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AUDIT OF THE WESTSIDE REGIONAL CENTER FOR FISCAL YEARS 2020-21 AND 2021-22

July 15, 2024

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RESTRICTED USE

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

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of Westside Regional Center (WRC) to assess compliance 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 the regional center maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2020, through June 30, 2022, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where the regional center'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 the regional center's operations.

A follow-up review was performed to determine whether the regional center has taken corrective action to resolve the findings identified in the prior DDS audit reports. The results of the follow-up can be found in the Conclusions section.

Findings that need to be addressed:

Finding 1: Duplicate Payments and Overlapping Authorizations – WRC overstated claims for 11 vendors, totaling \$32,670.75.

WRC resolved \$14,866.51 and has \$17,804.24 from closed FY 2019-20 still outstanding.

Finding 3: Consultants Expenses Exceed Contract Amount – WRC overpaid three consultants, resulting in overpayments totaling \$2,829.10.

Finding 7: Equipment Inventory – WRC continues to have weaknesses with oversight of its equipment inventory. (Repeat)

Finding 11: Service Coordinator Caseload Ratio – WRC included four positions that were vacant for more than 60 days of the reporting period in its caseload surveys for March 2021 and 2022.

Finding 12: Operational Rent Survey Expenditures – WRC could not support some expenditures reported on its rent survey.

Finding 13: Family Resource Center – WRC did not maintain the parental consent forms.

Findings that have been addressed and corrected:

Finding 2: Unsupported Billing – WRC reimbursed one vendor without source documents resulting in unsupported billings totaling \$27,860.

Finding 4: Understated Claims – WRC incorrectly reimbursed six vendors resulting in understated claims totaling \$52,982.61.

Finding 5: Sublease Rent – WRC received \$1,794.71 more than the agreed upon rent amount from one sublease. (Repeat)

Finding 6: Conflict of Interest (COI) Statements – The review of the COI statements revealed weaknesses in WRC's oversight of the Board of Directors (BOD) and employees' COI statements. (Repeat)

Finding 8: Credit Card Expenditures – WRC credit card expenditures totaling \$3,715.14 were not approved by the Director of Finance and Accounting Manager.

Finding 9: Targeted Case Management (TCM) Rate Study – WRC incorrectly reported its TCM Rate Study expenditures.

Finding 10: Whistleblower Forms– WRC did not maintain whistleblower forms for four employees.

Finding 14: Missing Documentation – WRC was missing some vendor files, contracts/rate letters and Home and Community Based-Services (HCBS) Provider Agreement Forms.

Finding 15: TCM Time Study – Three employees' TCM Time Study forms (DS 1916) did not match their time sheets. (Repeat)

Finding 16: Independent CPA Vendor Audit/Review Oversight – WRC continues not following-up with vendors who are required to, but have not, submitted an audit report or review. (Repeat)

Finding 17: Consumer Trust Accounts – Remaining Consumer Trust Balances – Five deceased consumers' accounts have remaining trust balances totaling \$1,521.50.

BACKGROUND

DDS and Coastal Developmental Services Foundation, Inc. (CDSFI) entered into a State Contract HD199003, effective July 1, 2019, through June 30, 2026. This contract specifies that CDSFI will operate an agency known as the WRC to provide services to individuals with DD and their families. The contract is funded by state and federal funds that are dependent upon the regional center performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted from February 10, 2023, through April 14, 2023, by the Audit Section of DDS.

AUTHORITY

The audit was conducted under the authority of the W&I Code, Section 4780.5 and the State Contract between DDS and the regional center.

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 the regional center, effective July 1, 2019.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on January 10, 2024. The findings in the draft audit report were discussed at a formal exit conference on January 12, 2024. The views of responsible officials are included in this final audit report.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, the regional center was in compliance with applicable audit criteria.

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

From our review of the prior DDS audit findings, eight out of 11 findings were resolved. For the three unresolved findings, one (Equipment Inventory) is a repeat finding in the report and two (Family Cost Participation Program and Annual Family Program Fee) will

be reviewed during the next biennial audit since these programs were statutorily suspended until July 2024.

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed:

Finding 1: Duplicate Payments and Overlapping Authorizations

The review of the Operational Indicator Reports revealed 32 instances where WRC overstated claims totaling \$32,670.75 for 11 vendors. The overstated claims occurred due to duplicate payments and overlapping authorizations. (See Attachment A)

WRC provided additional documents with its response to the draft report indicating the overpayments totaling \$32,670.75 has been resolved. However, overpayments totaling \$17,804.24 out of \$32,670.75 should be reverted to DDS since this amount is from closed FY 2019-20.

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

“(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 revert the overstated claims totaling \$17,804.24 to DDS, since the amount is from closed FY 2019-20. In addition, WRC must ensure its staff monitor the Operational Indicator Reports monthly for errors that may have occurred while doing business with its vendors.

Finding 3: Consultant Expenses Exceed Contract Amount

The review of five operational consultant contracts revealed three consultants, Vanessa Johnson, Jordyn Rhone and Dara Stewart, Vendor Numbers 7555, 7570 and 7538, respectively, were reimbursed above the contracted amounts. WRC overpaid the consultants a total of \$2,829.10 from March 2022 through February 2023. This occurred because WRC did not compare the payments against the consultant contracts. (See Attachment B)

WRC's contract with the consultant (Vanessa Johnson, Jordyn Rhone and Dara Stewart), Paragraph 6 states in part:

“Westside will pay Contractor at the rate of \$15.00 per hour to a maximum total of 40 hours per week based upon hours invoiced. . .”

WRC's contract with the consultant, Paragraph 6 states in part:

“Westside will pay Contractor at the rate of \$17.00 per hour to a maximum total of 40 hours per week based upon hours invoiced. . .”

WRC's contract with the consultant, Paragraph 6 states in part:

“Westside will pay Contractor at the rate of \$26.00 per hour to a maximum total of 40 hours per week based upon hours invoiced. . .”

Recommendation:

WRC must reimburse to DDS payments made to the consultants totaling \$2,829.10. In addition, WRC must review the consultants' contracts to ensure payments made are in accordance with the terms of the contract.

Finding 7: Equipment Inventory (Repeat)

The review of the inventory process revealed WRC continues to have weaknesses with its inventory procedures. In its response to the prior audit report, WRC agreed with the recommendation to update its procedures to include more detailed processes, senior management oversight and timely reporting of equipment. However, WRC did not provide updated procedures, and the inventory testing revealed the following:

- The inventory listing provided was not accurate, specifically there were duplicate entries; items listed with no information filled in the spreadsheet fields; and disposed items still included in the spreadsheet.
- The Equipment Acquired Under Contract form (DS 2130) and the Property Survey Report form (STD. 152) were not submitted to DDS for FY 2020-21 and 2021-22. WRC provided additional documentation after DDS' fieldwork review, indicating it has submitted both forms to DDS.
- WRC did not receive approval from DGS prior to equipment disposal.
- The comprehensive physical inventory worksheets from September 2022 were not provided.

