AUDIT OF THE
WESTSIDE REGIONAL CENTER
FOR FISCAL YEARS 2010-11 AND 2011-12

Department of Developmental Services

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EXECUTIVE SUMMARY

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

Findings that need to be addressed.

Finding 1: **Negotiated Rate Above the Statewide Median Rate**

A review of 41 sampled Purchase of Service (POS) vendor contracts finalized after June 30, 2008, revealed that one vendor, Wortham Supported Day Program, vendor number PW5747, service code 055, was contracted above the Statewide Median Rate resulting in overpayments of $269,788.94. This is not in compliance with W&I Code, section 4691.9(b).

Finding 2: **Family Cost Participation Program - Overstated Share of Cost**

The review of the Family Cost Participation Program (FCPP) revealed that WRC has been paying for the cost of services that are the responsibility of the families under the requirements of the FCPP for four of the 21 sampled consumers. This resulted in overpayments totaling $1,281.32, and is not in compliance with CCR, title 17, section 50255(a).

WRC has taken corrective action to resolve $1,076.32 of the overstated amount, with $205.00 still outstanding.

Finding 3: **Annual Family Program Fee – Assessments not Supported**

A sample review of 12 Annual Family Program Fee (AFPF) assessments revealed four instances where WRC assessed the families below the maximum annual fee without adequate support. This resulted in $350.00 less in fees associated with the AFPF. This is not in compliance with DDS' AFPF procedures.

Finding 4: **Materiality Threshold Not Stated on the Request For Proposal Policy**

The review of WRC's Board approved Request for Proposal (RFP) policy revealed that WRC did not include the applicable dollar threshold for requiring the utilization of the RFP process. This is not in compliance with the State

Contract, Article II, section 2(b).

WRC has provided additional support with its response to the Draft Report which indicates that WRC's Board approved RFP policy now includes an applicable dollar threshold, therefore, DDS will consider this issue resolved.

BACKGROUND

DDS is responsible, under the Lanterman Developmental Disabilities Services Act (Lanterman Act), for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive and normal lives. To ensure that these services and supports are available, DDS contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals with DD and their families in California. These fixed points of contact are referred to as regional centers. 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 is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's HCBS Waiver program are provided, and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each regional center no less than every two years, and completes follow-up reviews in alternate years. DDS also requires regional centers to contract with independent Certified Public Accountants (CPA) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

In addition to the fiscal compliance audit, each regional center 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 will have its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on regional centers' fiscal, administrative and program operations.

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

This audit was conducted at WRC from July 23, 2012, through August 17, 2012, and was conducted by DDS' Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was July 1, 2010, through June 30, 2012, 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 regional centers' fiscal, administrative, and program operations. The objectives of this audit are:

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

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

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

DDS reviewed the annual audit report that was conducted by an independent accounting firm for fiscal year 2010-11, issued on March 26, 2012. In addition, DDS reviewed the associated management letter that was issued by the independent accounting 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 POS claims billed to DDS. The sample included consumer services, vendor rates, and consumer trust accounts. The sample also included consumers who were eligible for the HCBS Waiver Program. For POS claims, the following procedures were performed:

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.

- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by WRC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17 and W&I Code of regulations.

- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded $2,000 as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the $2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.

- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with WRC's 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 Social Security Administration (or other source) in a timely manner.

- DDS selected a sample of Uniform Fiscal System (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding items that were not reconciled.

- DDS analyzed all of WRC's bank accounts to determine whether DDS had signatory authority as required by the contracts with DDS.

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

II. Regional Center Operations

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

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.

- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was 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 DDS' Conflict of Interest regulations and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

The Targeted Case Management (TCM) Rate Study is the study that determines the DDS rate of reimbursement from the Federal Government. DDS reviewed applicable TCM records and WRC's Rate Study for the months of May 2010 and June 2011, and traced the reported information to source documents.

The last Case Management Time Study was performed in May 2010 which was reviewed in the prior DDS audit that included fiscal year 2009-10. As a result, there was no Case Management Time Study to review for this audit period.

