totaling $199.29 that did not have detailed receipts for the purchased items. This resulted in a total of $7,483.74 in unsupported credit card expenditures. This is not in compliance with WRC's Credit Card Policy.

Finding 3: Family Cost Participation Program

A. Overstated Share of Cost

The sample review of 21 FCPP consumer files revealed that WRC has been paying the cost of services for two consumers that are the responsibility of their families. WRC paid above its share of cost for respite services to two vendors, resulting in overpayments totaling $383.29. This is not in compliance with CCR, Title 17, Section 50255(a).

B. Late Assessments (Repeat)

The sample review of 21 Family Cost Participation Program (FCPP) consumer files revealed 15 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 20 days or more after the signing of the IPP or IFPS. This issue was identified in the prior audit report. This is not in compliance with W&I Code, Section 4783(g)(1)(A)(B)(C)

C. Late Notification

The sample review of 21 FCPP consumer files revealed four families were not notified of their assessed share of cost within 10 days of receiving the income documentation. This is not in compliance with W&I Code, Section 4783(g)(3).

Finding 4: Equipment Inventory

A. Physical Inventory

WRC was unable to provide documentation support that a comprehensive inventory of its equipment was conducted within the last three years. This is not in compliance with the State's Equipment Management Guidelines, Section III and the State Administrative Manual (SAM) 8652.

B. Missing Equipment

A sample of 43 items selected for testing from WRC's equipment inventory list revealed two items (portable cooler, state tag number 00370111, and iPad, state tag number 00370144) could not be located. This is not in compliance with State Contract, Article IV, Section 4(a) and the State's Equipment Management System Guidelines, Section III (E).

C. Gifting of State Property

The review of WRC's equipment list of disposed items revealed WRC gifted an iPad with a retail value of $729.99 to a Board member at the request of the Executive Director. WRC then surveyed out the iPad using disposition code 4 on the Property Survey Report that indicates the item was either lost, stolen, or destroyed. This is not in compliance with the California Constitution, Article 16, Section 6.

Finding 5: Improper Allocation of Community Placement Plan Funds

The review of the Community Placement Plan (CPP) claims revealed that WRC improperly allocated CPP funds to 39 consumers who did not move from the Developmental Centers to the community in Fiscal Years (FYs) 2014-15 and 2015-16. This resulted in an improper allocation of CPP funds totaling $1,680,621.18. In addition, WRC provided services to seven CPP consumers beyond their initial fiscal year of placement totaling $762,634.65.

The total improper allocation of CPP funds totaled $2,443,255.83. This is not in compliance with W&I Code, Section 4418.25(d) and (e), State Contract, Exhibit E, and the DDS Guidelines for Regional Center Community Placement Plan (III)(A).

Finding 6: Annual Family Program Fee

The review of the Annual Family Program Fee (AFPF) revealed that WRC did not conduct any AFPF assessments in FYs 2014-15 and 2015-16. This is not in compliance with W&I Code, Section 4785 (a)(1) and the DDS AFPF Program Fee Procedures II.B.

Finding 7: The Achievable Foundation - In-Kind Services (Repeat)

The review of WRC's in-kind services agreement with The Achievable Foundation revealed that three WRC employees provided administrative services to The Achievable Foundation; however, WRC had no records to support what type of in-kind services were received as payment for the administrative services provided to the Achievable Foundation. This issue was noted in the prior audit report. This is not in compliance with the State Contract, Article III, Section 13(b).

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 & 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 HD099003, effective July 1, 2014, through June 30, 2021. This contract specifies that CDSFI will operate an agency known as WRC to provide services to individuals with DD and their families in the 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 July 25, 2016, through August 25, 2016, 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, 2009.

AUDIT PERIOD

The audit period was July 1, 2014, through June 30, 2016, 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 audit report that was conducted by an independent CPA firm for FY 2014-15, issued on March 31, 2016. 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 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 2015 and April 2016 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 timesheets to the Case Management Time Study Forms (DS 1916) to ensure that the forms 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):

"(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 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) (C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in sub paragraph (A), an average service coordinator-to-consumer ratio of 1 to 66."