- The capitalization listing of items \$5,000 or more was not provided.
- There is a lack of separation of duties. WRC's Facilities Coordinator is responsible for purchasing, receiving, and conducting comprehensive physical inventory.

WRC indicated that the inventory issues are due to staff turnover and lack of training.

Article IV, Section 4(a) of the contract between DDS and WRC states in part:

“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, B. Receipt of State-Owned Equipment Inventory of State-Owned Equipment states in part:

“RCs will also provide the Department of Developmental Services' (DDS) Customer Support Section (CSS) with a list of all state-owned, nonexpendable and sensitive equipment received during each calendar quarter. This information will be provided to CSS quarterly, utilizing the Equipment Acquired Under Contract form (DS 2130), or a suitable electronic alternative.

NOTE: Proper separation of duties requires that the RC employee receiving state-owned equipment not be the same person ordering the items or conducting the physical inventory.”

State Equipment Management Guidelines, Section III, D. Record Keeping for State-Owned Equipment, states:

“A record of state-owned, nonexpendable equipment and sensitive equipment shall be maintained by the RC Property Custodian in a format that includes the following information: description of the equipment item, the location (e.g., RC office or room number), the state I.D. tag number, the serial number (if any), the acquisition date, and the original cost. The RC will also maintain files of all the paperwork related to the purchase, disposition, or transfer of all state-owned equipment subject to these guidelines.”

State's Equipment Management Guidelines, Section III, E. Disposition of State-Owned Equipment states:

"RCs will conform with the following guidelines for any state-owned equipment that is junked, recycled, lost, stolen, donated, destroyed, traded-in, transferred or otherwise removed from the control of the RC.

RCs shall work directly with their regional 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. DGS must review and approve the Std. 152 before the equipment is actually disposed. A copy of the Std. 152 will be forwarded to CSS after the items have been disposed and all required approvals and certifications have been obtained. Another copy of the Std. 152 shall be forwarded to the RC Accounting Unit for posting. The RC will retain copies of all completed Std. 152s for audit purposes."

State's Equipment Management System Guidelines, Section III, F. Inventory of State-Owned Equipment states in part:

"The inventory will be conducted per State Administrative Manual (SAM) Section 8652."

State Administrative Manual, Inventorying Property - 8652 states in part:

"Agencies/departments are responsible for developing and carrying out an inventory plan which will include:

2. Internal Control

- a. Inventories will not be exclusively controlled by the custodian of the property records.
- 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.
- d. The person in charge of the stockroom, if one is used, will not be in charge of maintaining the inventory records nor the taking of the physical inventories."

Recommendation:

WRC must develop procedures that adhere to all the requirements set forth in the State Contract regarding the safeguarding of State property. This will ensure compliance with the State Contract, Article IV, Section 4(a) and the State's Equipment Management System Guidelines.

Finding 11: Service Coordinator Caseload Ratio

The review of WRC's Service Coordinator Caseload ratios revealed weakness in its reporting. The review revealed WRC included four positions that were vacant for more than 60 days of the reporting month for the March 2021 and 2022 caseload surveys. In addition, the review revealed the data reported in the March 2022 Caseload Survey Report did not reconcile with the SANDIS Report.

WRC's Process for Completing the Caseload Ratio Survey states in part:

"A listing of all vacant Case Manager's positions. The listing shall show the vacant position by USI code and the effective date of the position became vacant. If the position has been vacant for more than 60 days and is still vacant as of the reporting date, the survey shall not include the position into the calculations of the caseload ratios."

DDS Service Coordinator Caseload Survey Instructions, Paragraph 5 states:

"For audit purposes, the center must maintain supporting documentation for a minimum of three years. The law requires the Department, as part of its routine auditing responsibility, to review and verify documentation used to respond to this survey."

W&I Code, Section 4640.6(e)(3) states:

"(3) Not include positions that are vacant for more than 60 days or new positions established within 60 days of the reporting month that are still vacant.

Recommendation:

WRC must follow its procedures so that positions vacant for more than 60 days and vacancies established within 60 days of the reporting month are not included in the Service Coordinator Caseload ratios reported to DDS. WRC must also maintain the documentation to support the reported Service Coordinator Caseload ratios.

Finding 12: Operational Rent Survey Expenditures

The review of the Operational Rent Surveys for FYs 2020-21 and 2021-22 revealed WRC did not provide documentation to support the amounts reported for allowable utilities and maintenance costs that were not included in the lease amounts.

DDS' Regional Center Requests for Increased Rent Funding Guidelines, states in part:

- “1. Lease expenses include base rent, utilities expenses, and facility maintenance expenses as detailed in the “Guidelines for Allowable Rent Expenditures... Information collected via the survey tool will include:
 - Allowable maintenance and utility costs if not included in lease.”

Recommendation:

WRC must ensure that the reported amounts are supported and revisions are made to the Spring Rent Survey to include all projected expenses to prevent the possibility of overstating and/or understating its utilities and maintenance costs that are not included in the lease amounts.

Finding 13: Family Resource Center

The sample review of the parental consent forms revealed WRC did not consistently maintain the parental consent forms. The review noted four of the 12 parental consent forms were not on file. WRC stated the sampled parental consent forms were misplaced.

W&I Code, Section 95020(c)(2) states:

- “(2) With parental consent, or consent by a legal guardian, a referral shall be made to the local family resource center or network. A request for consent shall be offered to the parents or the legal guardian at the individualized family service plan meeting and at any subsequent individualized family service plan meeting, if consent was not previously obtained.”

CCR, Title 17, Section 52169 states:

“Written parental consent shall be obtained before personally identifiable information is disclosed in writing or orally to anyone other than authorized employees specified by the regional center or LEA.”

Recommendation:

WRC must locate the four misplaced parental consent forms or obtain new ones and retain all forms. This will ensure compliance with W&I Code, Section 95020(c)(2) and CCR, Title 17, Section 52169.

Findings that have been addressed and corrected:

Finding 2: Unsupported Billing

The sampled review of 99 Purchase of Service (POS) vendors payments revealed that WRC reimbursed one vendor, Aero Mobility, Vendor Number PM1053, Service Code 21, for vehicle modification/adaptation for one consumer, unique client identification number 7629637, without an invoice to support the amount claimed to the State. This resulted in an unsupported billing for services provided in May 2021 totaling \$27,860.

WRC provided additional documentation to support the \$27,860 payment to Aero Mobility; therefore, this issue is considered resolved.

CCR Title 17, Section 50604(d) and (e) states in pertinent part:

- “(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include but not be limited to . . .
- (e) All service providers’ records shall be supported by source documentation.”