IV. Service Coordinator Caseload Survey

Under 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)(3):

A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.

B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.

C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was suspended in February 2009, upon imposition of the 3 percent operations reduction to regional centers as required per W&I Code, section 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2012 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program

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

- Reviewed the list of consumers who received respite, day care and camping services, for ages 0 through 17 who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.

- Reviewed the parents' income documentation to verify their level of participation based on the FCPP Schedule.

- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' complete income documentation.

- Reviewed vendor payments to verify that WRC is paying for only its assessed share of cost.

VII. Procurement

The RFP process was implemented to ensure regional centers outline the vendor selection process when using the RFP process to address consumer service need. 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 as amended.

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

- Reviewed WRC's contracting process to ensure the existence of a Board approved procurement policy, and to verify that the RFP process ensures competitive bidding as required by Article II of the State Contract as amended.

- Reviewed the RFP contracting policy to determine whether the protocols in place include applicable dollar thresholds and comply with Article II of the State Contract as amended.

- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicates to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded and authorized by appropriate officials at WRC. The process was reviewed to ensure that the vendor selection process is transparent, impartial, and avoids the appearance of favoritism. Additionally, DDS verified that supporting documentation is retained for the selection process and, in instances where a vendor with a higher bid is selected, there is written documentation retained as justification for such a selection.

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

- Selected a sample of Operational, Start-Up and negotiated POS contracts subject to competitive bidding to ensure WRC notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that WRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and those contracts were properly signed and executed by both parties to the contract.

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

- Reviewed to ensure WRC has a written policy requiring the Board to review and approve any of its contracts of two hundred fifty thousand dollars ($250,000) or more, before entering into a contract with the vendor.

- Reviewed WRC Board approved POS, Start-Up and Operational vendor contracts over $250,000 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, that the usage of funds are of direct benefit to consumers, and that contracts are supported with sufficiently detailed and measurable performance expectations and results.

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

VIII. Statewide/Regional Center Median Rates

The Statewide or Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure regional centers 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 regional centers 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, has correct service codes, and that WRC is paying authorized contract rates and complying with the medium rate requirements of the W&I Code, section 4691.9.

- Reviewed vendor contracts to verify that WRC is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or regional center median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where health and safety exemptions are granted by DDS.

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

- Start-Up Funds, Community and Placement Program.
- Family Resource Center.
- First Five of California.
- Prevention Program.

X. Follow-Up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to WRC and reviewed supporting documentation to determine the degree and completeness of WRC's implementation of corrective actions. During the follow-up review it was found that one prior issue had been appealed to DDS.

The prior DDS audit report noted an issue where WRC billed Home Ownership Made Easy (HOME) a total of $960,213.41 in POS funds for developing and maintaining housing for consumers from July 2007 through April 2010. It was found that WRC reimbursed HOME for services provided without adequate supporting documentation. The audit recommendation was for WRC to reimburse DDS the $960,213.41 in unsupported and duplicate payments to HOME. However, the Letter of Findings issued on December 12, 2012, has set aside the repayment from WRC on condition that HOME reimburses DDS the amount that was also identified in the DDS audit of HOME. Though, in the event these funds are not reimbursed by HOME, DDS will pursue reimbursement from WRC.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that, except for the items identified in the Findings and Recommendations Section, WRC was in compliance with applicable sections of CCR, title 17, the HCBS Waiver, and the State Contract with DDS for the audit period, July 1, 2010, through June 30, 2012.

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

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issed a draft report on May 8, 2013. The findings in the report were discussed at a formal exit conference with WRC on May 14, 2013. At the exit conference, DDS stated it would incorporate the views of responsible officials in the final report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: **Negotiated Rate Above the Statewide Median Rate**

A review of 41 sampled POS vendor contracts finalized after June 30, 2008, revealed that one vendor, Wortham Supported Day Program, vendor number PW5747, service code 055, was contracted above the Statewide Median Rate implemented on July 1, 2008. WRC negotiated a contract rate of $6,510.00 per month while the Statewide Median Rate was $296.52 per month, resulting in overpayments totaling $269,788.94. WRC stated the rate increase was needed due to a "Health and Safety" issue, but could not provide a Health and Safety exemption approval from DDS. (See Attachment A.)