DDS also reviewed the Service Coordinator Caseload Survey methodology used to calculate 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 audit of the EIP, 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 EIP, 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 (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, 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

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 a 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.

- Within 10 working days after placement of a minor child, provide the parents a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope.

- A copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed, shall be submitted to DDS.

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 the WRC 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;
- 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, 2014, through June 30, 2016.

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

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on July 12, 2018. The findings in the draft audit report were discussed at a formal exit conference with WRC on July 16, 2018. 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: Over/Understated Claims

The review of the operational indicator reports revealed WRC made duplicate payments and incorrect payment adjustments for three vendors, 24Hr HomeCare, Vendor Number HH1371, Service Code 862; 24Hr HomeCare, Vendor Number PW5817, Service Code 028; and Maxim HealthCare Services, Vendor Number PW5042, Service Code 028, when the minimum wage increase went into effect on July 1, 2014. This resulted in over- and under-payments totaling $51,300.74 and $826.03 from July 2014 through June 2015, respectively.

Furthermore, the sample review of 122 POS vendor files revealed WRC reimbursed two vendors at an incorrect rate. Specialized Health Services, Vendor Number H19312, Service Code 515, was reimbursed at a rate of $81.40 per day instead of $79.34 per day, resulting in overpayments totaling $32,107.14 from July 2012 through April 2016, and Another Beginning, Inc., Vendor Number HW0580, Service Code 515, was reimbursed at a rate of $86.71 per day instead of $72.42 per day, resulting in overpayments of $89,698.33 from March 2015 through November 2015.

The total over- and under-stated claims are $173,106.21 and $826.03, respectively. (See Attachment A)

WRC provided additional documentation with its response which resolved and/or modified the over- and under-stated claims. WRC remains with over and underpayments totaling $48,493.46 and $1,748.69, respectively.

CCR, Title 17, Section 54326 (a) (12) states in part:

> "(a) All vendors shall…
>
> (12) Agree to accept the rate established, revised or adjusted by the Department as payment in full for all authorized services provided to consumers."

CCR, Title 17, Section 57300 (c) (2) states in part:

> "(c) Regional centers shall not reimburse vendors:…
>
> (2) For services in an amount greater than the rate established pursuant to these regulations."

Recommendation:

WRC must reimburse to DDS the overpayment totaling $48,493.46 and reimburse $1,748.69 in underpayments to Vendor Number PW5042. In addition, WRC must ensure its staff monitors 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 2: Unsupported Credit Card Expenditures

The review of WRC's operational expenditures revealed the receipts for 38 credit card transactions totaling $7,284.45 were missing and five credit card transactions totaling $199.29 did not have detailed receipts for the purchased items. This resulted in a total of $7,483.74 in unsupported credit card expenditures.

WRC provided receipts with its response to resolve $5,851.59. WRC must reimburse DDS $1,632.15 for the remaining unsupported expenditures.

State Contract, Article IV, Section 3(a) states:

> "Records Maintenance
>
> In accordance with Welf. & Inst. Code section 4631 (b), Contractor shall be held strictly accountable for reporting all revenues and expenditures, and the effectiveness of the Contractor in carrying out of its programs and fiscal responsibilities. Contractor shall keep records, as follows:
>
> a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract (hereinafter collectively called the "records") to the extent and in such detail as will properly reflect net costs (direct and indirect) of labor, materials, equipment, supplies and services, overhead and other costs and expenses of whatever nature for which reimbursement is claimed under the provisions of this contract in accordance with mutually agreed to procedures and generally accepted accounting principles."

WRC's Credit Card Policy states:

> "All detailed receipts must be retained and attached to the credit card statements. In the case of meals, each receipt must include the names of all persons involved in purchase, and a brief description of the business purpose of the meal. Purchase of office supplies or equipment must have a signed P.O. attached."

Recommendation:

WRC must reimburse DDS a total of $7,483.74 for the unsupported expenditures and reinforce to credit card holders its credit card policy of requiring detailed receipts for all transactions. In addition, WRC should update its credit card policy regarding how it handles situations where receipts are lost, since its current policy does not address this issue.