State Contract, Article IV, section 3(a) and (b) states:

“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...

- b. The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program . . .”

Recommendation:

WRC must ensure any payments made to the vendors are supported by source documentation.

Finding 4: Understated Claims

The sampled review of 99 POS vendors rate letters revealed that WRC did not reimburse six vendors at the correct rate for services provided. The underpayments occurred due to WRC incorrectly applying the Health and Safety Waiver Rates, newly implemented Reform Rates and minimum wage increases. This resulted in underpayments to the six vendors totaling \$52,982.61 from July 2019 through April 2022. (See Attachment C)

WRC provided additional documentation indicating the understated amount was paid through the individual trust accounts; therefore, this issue is considered resolved.

CCR, Title 17, Section 56917(a) states in part:

- “(a) Regional centers shall pay residential service providers monthly at the rate established by the Department pursuant to Section 56902(b) and (c).

CCR, Title 17, Section 56902(b) and (c) states in part:

- “(b) Payment of proposed rates is subject to appropriation of sufficient funds for that purpose in the Budget Act.
- (c) Absent specific direction from the Legislature, when sufficient funds are not appropriated in the Budget Act to fully provide for payment of the proposed rates, in lieu of the proposed

rates, the Department shall increase operative rates on a pro rata basis if the amount appropriated is sufficient for an increase.”

Recommendation:

WRC must ensure documentation is available to support any issues noted during the course of the audit.

Finding 5: Sublease Rent (Repeat)

The review of four sublease agreements revealed WRC over/under collected rent from Lekavich Dental Corporation. WRC over/under collected \$2,725.64 and \$930.93 in Fiscal Years 2020-21 and 2021-22, respectively. This resulted in a net rent overpayment totaling \$1,794.71 during the audit period to Lekavich Dental Corporation. WRC did not provide an addendum to its sublease agreement or invoices to support the additional rent amount collected from Lekavich Dental Corporation.

WRC took corrective action by providing documentation indicating it paid Lekavich Dental Corporation \$1,794.71 for the rent overage; therefore, this issue is considered resolved.

WRC’s Second Addendum to License Agreement with WRC and Lekavich Dental Corporation states:

“Commencing May 1, 2019, Base Rent shall be amended to provide that Base Rent be \$2.45 per Rentable Square Foot (RSF) or the initial monthly Base Rent of \$3,178.07 based on 1,275 RSF (Suite 455), which shall be subject to annual increases of three percent (3%) of the prior Base Rent payable during the last month of the prior license year...”

Recommendation:

WRC must monitor its’ subleases to ensure the rent received reconciles with the sublease agreements and addendums.

Finding 6: COI Statements (Repeat)

The review of both BOD and employees’ COI statements revealed WRC continued to have weaknesses in its’ oversight of the COI statements. The review of the BOD COI statements for FY 2021 through 2022 revealed the following:

- Seven BOD from FY 2020-21 did not have COI statements on file;
- Two BOD COI statements from FY 2020-21 did not have a reviewer signature and date;
- Three BOD from FY 2021-22 did not mark a box at all to indicate whether or not a COI exists;
- Seven BOD from FY 2020-21 and three BOD from FY 2021-22 marked multiple boxes on their BOD COI statement which did not indicate whether or not a COI exists;
- Four BOD COI statements from FY 2020-21 and 10 BOD COI statements from FY 2021-22 were not completed by August 1st; and
- One BOD from FY 2020-21 and two BOD from FY 2021-22 did not have COI Resolution Plans on file. (See Attachment D)

The weaknesses regarding the BOD COI statements were noted in the prior DDS audit report. WRC acknowledged the BOD COI statements were not completed properly and subsequently provided the BOD COI statements for FY 2022-23 to show corrective action was taken to resolve this issue.

In addition, the review of the employees' COI statements revealed the following:

- Four employees from FY 2020-21 and one employee from FY 2021-22 did not have COI statements on file;
- One employee from FY 2020-21 and one employee from FY 2021-22 did not have a reviewer signature and date;
- One employee from FY 2020-21 marked multiple boxes which did not indicate whether or not a COI exists;
- 13 employees from FY 2020-21 and 18 employees from FY 2021-22 did not mark a box indicating whether or not a COI exists; and
- 16 COI statements from FY 2020-21 and 18 COI statements from FY 2021-22, were not completed by August 1st. (See Attachment E)

WRC provided the corrected employee COI statements; therefore, this issue is considered resolved.

W&I Code, Section 4626 states:

- “(e) The department shall develop and publish a standard conflict-of-interest reporting statement. The conflict-of-interest statement shall be completed by each regional center governing board member and each regional center employee specified in regulations, including, at a minimum, the executive director, every administrator, every program director, every service coordinator, and every employee who has decision-making or policymaking authority or authority to obligate the regional center’s resources.”
- “(g) Every regional center board member and regional center employee referenced in subdivision (e) shall complete and file the conflict-of-interest statement by August 1 of each year.”
- “(l) The department and the regional center governing board shall review the conflict-of-interest statement of the regional center executive director and each regional center board member to ensure that no conflicts of interest exist. If a present or potential conflict of interest is identified for a regional center director or a board member that cannot be eliminated, the regional center governing board shall, within 30 days of receipt of the statement, submit to the department and the state council a copy of the conflict-of-interest statement and a plan that proposes mitigation measures, including timeframes and actions the regional center governing board or the individual, or both, will take to mitigate the conflict of interest.”

W&I Code, Section 4628 states:

“If, for good reason, a contracting agency is unable to meet all the criteria for a governing board established in this chapter, the director may waive those criteria for a period of time, not to exceed one year, with the approval of the state council.”

CCR, Title 17, Section 54534(k), states:

“A new proposed Conflict Resolution Plan shall be submitted to the Department on an annual basis and upon any change of status that creates a present or potential conflict of interest.”

W&I Code, Section 4626 states:

- “(e) The department shall develop and publish a standard conflict-of-interest reporting statement. The conflict-of-interest statement shall be completed by each regional center governing board member and each regional center employee specified in regulations, including, at a minimum, the executive director, every administrator, every program director, every service coordinator, and every employee who has decisionmaking or policymaking authority or authority to obligate the regional center’s resources.
- (f) Every new regional center employee referenced in subdivision (e) and every current regional center employee referenced in subdivision (e) accepting a new position within the regional center shall complete and file the conflict-of-interest statement with his or her respective regional center within 30 days of assuming the position.”
- (g) Every regional center board member and regional center employee referenced in subdivision (e) shall complete and file the conflict-of-interest statement by August 1 of each year.”
- (k) The director of the regional center shall review the conflict-of-interest statement of each regional center employee referenced in subdivision (e) within 10 days of receipt of the statement. If a potential or present conflict of interest is identified for a regional center employee that cannot be eliminated, the regional center shall, within 30 days of receipt of the statement, submit to the department a copy of the conflict-of-interest statement and a plan that proposes mitigation measures, including timeframes and actions the regional center or the employee, or both, will take to mitigate the conflict of interest.”