W&I Code, section 4691.9 (b) states:

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

Recommendation:

WRC must reimburse to DDS the $269,788.94 in overpayments made to Wortham Supported Day Program, vendor number PW5747. WRC must renegotiate the contract to ensure compliance with the Statewide Median Rates. In addition, WRC must comply with the W&I code, section 4691.9 and ensure that all rates negotiated after June 30, 2008, are either equal to or below the Statewide Median Rates.

Finding 2: **Family Cost Participation Program - Overstated Share of Cost**

The review of the FCPP revealed that WRC has been paying for the cost of services that are the responsibility of the families under the requirements of the FCPP for four of the 21 sampled consumers participating in the program. This resulted in overpayments totaling $1,281.32. WRC stated it was an oversight on its part by not adjusting the consumers' authorization to reflect actual share of cost. (See Attachment B.)

WRC has taken corrective action by collecting $1,076.32 in overpayments with, $205.00 still outstanding.

CCR, title 17, section 50255(a) states in part:

> "(a) 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 should reimburse the remaining overpayment amount of $205.00 that resulted from incorrectly paying for the families' share of costs. In addition, WRC should ensure that only the costs WRC is responsible for is entered into the UFS to prevent the possibility of any overpayments.

Finding 3: **Annual Family Program Fee – Assessments not Supported**

The sample review of 12 AFPF assessments revealed four instances where families were assessed below the maximum amount without adequate support, which resulted in $350.00 less in fees. WRC stated these four families were unwilling to provide income documentation for the assessment and instead relied on verbal confirmations from the families. Since WRC did not obtain income documentation to support the assessments, the families should have been assessed at the maximimum amount. (See Attachment C.)

DDS Annual Family Program Fee Procedures Section C states in part:

> "Regional centers shall verify the annual income of the family by way of an administrative review of the current payroll and/or income tax records of the parents to determine parents' gross income. In instances in which the parents' income is determined to be below 800 percent of the current year FPL, the regional center shall adjust the annual family fee to $150.00. In any instance in which the parents' adjusted gross family income is below 400 percent of the current year FPL, that family shall be deemed ineligible for participation in the AFPF."

Recommendation:

WRC must remit to DDS the total amount of $350.00 that was inappropriately reduced from the AFPF assessments of the four families. In addition, WRC must follow the AFPF procedures by requesting and verifying either current payroll and/or income tax records of parents to determine parents' gross income. This would ensure the adequate support and assessment for families deemed eligible for participation in the AFPF.

Finding 4: **Materiality Threshold Not Stated on the Request For Proposal Policy**

The review of the Board approved RFP policy revealed that WRC did not include the applicable dollar thresholds for requiring the utilization of the RFP process as

required by the State Contract.

State Contract, Article II, section 2(b) states in part:

"Contractor shall institute a Board approved policy effective January 1, 2011 specifying the circumstances under which the regional center will issue requests for proposals to address a service need. This policy shall also address the applicable dollar thresholds for requiring the utilization of the request for proposals process; the request for proposals notification process; and, how submitted proposals will be evaluated and the applicant selected."

WRC has provided additional support with its response to the draft report which indicates that WRC's Board approved RFP policy now includes an applicable dollar threshold, therefore we will consider this issue resolved.

Recommendation:

WRC should amend its RFP policy to ensure compliance with the State Contract, Article II, section 2(b) by including the applicable dollar threshold.

EVALUATION OF RESPONSE

As part of the audit report process, WRC was provided with a draft report and was requested to provide a response to each finding. WRC's response dated June 10, 2013, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section, as well as a summary of the findings in the Executive Summary section.