Finding 3: <u>Family Cost Participation Program</u>

A. <u>Overstated Share of Cost</u>

The sample review of 21 FCPP consumer files revealed that WRC overstated its share of cost totaling $383.29 for two consumers. WRC paid the share of cost for two consumers receiving respite services that were the responsibility of the families.

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 $383.29 in overpayments that resulted from WRC paying above the share of cost. In addition, WRC should ensure any changes to a consumer's authorization are updated timely so it does not pay for the families' share of cost.

B. <u>Late Assessments</u> (Repeat)

The sample review of 21 FCPP consumer files revealed 15 instances when 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 20 days or more after the signing of the IPP or IFPS. This issue was identified in the prior audit report. In its response, WRC agreed with the recommendation to ensure that assessments are completed as part of the consumer's IPP or IFSP, but WRC 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.

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 develop and implement new procedures to ensure consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review.

C. <u>Late Notification</u>

The sample review of 21 FCPP consumer files revealed four families were not notified of their assessed share of cost within 10 days of receiving the income documentation.

W&I Code, Section 4783(g)(3) states:

"(3) A regional center shall notify parents of the parents' assessed cost participation within 10 working days of receipt of the parents' complete income documentation."

Recommendation:

WRC must develop and implement new procedures to ensure consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review and to ensure that parents are notified of their assessed cost participation within 10 days of receipt of the parents' income documentation.

Finding 4: Equipment Inventory

A. Physical Inventory

WRC was unable to provide documentation to support that it had conducted a comprehensive inventory of its equipment within the last three years. It was noted in the prior audit that WRC's last physical inventory review was conducted in March 7, 2013. WRC indicated that it has not conducted an inventory review due to the vacancy of the facilities manager position.

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.
>
> Departments are responsible for developing and carrying out an inventory plan which include:
>
> 2 (b) Worksheets used to take inventory will be retained for audit and will show the date of inventory and the name of the inventory taker."

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 when the Facilities Manager is unable to do so. This will ensure compliance with the State's Equipment Management Guidelines and SAM.

B. Missing Equipment

A sample of 43 items was selected for testing from WRC's equipment inventory list. The testing revealed two items (portable cooler, state tag number 00370111, and iPad, state tag number 00370144) that could not be located, but remained on WRC's equipment inventory list.

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's Equipment Management System Guidelines and the State Contract regarding the safeguarding of State property. WRC must also ensure missing items are reported to the proper authorities in a timely manner and that a survey form is completed to remove the items from the inventory list.

C. Gifting of State Property

The review of WRC's equipment list of disposed items revealed WRC gifted an iPad (State Tag #00370151) with a retail value of $729.99 to a Board member. WRC then surveyed out the iPad using disposition code 4 on the Property Survey Reportthat indicates the item was lost, stolen, or destroyed. An email from WRC's Facilities Manager to the Administrative Assistant dated February 2, 2015 stated the iPad was removed from the inventory and gifted to a Board member under the direction of the prior Executive Director.

In addition, by using disposition code 4, the prior Executive Director exempted WRC from the DGS' review requirement for equipment disposal. Disposal of items in this manner required that WRC notify the California Highway Patrol of the lost or stolen item, which WRC failed to do.

Furthermore, the Property Survey Report requires a minimum of two approving names for items to be disposed; however, only one signature was on the Property Survey Report.

California Constitution, Article 16, Section 6 states:

> "The Legislature shall have no power to give or to lend, or to authorize the giving or lending, of the credit of the State, or of any county, city and county, city, township or other political corporation or subdivision of the State now existing…nor shall it have the power to make any gift or authorize the making of any gift, of any public money or thing of value to any individual, municipal or other corporation…"

State's Equipment Management System Guidelines, Section III (E), states:

> (E) "RCs will conform to the following guidelines for any state-owned equipment that is junked, recycled, lost, stolen, donated, destroyed, traded-in, transferred to, or otherwise removed from the control of the RC.
>
> RCs shall work directly with their regional Department of General Services' (DGS) office to properly dispose of State-owned equipment. RCs will complete a Property Survey Report (Std. 152) for all State-owned equipment subject to disposal."