Recommendation:

WRC must improve its oversight of BOD and employee COI statements. COI statements must be completed timely, signed, dated by the reviewer by August 1st and then maintained.

Finding 8: Credit Card Expenditures

The review of WRC's credit card expenditures revealed 17 transactions totaling \$3,715.14 made by one employee were not approved by the Director of Finance and Accounting Manager. WRC did not give a reason why the Director of Finance and Accounting Manager did not approve the expenditures.

WRC took corrective action by providing documentation indicating the credit card expenditures totaling \$3,715.14 were subsequently approved by the Director of Finance and Accounting Manager; therefore, this issue is considered resolved.

WRC's Credit Card Procedures states in part:

"After approval from the Director of Finance and the Accounting Manager, a check will be processed to the credit card company..."

Recommendation:

WRC must follow its credit card procedures and ensure the expenditures are approved by the Director of Finance and Accounting Manager prior to payment.

Finding 9: Targeted Case Management (TCM) Rate Study

The review of the TCM Rate Study worksheets for May 2021 and May 2022 revealed the expenses included in the May 2022 Administrative Survey - Computation of Applicable Operating Expenses (Attachment B) did not reconcile to the Year-End General Ledger. Also, WRC over-reported its contract/consultant service expenses on the May 2022 rate study by \$30,189.

In addition, the review of the Administrative Survey – Equipment Purchases (Attachment C) revealed WRC did not report its purchases in the May 2021 and May 2022 worksheets. WRC did not provide a reason why the equipment purchases were not included.

WRC took corrective action by providing the revised May 2022 Administrative Survey indicating the reporting issues have been resolved and provided an explanation why the equipment purchases were not included in the May 2022 Administrative Survey; therefore, this issue is considered resolved.

The TCM Rate Study Process and Instructions states:

“. . . To continue to receive federal funds, each regional center must provide actual cost information on the administrative services that support the federal programs delineated in the Waiver and the State Plan . . . for audit purposes, all information provided on these attachments should coincide with the center’s general ledger and payroll records.”

Instructions for the Administrative TCM Rate Study, Attachment C, state:

“Equipment purchases in excess of \$5,000 must be scheduled showing a description of the asset, cost, and date of purchase...”

Recommendation:

WRC must follow the instructions for the TCM Rate Study and ensure that the expenses reported on the Rate Study worksheets reconcile to the Year-End General Ledger and ensure that equipment purchases in excess of \$5,000 are properly recorded in Attachment C of the TCM Rate Study.

Finding 10: Whistleblower Forms

The sampled review of the 25 employee files revealed WRC did not maintain the Whistleblower forms for four employees to acknowledge the employees were notified of both WRC’s and the State’s Whistleblower policies. WRC indicated that the Whistleblower forms were misplaced. (See Attachment F)

WRC provided the missing Whistleblower forms for the four employees; therefore, this issue is considered resolved.

WRC’s Whistleblower Policy states in part:

“6. Notification of Whistleblower Policy

WRC will post the Whistleblower Policies on its website and notify employees, board members, individuals served and their families, and the service provider community of both WRC’s and the State’s Whistleblower Policies within 30 days of the effective date of any changes- in those policies and annually thereafter in the following ways:

1. Employees will receive an initial e-mail with attachments of the policies. Subsequently, employees will be reminded of the existence of the policies at the time they

sign their annual performance evaluation policy review statement.”

Recommendation:

WRC must maintain their employee Whistleblower forms to ensure the employees are made aware of both WRC’s and the State’s Whistleblower policies.

Finding 14: Missing Documentation

The sampled review of 99 vendor files revealed two contracts/rate letters, two vendor files and eight HCBS Provider Agreement forms are missing. The vendor file includes either a contract or rate letter, HCBS Provider Agreement form, and a vendor disclosure form. These documents provide assurance that vendors are vendorized, authorized to provide services, and paid according to the terms and conditions stated in the contract or rate letter. (See Attachment G)

WRC took corrective action by providing the missing vendor files, rate letters and HCBS Provider Agreement Forms; therefore, this issue is considered resolved.

CCR, Title 17, Section 54332(a) states:

“(a) The vendoring regional center shall maintain a file for each vendor which includes copies of:

- (1) The vendor application as described in Section 54310(a) of these regulations;
- (2) Any required certificate, credential, license, degree, permit or registration;
- (3) Statement of current vendor status;
- (4) The regional center approval letter;
- (5) The program design or service design as described in Sections 56712, 56762 and 56780 of these regulations, if applicable;
- (6) The staff qualifications and duty statements as described in Sections 56722, 56724, 56752, 56754, 56770, 56790 and 56792 of these regulations, if applicable;

- (7) Notification of established rate and all documentation submitted pursuant to Sections 57422, 57433 through 57439, 58020, and 58033 through 58039 of these regulations, for a rate determination, if applicable;
- (8) The signed Home and Community Based Services Provider Agreement, (6/99) if applicable.
- (9) Agreements negotiated pursuant to Section 57300(d) or (e), if applicable;
- (10) Service contracts negotiated pursuant to Section 57540, if applicable;
- (11) Agreements negotiated pursuant to Section 58140, if applicable.”

Recommendation:

WRC must enforce its current processes to have files for all vendors and that proper documentation is maintained in the vendor files to ensure compliance with CCR, Title 17, Section 54332(a).

Finding 15: Targeted Case Management (TCM) Time Study (Repeat)

The review of 24 sampled employee DS 1916s revealed three employees had hours recorded on the DS 1916s that did not match their time sheets. This resulted in one allowable hour and one time-off hour as overstated. This issue was also noted in the prior DDS’ audit report as a finding that was addressed and corrected.

In addition, the review revealed five employees did not fill out the DS 1916s correctly by filling in the name of the regional center; four employees did not sign or have their supervisor sign their DS 1916s; and one employee approved their own DS 1916. This occurred because the service coordinator supervisors did not properly review the DS 1916s.

WRC took corrective action by providing the revised DS 1916s to the DDS Federal Programs Operations Unit; therefore, this issue is considered resolved.

The TCM Rate Study Process and Instructions state:

“All regional center case management staff (category CM) will complete the DS 1916 during the rate study The total hours worked during the day, including overtime must be shown.”

Targeted Case Management Rate Study Process and Instructions, pg. 2 states:

“For each day work was performed, enter the number of hours spent on each function outlined on the time sheet... It is permissible for regional centers to use modified time sheet formats for recording time during rate studies; however, a DS 1916 must ultimately be completed, signed and submitted for each position required to complete a time sheet.”

Targeted Case Management Rate Study Process and Instructions, General Instructions states:

“5. Enter the regional center name...”