DDS' Audit Branch has evaluated WRC's response. Except as noted below, WRC's response addressed the audit findings and provided reasonable assurance that corrective actions would be taken to resolve the issues. During the follow-up review of the next scheduled audit, DDS' Audit Branch will confirm WRC's corrective actions identified in the response to the draft report.

Finding 1: **Negotiated Rate Above the Statewide Median Rate**

WRC agrees with the finding which states that Wortham Supported Day Program was vendorized above the Statewide/WRC Median Rate. However, WRC states it does not agree that it must reimburse to DDS $269,788.94, since the services provided were necessary to meet the challenges identified in the consumer's IPP. WRC noted that Wortham Supported Day Program provides seven hours per day, 2:1 consumer support to assist with exercise and participation in the community. WRC indicated that it decided to provide a flat monthly rate for the multiple services that were being provided. WRC acknowledges that by combining the services into one, it did not use the Median Rate correctly. WRC stated in its response that it has since changed the funding for Wortham Supported Day Program to reflect the median rates for hourly day services under service code 055 and additional staffing under service code 110, effective July 1, 2012. In addition, WRC stated that if Wortham Supported Day Program were to repay the $269,788.94, it would force the vendor out of business, as DDS' finding does not take into consideration the services provided based on the need of the consumer.

DDS acknowledges WRC's concern regarding payments toWortham Supported Day Program. However, WRC did not provide any documentation with its response to support services provided and the basis of the monthly rate it used to reimburse the vendor. In addition, WRC was unable to provide documentation to show that a Health and Safety exemption had been requested for DDS consideration and approval. DDS disagrees with WRC and recommends that it reimburse to DDS the overpayment totaling $269,788.94. Also, WRC must ensure the renegotiated contract rates for the two services codes are in compliance with the Statewide Median Rates.

Finding 2: **Family Cost Participation Program - Overstated Share of Cost**

WRC agrees that it paid over its share of cost to four consumers. WRC also stated it will reimburse to DDS $205.00 representing the remaining balance of the overstated amount. Follow-up will be performed during the next scheduled audit to ensure WRC has fully complied with the recommendation.

Finding 3: **Annual Family Program Fee – Assessments not Supported**

WRC agrees with the finding and stated it will reimburse to DDS $350.00 in AFPF fees that were inappropriately reduced. In addition, WRC stated it will follow the AFPF procedures which require verification of parents' income used in assessing for AFPF. Follow-up will be performed during the next scheduled audit to ensure WRC has fully complied with the recommendation.

Westside Regional Center
Negotiated Rate Above the Statewide Median Rate
Fiscal Years 2010-11 and 2011-12

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Sub Code	Authorization Number	Payment Period	Overpayment
1	[redacted]	PW5747	Wortham Supported Day Program	055		[redacted]	Feb-09	$6,027.08
2		PW5747	Wortham Supported Day Program	055			Mar-09	$6,027.08
3		PW5747	Wortham Supported Day Program	055			Apr-09	$6,027.08
4		PW5747	Wortham Supported Day Program	055			May-09	$6,027.08
5		PW5747	Wortham Supported Day Program	055			Jun-09	$6,027.08
6		PW5747	Wortham Supported Day Program	055			Jul-09	$6,027.08
7		PW5747	Wortham Supported Day Program	055			Aug-09	$6,027.08
8		PW5747	Wortham Supported Day Program	055			Sep-09	$6,027.08
9		PW5747	Wortham Supported Day Program	055			Oct-09	$6,027.08
10		PW5747	Wortham Supported Day Program	055			Nov-09	$6,027.08
11		PW5747	Wortham Supported Day Program	055			Dec-09	$6,027.08
12		PW5747	Wortham Supported Day Program	055			Jan-10	$6,027.08
13		PW5747	Wortham Supported Day Program	055			Feb-10	$6,027.08
14		PW5747	Wortham Supported Day Program	055			Mar-10	$6,027.08
15		PW5747	Wortham Supported Day Program	055			Apr-10	$6,027.08
16		PW5747	Wortham Supported Day Program	055			May-10	$6,027.08
17		PW5747	Wortham Supported Day Program	055			Jun-10	$6,027.08
18		PW5747	Wortham Supported Day Program	055			Jul-10	$5,948.93
19		PW5747	Wortham Supported Day Program	055			Aug-10	$5,949.40
20		PW5747	Wortham Supported Day Program	055			Sep-10	$5,949.40
21		PW5747	Wortham Supported Day Program	055			Oct-10	$5,949.41
22		PW5747	Wortham Supported Day Program	055			Nov-10	$5,949.41
23		PW5747	Wortham Supported Day Program	055			Dec-10	$5,949.41
24		PW5747	Wortham Supported Day Program	055			Jan-11	$5,949.41
25		PW5747	Wortham Supported Day Program	055			Feb-11	$5,949.41