Recommendation:

WRC must adhere to the State's Equipment Management System Guidelines, Section III (E) to ensure equipment disposal is properly surveyed and approved by DGS.

Finding 5: **Improper Allocation of Community Placement Plan Funds**

The review of the CPP claims revealed that WRC included expenses for 39 consumers that did not move from the Developmental Centers to the community in FYs 2014-15 and 2015-16. This resulted in an improper allocation of CPP funds totaling $1,680,621.18.

In addition, WRC provided services totaling $762,634.65 to seven CPP consumers beyond their initial fiscal year of placement. WRC stated this occurred because their service coordinators were not properly trained to use the regional center's rate table sub-code key to classify CPP consumers.

The improper allocation of CPP funds totaled $2,443,255.83.
(See Attachment B)

W&I Code, Section 4418.25(e), states in part:

> "(e) Funds allocated by the department to a regional center for a community placement plan developed under this section shall be controlled through the regional center contract to ensure that the funds are expended for the purposes allocated..."

State Contract, Exhibit E, states in part:

> "2. Dedicated Funding
>
> Contractor shall use funds allocated for the regional center's approved Community Placement Plan only for the purposes allocated and in compliance with the State's Community Placement Plan and Housing Guidelines..."

DDS Guidelines for Regional Center Community Placement Plan (III)(A) states in part:

> "Placement funding will be allocated based on claims associated with reconciled CPP placements that occur during each FY..."

Recommendation:

WRC must reclassify the $2,443,255.83 of improper CPP allocations to the General POS fund. In addition, WRC must properly train its service coordinators to use the regional center's rate table sub-code key to classify CPP consumers. This will ensure WRC allocates consumers' expenditures to the proper funding sources before claims are submitted to DDS.

Finding 6: Annual Family Program Fee

The review of the AFPF revealed that WRC did not conduct any AFPF assessments in FYs 2014-15 and 2015-16. WRC indicated that it did not conduct assessments due to a staffing shortage.

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).

Finding 7: <u>The Achievable Foundation - In-Kind Services</u> (Repeat)

The review of WRC's in-kind services agreement with The Achievable Foundation revealed that 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. This issue was identified in the prior audit report and WRC stated it would maintain documentation for the in-kind services provided to and received from 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.

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 September 4, 2018, 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: Over/Understated Claims

WRC stated that it was in partial agreement with the findings for the four vendors.

For the first vendor, 24Hr HomeCare, Vendor Number HH1371, WRC did not agree with the overpayment amounts identified in the finding and provided supporting documentation with its response indicating it identified an additional $1,018.40 in overpayments and $222.45 in underpayments, which increased the overpayment from $22,569.28 in the original finding to $23,365.23.

In addition, WRC did not agree with the overpayment amounts for 24Hr HomeCare, Vendor Number PW5817. WRC indicated the overpayment should have been $22,834.60 rather than the $24,675.86 identified in the finding, a decrease of $1,841.26. However, WRC did not provide sufficient documentation to justify the reduction. The overpayment for the vendor number PW5817 is $24,675.86.

Therefore, the total overpayment for both Vendor Numbers HH1371 and PW5817 is $48,041.09. WRC stated that it received a $44,548.57 check from 24Hr HomeCare, which was remitted to DDS on March 9, 2018 and recovered $1,571.61 from 24Hr HomeCare by offsetting payments due to the vendor for a total of $46,120.18 in recoveries. WRC also agreed with the $79.65 in underpayments for Vendor Number PW5042. The net outstanding overpayment for 24Hr HomeCare is $1,841.26.

For the second vendor, Maxim HealthCare Services, Vendor Number PW5042, WRC did not agree with the overpayment amounts identified in the finding and provided documentation with its response indicating it identified additional overpayments of $10,625.46 and underpayments of $1,197.47. As a result, the overpayment to Maxim HealthCare Services increased from $4,055.60 to $14,681.06 and the underpayments increased from $605.20 to $1,802.67.