8. The total hours worked during the day, including overtime must be shown.”

Recommendation:

WRC must re-evaluate its current procedures and determine if additional controls need to be implemented to ensure that service coordinator supervisors are reviewing and reconciling the DS 1916s to employee time sheets prior to submission to DDS.

Finding 16: Independent CPA Vendor Audit/Review Oversight (Repeat)

The review of the Vendor Independent CPA Audit/Reviews revealed WRC continues to have a weakness in its' oversight of the Vendor Independent CPA Audit/Reviews. In its response to the prior DDS' audit report, WRC stated it developed new procedures to be in compliance with the requirements; however, WRC's new procedures did not include a follow-up procedure for vendors who are required to submit, but have not submitted, an audit report or review for 2021 and 2022.

WRC provided documentation indicating it sent follow-up letters to the vendors who are required to, but have not, submitted an audit report or review; therefore, this issue is considered resolved.

W&I Code Section 4652.5(a)(1)(A)(B) and (b) states in part:

“(a)(1) An entity receiving payments from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements subject to all of the following:

(A) When the amount received from the regional center or regional centers during the entity's fiscal year is more than or equal to five hundred thousand dollars (\$500,000) but less than two million dollars (\$2,000,000), the entity shall obtain an independent review report of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.

(B) If the amount received from the regional center or regional centers during each state fiscal year is equal to or more than two million dollars (\$2,000,000), the entity shall obtain an independent audit of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.

(b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within 9 months of the end of the entity's fiscal year."

CCR, Title 17, Section 54370(a) states:

"(a) The vendoring regional center shall be responsible for ensuring that vendors within its service catchment area comply with the vendorization requirements."

Recommendation:

WRC must implement their new procedures and ensure it is following-up with vendors who are required to, but have not, submitted an audit report or review and ensure its' staff is properly trained. Failure to receive these reports limits WRC's ability to detect vendor issues that may adversely affect services.

Finding 17: Consumer Trust Accounts - Remaining Consumer Trust Balances

The review of the consumer trust balances revealed WRC has not taken action to close five deceased consumer accounts. The five deceased consumers' account had remaining balances totaling \$1,521.50. These remaining balances should have been transferred to the Department of Health Care Services (DHCS), as required by Medicaid, forwarded to the consumer's beneficiaries, or escheated to the State if unclaimed for more than three years.

WRC took corrective action by providing documentation indicating the remaining balances totaling \$1,521.50 were forwarded to the State Controller's Office.

California Code of Civil Procedure (CCP), Article 2, Section 1518(a)(1), states:

“All intangible personal property, including intangible personal property maintained in a deposit or account, and the income or increment on such tangible or intangible property, held in a fiduciary capacity for the benefit of another person escheats to this state if for more than three years after it becomes payable or distributable, the owner has not done any of the following:

- (A) Increased or decreased the principal.
- (B) Accepted payment of principal or income.
- (C) Corresponded in writing concerning the property.
- (D) Otherwise indicated an interest in the property as evidenced by a memorandum or other record on file with the fiduciary.”

Recommendation:

WRC must ensure proper action is taken to close the deceased consumer trust accounts in a timely manner.

EVALUATION OF RESPONSE

As part of the audit report process, the regional center was provided with a draft audit report and requested to provide a response to the findings. Its response is provided as Appendix B. DDS' Audit Section has evaluated the response and will confirm the appropriate corrective actions have been taken during the next scheduled audit, unless otherwise described.

Finding 1: Duplicate Payments and Overlapping Authorizations

WRC provided documents indicating it collected the overpayments and stated it started to review the indicator reports monthly. WRC provided documentation indicating payments totaling \$978 were not duplicate payments and \$13,888.48 in overpayments were resolved. However, further review of the documentation revealed overpayments from closed FY 2019-20 totaling \$17,804.24 were offset to FY 2022-23, instead, WRC should have reverted the overpayments to DDS. WRC must provide documentation to DDS 30 days after the issuance of this report indicating the offsets have been adjusted. In addition, DDS will follow-up to ensure WRC is monitoring the indicator reports monthly.

Finding 2: Unsupported Billing

WRC provided the documentation to support the \$27,860 payment to Aero Mobility, Vendor Number PM1053, Service Code 21, for vehicle modification/adaptation services; therefore, this issue is considered resolved.

Finding 3: Consultant Expenses Exceed Contract Amount

WRC provided documentation indicating the operational consultant contracts for Vanessa Johnson, Jordyn Rhone and Dara Stewart, Vendor Numbers 7555, 7570 and 7538, respectively were amended; however, these amendments were effective after the overpayments occurred and cannot be retro actively applied. Therefore, WRC must reimburse to DDS payments made to the consultants totaling \$2,829.10. DDS will conduct a follow-up during the next biennial audit to ensure WRC is monitoring their consultant contracts to prevent the consultant expenses from exceeding the contract amounts.

Finding 4: Understated Claims

WRC disagrees that these were underpayments to the vendors. WRC provided documentation indicating the amount totaling \$52,982.61 was board and care which was reimbursed to the vendors through the individual trust accounts. Therefore, this issue is considered resolved.

Finding 5: Sublease Rent (Repeat)

WRC provided documentation indicating it paid Lekavich Dental Corporation \$1,794.71 for the rent overage and stated going forward it will ensure that the rent is collected accurately; therefore, this issue is considered resolved.

Finding 6: COI Statements (Repeat)

WRC indicated that the COI forms were a challenge to gather due the Covid pandemic and acknowledged that the BOD COI statements were not completed properly and subsequently provided the BOD COI statements for FY 2022-23 to show corrective action was taken to resolve this issue. In addition, WRC provided the corrected employee COI statements; therefore, this issue is considered resolved.

Finding 7: Equipment Inventory (Repeat)

WRC provided a revised physical inventory and capitalized equipment listings. In addition, WRC indicated it has taken steps to strengthen the physical inventory by updating its inventory procedures, investing in an inventory system, and hiring a facilities manager to oversee inventory tasks among its staff are separated. DDS will conduct a follow-up during the next biennial audit to validate that WRC's updated procedures for equipment inventory are being followed and that the inventory and capitalized equipment listings are accurate.

Finding 8: Credit Card Expenditures

WRC provided documentation indicating the 17 credit card expenditures totaling \$3,715.14 made by one employee were subsequently approved by the Director of Finance and Accounting Manager; therefore, this issue is considered resolved.

Finding 9: Targeted Case Management (TCM) Rate Study

WRC provided the revised May 2022 Administrative Survey - Computation of Applicable Operating Expenses (Attachment B) worksheet and the May 2021 Administrative Survey – Equipment Purchases (Attachment C)

worksheet indicating adjustments were made. In addition, WRC provided an explanation why the equipment purchases were not included in the May 2022 Administrative Survey – Equipment Purchases (Attachment C) worksheet; therefore, this issue is considered resolved.