Westside Regional Center
Negotiated Rate Above the Statewide Median Rate
Fiscal Years 2010-11 and 2011-12

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Sub Code	Authorization Number	Payment Period	Overpayment
26	[redacted]	PW5747	Wortham Supported Day Program	055		[redacted]	Mar-11	$5,949.41
27		PW5747	Wortham Supported Day Program	055			Apr-11	$5,949.41
28		PW5747	Wortham Supported Day Program	055			May-11	$5,949.41
29		PW5747	Wortham Supported Day Program	055			Jun-11	$5,949.41
30		PW5747	Wortham Supported Day Program	055	VC1R		Jul-11	$5,949.41
31		PW5747	Wortham Supported Day Program	055	VC1R		Aug-11	$5,949.41
32		PW5747	Wortham Supported Day Program	055	VC1R		Sep-11	$5,949.41
33		PW5747	Wortham Supported Day Program	055	VC1R		Oct-11	$5,949.41
34		PW5747	Wortham Supported Day Program	055	VC1R		Nov-11	$5,949.41
35		PW5747	Wortham Supported Day Program	055	VC1R		Dec-11	$5,949.41
36		PW5747	Wortham Supported Day Program	055	VC1R		Jan-12	$5,949.41
37		PW5747	Wortham Supported Day Program	055	VC1R		Feb-12	$5,949.41
38		PW5747	Wortham Supported Day Program	055	VC1R		Mar-12	$5,949.41
39		PW5747	Wortham Supported Day Program	055	VC1R		Apr-12	$5,949.41
40		PW5747	Wortham Supported Day Program	055	VC1R		May-12	$5,949.41
41		PW5747	Wortham Supported Day Program	055	VC1R		Jun-12	$5,949.41
42		PW5747	Wortham Supported Day Program	055	VC1R		Jul-12	$6,135.82
43		PW5747	Wortham Supported Day Program	055	VC1R		Aug-12	$6,135.82
44		PW5747	Wortham Supported Day Program	055	VC1R		Sep-12	$6,135.82
45		PW5747	Wortham Supported Day Program	055	VC1R		Oct-12	$6,135.82
Total Overpayment Due to Negotiated Rate Set Above the Statewide Median Rate								**$269,788.94**

Westside Regional Center
Family Cost Participation Program - Overstated Share of Cost
Fiscal Years 2010-11 and 2011-12

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over Payments	Corrected Amount	Outstaning Balance
1	[redacted]	VW0449	[redacted]	420	[redacted]	Nov-11	$102.50	$0.00	$102.50
2		VW0449		420		Dec-11	$102.50	$0.00	$102.50
3		HW0321	Premier Healthcare Servces	862		Jan-12	$183.82	$183.82	$0.00
4		HW0321	Premier Healthcare Servces	862		Feb-12	$183.82	$183.82	$0.00
5		HW0321	Premier Healthcare Servces	862		Apr-12	$183.82	$183.82	$0.00
6		HW0321	Premier Healthcare Servces	862		May-12	$183.82	$183.82	$0.00
7		HW0271	Premier Healthcare Servces	862		Nov-11	$212.10	$212.10	$0.00
8		HW0271	Premier Healthcare Servces	862		Jan-12	$14.14	$14.14	$0.00
9		HW0271	Premier Healthcare Servces	862		Feb-12	$14.14	$14.14	$0.00
10		HW0271	Premier Healthcare Servces	862		Mar-12	$14.14	$14.14	$0.00
11		HW0271	Premier Healthcare Servces	862		Apr-12	$14.14	$14.14	$0.00
12		HW0271	Premier Healthcare Servces	862		May-12	$14.14	$14.14	$0.00
13		HW0321	Premier Healthcare Servces	862		May-12	$58.24	$58.24	$0.00
						Total Overstated Share of Cost	**$1,281.32**	**$1,076.32**	**$205.00**