However, a review of the documents provided revealed that WRC double-counted the over- and under-payments for November 2014, which overstated the over- and under-payments by $135.00 and $53.98, respectively. The revised total over- and under-payments to Maxim HealthCare Services are $14,545.06 and $1,748.69, respectively. WRC stated that it will recover the overpaid amounts by deducting monthly service payments due to the vendor for the current fiscal year. WRC will remit the payment once all of the overpayments have been collected.

For the third vendor, Specialized Health Services, Vendor Number H19312, WRC agreed with the overpayment totaling $32,107.14 and stated it will recover the overpaid amounts over a five-year period by deducting monthly service payments due to the vendor. WRC will remit the collected overpayments periodically to DDS.

Finally, WRC disagreed with the finding for Another Beginning, Inc., Vendor Number HW0580 and provided additional supporting documentation with its response which resolved the overpayments totaling $89,698.33.

The total outstanding over- and under-payments for the four vendors are $48,493.46 and $1,748.69, respectively.

Finding 2: **Unsupported Credit Card Expenditures**

WRC agreed with the finding and provided receipts for seven out of 38 credit card expenditures. These receipts resolved $5,851.59 out of the $7,483.74 identified in the audit report, with $1,632.15 still remaining. WRC must reimburse DDS the overpayment totaling $1,632.15.

One receipt provided with the response included $1,120.00 for alcohol purchases. This amount was not reported as an unallowable expense in Attachment B of the WRC's 2016 TCM Rate Study. Failure to report unallowable operating expenses could result in an incorrect calculation of the TCM rate.

Finding 3: **Family Cost Participation Program**

A. Overstated Share of Cost

WRC agreed with the finding and stated that it will reimburse DDS $383.29 that resulted from WRC paying above the share of cost. In addition, WRC stated that it will ensure any changes to a consumer's authorization are updated timely to avoid paying for the parents' share of cost.

B. Late Assessments (Repeat)

WRC agreed with the finding and indicated it will comply with the recommendation. In addition, WRC stated that it will develop and implement new procedures to ensure consumers' FCPP assessments are completed as part of the consumers' IPP or IFSP review.

This issue was identified in the prior audit report. In its response, WRC agreed with the recommendation to ensure that assessments are completed as part of the consumer's IPP or IFSP, but WRC continues to be noncompliant with the FCPP requirements. DDS will conduct a follow-up during the next schedule to ensure WRC has implemented and follows the new procedures.

C. Late Notification

WRC agreed with this finding and indicated it will comply with the recommendation. WRC stated that it will develop and implement new procedures to ensure consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review. This will ensure that parents are notified of their assessed cost participation within 10 days of receipt of the parents' income documentation.

Finding 4: Equipment Inventory

A. Physical Inventory

WRC agreed with this finding and stated that it will comply with the recommendation to conduct a physical inventory at least once every three years.

B. Missing Equipment

WRC agreed with this finding and stated it will follow the State's Equipment Management System Guidelines to safeguard State property. In addition, WRC stated that it will properly survey items that are not located.

D. Gifting of State Property

WRC agreed with this finding and stated that it will comply with the recommendation to properly dispose of State property. However, WRC did not provide details or policies and procedures indicating how this issue will be resolved. DDS will conduct a follow-up during the next scheduled audit to ensure that the issue is resolved.

Finding 5: **Improper Allocation of Community Placement Plan Funds**

WRC agreed with this finding and provided supporting documentation with its response indicating $1,505,836.42 in improper CPP allocations were reclassified to the General POS fund. WRC stated that it was unable to reclassify the remaining $937,419.41 in improper allocations since the fiscal years had closed. In addition, WRC stated it would develop a system to accurately monitor the activities of CPP consumers.

Finding 6: **Annual Family Program Fee**

WRC agreed with this finding and indicated it will follow DDS' recommendation and implement the AFPF program procedures to comply with the regulations.

Finding 7: **The Achievable Foundation - In-Kind Services (Repeat)**

WRC stated that it no longer provides in-kind support to the Achievable Foundation. However, WRC did not provide any records to support what type of in-kind services were received as payment for the administrative services provided to the Achievable Foundation during the prior audit.