Finding 10: Whistleblower Forms

WRC indicated that the Whistleblower forms were a challenge to gather due the Covid pandemic. WRC was eventually able to locate the missing Whistleblower forms for the four employees; therefore, this issue is considered resolved.

Finding 11: Service Coordinator Caseload Ratio

WRC provided documentation indicating it has revised its Service Coordinator Caseload ratio surveys and stated it will ensure the surveys' accuracy. However, the review revealed only two of the four positions were removed from the Service Coordinator Caseload ratio surveys. DDS will conduct a follow-up during the next biennial audit to ensure WRC is accurately reporting its Service Coordinator Caseload ratios.

Finding 12: Operational Rent Survey Expenditures

WRC requested that this finding be removed from the audit report stating that the rent survey is a projection. WRC stated the actual maintenance expenditures exceeded its projections of \$10,853 and \$17,339 for FYs 2020-21 and 2021-22, respectively. DDS understands the rent surveys are projections, however, this finding will not be removed because documentation/explanations were not provided during fieldwork to indicate how the projections were derived.

Furthermore, the review of the documentation provided by WRC indicated the projections for the allowable utilities and maintenance costs that were not included in the lease amounts were off by more than 25 percent each year and should have been revised on the Spring survey. DDS will conduct a follow-up during the next biennial audit to ensure WRC is supporting the amounts reported in the rent surveys.

Finding 13: Family Resource Center

WRC contends the parental consent forms are not required because parental consent was given to the WRC staff and extends to the FRC staff. However, WRC did not provide the missing parental consent forms or provide any documentation indicating parental consent was received. DDS will conduct a follow-up during the next biennial audit to determine if WRC is maintaining the parental consent forms.

Finding 14: Missing Documentation

WRC provided the missing vendor files, rate letters and HCBS Provider Agreement Forms. However, WRC stated it was a challenge to gather and organize some of the documentation from the vendors due the Covid pandemic; therefore, this issue is considered resolved.

Finding 15: Targeted Case Management (TCM) Time Study (Repeat)

WRC provided the revised DS 1916s to the DDS Federal Programs Operations Unit; therefore, this issue is considered resolved.

Finding 16: Independent CPA Vendor Audit/Review Oversight (Repeat)

WRC provided additional documentation indicating it started sending follow-up letters to the vendors who are required to, but have not, submitted an audit report or review; therefore, this issue is considered resolved.

**Westside Regional Center
Consultant Expenses Exceed Contract Amount
Fiscal Years 2020-21 and 2021-22**

| No. | Consultant | Vendor Number | Payment Period | Overpayment |
|--------------------------|-----------------|---------------|------------------|-------------------|
| 1 | Dara Stewart | 7538 | 3/15/22 - 8/1/22 | \$2,307.50 |
| 2 | Vanessa Johnson | 7555 | 5/5/22 - 5/20/22 | \$221.00 |
| 3 | Jordyn Rhone | 7570 | 6/21/22 - 2/8/23 | \$300.60 |
| Total Overpayment | | | | \$2,829.10 |

Westside Regional Center
Conflict of Interest Statements - Board of Directors (Repeat)
Fiscal Years 2020-21 and 2021-22

| Board Members Without COI Statements on File | | | |
|--|------------|------------------------------|---------------------------|
| Fiscal Year | No. | Board Member Initials | Position |
| 2020-21 | 1 | A.S. | Board Member |
| | 2 | A.D. | Board Member |
| | 3 | C.S.D. | Board Member |
| | 4 | E.E. | Board Member |
| | 5 | M.M. | Board Member |
| | 6 | P.J. | Board Member |
| | 7 | R.T. | Board Member |
| Board Member COI Statements Without a Reviewer Signature and Date | | | |
| 2020-21 | 1 | G.O. | Board Member |
| | 2 | J.E.A. | Vendor Advisory Committee |
| Board Members that Did Not Mark a Box to Indicate Whether or Not a COI Exists | | | |
| 2021-22 | 1 | K.J. | Board Member |
| | 2 | N.C. | Board Member |
| | 3 | T.R. | Board Member |
| Board Members that Marked Multiple Boxes on Their COI Statements Not Indicating Whether or Not a COI Exists | | | |
| 2020-21 | 1 | B.P.G. | President |
| | 2 | D.W. | Board Member |
| | 3 | J.A. | Board Member |
| | 4 | N.C. | Board Member |
| | 5 | S.V. | Board Member |
| | 6 | T.R. | Board Member |
| | 7 | V.Y. | Board Member |
| 2021-22 | 1 | J.E.A. | Vendor Advisory Committee |
| | 2 | J.A. | Board Member |
| | 3 | V.Y. | Board Member |
| Board Members that Did Not Have Their COI Statements Completed by August 1st | | | |
| 2020-21 | 1 | B.P.G. | President |
| | 2 | J.E.A. | Vendor Advisory Committee |
| | 3 | T.R. | Board Member |
| | 4 | Z.G. | Board Member |
| 2021-22 | 1 | B.P.G. | Board Member |
| | 2 | D.W. | Vice President |
| | 3 | E.E. | Board Member |
| | 4 | G.O. | Board Member |
| | 5 | J.E.C. | Board Member |

Westside Regional Center
Conflict of Interest Statements - Board of Directors (Repeat)
Fiscal Years 2020-21 and 2021-22

| Board Members that Did Not Have Their COI Statements Completed by August 1st (continued) | | | |
|---|------------|------------------------------|---------------------------|
| Fiscal Year | No. | Board Member Initials | Position |
| 2021-22 | 6 | J.E.A. | Vendor Advisory Committee |
| | 7 | J.A. | Board Member |
| | 8 | K.J. | Board Member |
| | 9 | T.R. | Board Member |
| | 10 | Z.G. | Board Member |
| Board Members Without a Conflict Resolution Plan on File | | | |
| 2020-21 | 1 | Z.G. | Board Member |
| 2021-22 | 1 | B.P.G. | Board Member |
| | 2 | Z.G. | Board Member |

**Westside Regional Center
Conflict of Interest Statements - Employees
Fiscal Years 2020-21 and 2021-22**

| Employees Without COI Statements on File | | |
|--|------------|--------------------------|
| Fiscal Year | No. | Employee Initials |
| 2020-21 | 1 | C.M. |
| | 2 | D.P. |
| | 3 | I.R. |
| | 4 | P.T. |
| 2021-22 | 1 | C.M. |
| Employee COI Statements Without a Reviewer Signature and Date | | |
| 2020-21 | 1 | L.A. |
| 2021-22 | 1 | L.A. |
| Employee that Marked Multiple Boxes on Their COI Statement Not Indicating Whether or Not a COI Exists | | |
| 2020-21 | 1 | E.S. |
| Employees that Did Not Mark a Box to Indicate Whether or Not a COI Exists | | |
| 2020-21 | 1 | N.A. |
| | 2 | L.A. |
| | 3 | K.C. |
| | 4 | F.F. |
| | 5 | D.F. |
| | 6 | K.F. |
| | 7 | C.G. |
| | 8 | T.H. |
| | 9 | N.I. |
| | 10 | T.K. |
| | 11 | T.L. |
| | 12 | A.V. |
| | 13 | S.Y. |
| 2021-22 | 1 | N.A. |
| | 2 | L.A. |
| | 3 | K.C. |
| | 4 | D.D. |
| | 5 | F.F. |
| | 6 | D.F. |
| | 7 | K.F. |
| | 8 | C.G. |
| | 9 | T.H. |
| | 10 | N.I. |
| | 11 | T.K. |

**Westside Regional Center
Conflict of Interest Statements - Employees
Fiscal Years 2020-21 and 2021-22**

| Employees that Did Not Mark a Box to Indicate Whether or Not a COI Exists (continued) | | |
|--|------------|--------------------------|
| Fiscal Year | No. | Employee Initials |
| 2021-22 | 12 | T.L. |
| | 13 | S.L. |
| | 14 | D.N. |
| | 15 | R.O. |
| | 16 | E.S. |
| | 17 | A.V. |
| | 18 | S.Y. |
| Employees that Did Not Have Their COI Statements Completed by August 1st | | |
| 2020-21 | 1 | N.A. |
| | 2 | L.A. |
| | 3 | K.C. |
| | 4 | F.F. |
| | 5 | D.F. |
| | 6 | K.F. |
| | 7 | C.G. |
| | 8 | T.H. |
| | 9 | N.I. |
| | 10 | T.K. |
| | 11 | T.L. |
| | 12 | S.L. |
| | 13 | R.O. |
| | 14 | E.S. |
| | 15 | A.V. |
| | 16 | S.Y. |
| 2021-22 | 1 | N.A. |
| | 2 | L.A. |
| | 3 | K.C. |
| | 4 | F.F. |
| | 5 | D.F. |
| | 6 | K.F. |
| | 7 | C.G. |
| | 8 | T.H. |
| | 9 | N.I. |
| | 10 | T.K. |
| | 11 | T.L. |
| | 12 | S.L. |
| | 13 | R.O. |

**Westside Regional Center
Conflict of Interest Statements - Employees
Fiscal Years 2020-21 and 2021-22**

| Employees that Did Not Have Their COI Statements Completed by August 1st (continued) | | |
|---|------------|--------------------------|
| Fiscal Year | No. | Employee Initials |
| 2021-22 | 14 | D.P. |
| | 15 | E.S. |
| | 16 | P.T. |
| | 17 | A.V. |
| | 18 | S.Y. |

**Westside Regional Center
Whistleblower Notification
Fiscal Years 2020-21 and 2021-22**

| Fiscal Year | No. | Employee Initials |
|-------------|-----|-------------------|
| 2020-21 | 1 | C.M. |
| | 2 | D.P. |
| 2021-22 | 1 | C.M. |
| | 2 | D.P. |
| | 3 | I.R. |
| | 4 | P.T. |

**Westside Regional Center
Missing Documentation
Fiscal Years 2020-21 and 2021-22**

| No. | Vendor Number | Vendor Name | Service Code |
|--|----------------------|-----------------------------|---------------------|
| Missing Vendor Files | | | |
| 1 | HW0604 | Les Supported Employment | 952 |
| 2 | PW7091 | Kole's Place INC | 109 |
| Missing Rate Letters | | | |
| 1 | HW0705 | Center for Applied Behavior | 901 |
| 2 | HW0745 | Inclusion Specialized Pro | 903 |
| Missing Home and Community Based Services Agreement Forms | | | |
| 1 | H19257 | Pate Enterprise INC. | 109 |
| 2 | H66334 | Pate Enterprise INC. | 915 |
| 3 | HW0003 | Pate and Ingram Home | 109 |
| 4 | HW0019 | Pate Enterprise INC. | 109 |
| 5 | HW0503 | California Mentor Family | 109 |
| 6 | HW0623 | Benevolent Residential CA | 109 |
| 7 | PW6268 | Premier Healthcare Services | 491 |
| 8 | PW7750 | Ambitions | 109 |

APPENDIX A

SCOPE, OBJECTIVES, AND METHODOLOGY

DDS is responsible, under the W&I Code, for ensuring that persons with intellectual and developmental disabilities receive the services and supports they need to lead more independent, productive, and integrated lives. To secure these services and supports, DDS contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals and their families in California. These fixed points of contact are referred to as regional centers. The regional centers 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 also is responsible for providing assurance to the federal 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 providing this assurance, the Audit Section conducts fiscal compliance audits of each regional center no less than every two years and completes follow-up reviews in alternate years.

In addition to the fiscal compliance audit, each regional center also is 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 the regional centers' fiscal, administrative, and program operations.

This audit was conducted as part of the overall DDS monitoring system that provides information on the regional centers' 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 the regional center.

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 the regional center's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that the regional center was in compliance with the objectives identified above.

DDS' review of the regional center'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 available annual audit reports that were conducted by an independent CPA firm. 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 the regional center. 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 the regional center.
- If applicable to this audit, 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.
- If applicable to this audit, 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 the regional center staff revealed that the regional center 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.

- If applicable to this audit, 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 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 assure that 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 the regional center'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 the Rate Study. DDS examined the months of May 2021 and May 2022 and traced the reported information to source documents.
- Reviewed the 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 assure that the forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under the W&I Code, Section 4640.6(e), regional centers 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 the regional center 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 the regional center 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 regional center. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the regional center and a cost for participation was assessed to the parents under FCPP. To determine 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 regional center 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 regional center 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 compliance with the W&I Code Section 4784, 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 a regional center for children under the age of 18 years;
 - (b) 24-hour care for such minor children in state hospitals;

(c) provided, however, that no ability to pay determination may 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 must 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 so that regional centers outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires regional centers to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, regional centers 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 the regional center implemented the required RFP process, DDS performed the following procedures during the audit review:

- Reviewed the regional center'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 the regional center. 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 the State Contract:

- Selected a sample of Operations, Community Placement Plan (CPP), and negotiated POS contracts subject to competitive bidding to ensure the regional center notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that the regional center 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: Reviewed to verify that the regional center 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 the regional center Board-approved Operations, Start-Up, and POS vendor contracts of \$250,000 or more, to verify that 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 the 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 State Contract requirements.

X. Statewide/Regional Center Median Rates

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, July 1, 2016, and April 1, 2022. Regional centers may not negotiate rates higher than the set median rates for services. Despite the median rate requirement, rate increases

can be obtained from DDS under health and safety exemptions where regional centers demonstrate the exemption is necessary for the health and safety of the consumers.

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

- Reviewed sample vendor files to determine whether the regional center is using appropriately vendorized service providers and correct service codes, and is paying authorized contract rates and complying with the median rate requirements of W&I Code Section 4691.9.
- Reviewed vendor contracts to verify that the regional center is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or regional center median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where required by regulation, or health and safety exemptions were granted by DDS.
- Reviewed vendor contracts to verify that the regional center did not negotiate rates with new service providers for services which are higher than the regional center's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower. DDS also verified that units of service designations conformed with existing regional center designations or, if none exists, checked 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

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure the regional center'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
- Self Determination.

XII. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of prior DDS audit findings was conducted. DDS identified prior audit findings and reviewed supporting documentation to determine the degree of completeness of implementation of corrective actions.

APPENDIX B

**WESTSIDE REGIONAL CENTER'S
RESPONSE
TO THE AUDIT FINDINGS**

(Certain documents provided by Westside Regional Center as attachments to its response are not included in this report due to the detailed and sometimes confidential nature of the information).



February 15, 2024

Mr. Ed Yan
Research, Audits and Evaluation Branch
Department of Developmental Services
1215 O Street, MS 8-20
Sacramento, CA 95814

Dear Mr. Yan,

We appreciate your team meeting with us to discuss our draft audit report. For the most part, we agree with the findings and have taken steps to correct and eliminate future findings. There were some findings we disagreed with and have done our best to explain why that is and have sent documentation in support of our reasoning. We appreciate the Department's consideration in these instances and look forward to remediating these findings. Westside Regional Center (WRC) is submitting the following response, to address the Fiscal Year 20-21 and 21-22 audit findings listed in the draft audit report dated January 10, 2024:

Finding 1: Duplicate Payments and Overlapping Authorizations:

WRC has collected all the overpayments noted in the draft audit report. We are running and reviewing our indicator reports monthly. WRC has submitted documentation in support of the recovery of overpayments to DDS in a separate communication.

Finding 2: Unsupported Billing:

WRC has found the documentation to support this billing. WRC has submitted this source documentation to DDS in a separate communication.

Finding 3: Consultants Expenses Exceed Contract Amount:

WRC has amended the contracts to allow for the hours worked over the 40 hours to resolve this finding. WRC will ensure that hours billed under contracts will not exceed the agreed upon hours. WRC has submitted the amendments to the contracts in a separate communication.

Finding 4: Understated Claims:

WRC disagrees with this finding. Examination by WRC concluded that the portion found to be understated by DDS is the portion that the client trust is responsible for. This portion is deducted from the client's trust account and therefore not claimed as POS expenditure to DDS. WRC has provided documentation in support of this to DDS in a separate communication.

Finding 5: Sublease Rent:

WRC has cut a check for the overpaid rent. This finding has been resolved. Moving forward we will ensure that rent is collected accurately. WRC has submitted documentation to DDS in a separate communication.

Finding 6: Conflict of Interest Statements:

The Conflict of Interest forms for employees were corrected and provided to DDS. WRC has submitted this documentation to DDS in a separate communication. The Covid pandemic made it challenging to gather some of the Conflict of Interest forms and related documents from the Board of Directors and employees during the audit period. The Directors who were missing a Conflict of Interest form or resolution plan are no longer on the Board of Directors. As noted in the draft audit report, all Board of Directors have a current and complete Conflict of Interest form on file.

Finding 7: Equipment Inventory:

Our inventory procedures have been updated to strengthen weaknesses in our process. We currently have an accurate inventory listing. We have hired a facilities manager to oversee the inventory process and have separated purchasing, receiving, and inventory tasks amongst personnel. WRC has invested in an inventory system to track inventory efficiently and accurately. Due to staff inexperience with the new system and producing reports from it, a list was provided to the Department with duplicate entries, that were test entries and should not have been included in the inventory listing. WRC has submitted documentation regarding our inventory process to DDS in a separate communication.

Finding 8: Credit Card Expenditures:

This credit card expenditure was approved according to our procedures. WRC has submitted documentation to DDS in a separate communication.

Finding 9: TCM Rate Study:

The TCM Rate Study has been corrected. The inventory items acquired during FY 2022 were not due to be reported until after the audit period. WRC has corrected its TCM Rate Study and has submitted the corrected TCM Rate Study to DDS in a separate communication.

Finding 10: Whistleblower Forms:

WRC located the misplaced whistleblower forms and has provided this documentation to DDS in a separate communication. The Covid pandemic made it challenging to gather and organize the Whistleblower forms.

Finding 11: Service Coordinator Caseload Ratios:

WRC has corrected its Caseload Ratios. WRC has submitted this documentation to DDS in a separate communication. WRC will ensure that caseload ratio surveys will be accurate with respect to vacancies.

Finding 12: Operational Rent Survey Expenditures

The Rent Survey is a projection. WRC projected its facility maintenance expenditures to be similar to previous years' expenditures. WRC compared its maintenance costs for fiscal years 2021 and 2022 to the projected rent surveys and found that the actual maintenance expenditures exceeded our projections by \$10,853 and \$17,339 respectively. WRC has submitted this documentation to DDS in a separate communication. We ask that this finding be removed from our audit report.

Finding 13: Family Resource Center

The FRC staff are employees of WRC. These employees fall under the general umbrella of consent for the regional center. Consent given to WRC extends to the FRC staff just as it does to any other department at WRC. W&I Code, Section 95020(c)(2) refers to an FRC that is not part of the Regional Center, which is not the case for WRC. The FRC is not a separate entity from the WRC. CCR, Title 17, Section 52169 does not apply in this case since the FRC employees are employees of WRC.

Finding 14: Missing Documentation – HCBS Vendors

WRC has found the vendor documentation needed to resolve this finding. The Covid pandemic posed a challenge in gathering and organizing some documentation from vendors. WRC has submitted this documentation to DDS in a separate communication.

Finding 15: TCM Time Study

All timecards have been corrected and signed. WRC has submitted documentation to DDS in a separate communication.

Finding 16: Independent CPA Vendor Audit/Review Oversight

WRC provided letters sent to vendors with missing CPA reports and reviews during the course of the DDS audit. We have sent letters recently to the remaining vendors, once again, asking for their reports. WRC has submitted these letters to DDS in a separate communication.

WRC appreciates the opportunity to respond to the draft audit report. We thank the DDS audit team for all their time, effort and consideration in this matter, specifically considering the challenges posed by the Covid Pandemic during the audit period. We anticipate the documentation provided will demonstrate WRC's strong commitment to addressing these issues moving forward, as well as demonstrating that some of the findings listed above have been resolved. Should you have any questions, please do not hesitate to contact the undersigned. Thank you.

Sincerely,



Danny Franco
Director of Finance
Westside Regional Center