Westside Regional Center
Annual Family Program Fee - Assessments not Supported
Fiscal Years 2010-11 and 2011-12

No.	Unique Client Identification Number	Assessed Amount	Maximum Assessment	Difference in Assessments
1	[redacted]	$150.00	$200.00	$50.00
2		$0.00	$200.00	$200.00
3		$150.00	$200.00	$50.00
4		$150.00	$200.00	$50.00
Total Amount of Assessments not Supported				**$350.00**

APPENDIX A

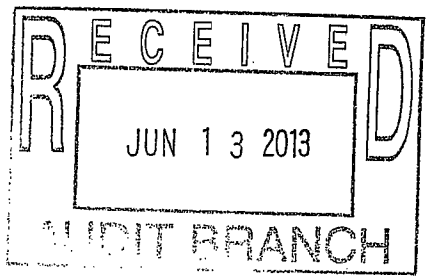
WESTSIDE REGIONAL CENTER

RESPONSE
TO AUDIT FINDINGS

(Certain documents provided by the 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.)

WESTSIDE
REGIONAL CENTER

June 10, 2013



Department of Developmental Services
Mr. Ed Yan, Manager, Audit Branch
1600 9th Street, Room 230, MS 2-10
Sacramento, CA 95814

Dear Ed:

Westside Regional Center would like to thank your staff for participating in the audit exit conference on Tuesday, May 14, 2013, at 10:00 a.m., and allowing Westside staff to ask questions related to the findings.

Attached is our written response, noting any concerns and clarification we have. If you have any questions regarding the response, please do not hesitate to contact me at (310) 258-4054.

Sincerely,

John Hunt,
Director of Administration
Westside Regional Center

Enclosures

Cc: Mike Danneker, WRC
Mary Lou Weise-Stusser, WRC
Yesenia Macedo, WRC

Finding 1: **Negotiated Rate Above the Statewide Median Rate**

A review of 41 sampled POS vendor contracts finalized after June 30, 2008, revealed that one vendor, Wortham Supported Day Program, vendor number PW5747, service code 055, was contracted above the Statewide median rate implemented on July 1, 2008. WRC negotiated a contract rate of $6,510.00 per month while the Statewide median rate was $296.52 per month, resulting in overpayments totaling $269,788.94. WRC stated the rate increase was needed due to a "Health and Safety" issue, but could not provide a Health and Safety exemption approval from DDS.

W&I Code, section 4691.9 (b) states:

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

Recommendation:

WRC must reimburse to DDS the $269,788.94 in overpayments made to Wortham Supported Day Program, vendor number PW5747. WRC must renegotiate the contract to ensure compliance with the Statewide median rates. In addition, WRC must comply with the W&I code, section 4691.9 and ensure that all rates negotiated after June 30, 2008, are either equal to or below the Statewide median rates.

Response:

Please see attached letter dated May 28, 2013, from Mike Danneker, Executive Director, Westside Regional Center, to Terri Delgadillo, Director, Department of Developmental Services.

Finding 2: **Family Cost Participation Program (FCPP) – Overstated Share of Cost**

The review of the FCPP revealed that WRC has been paying for the cost of services that are the responsibility of the families under the requirements of the FCPP for four of the 21 sampled participating in program. This resulted in overpayments totaling $1,281.32. WRC stated it was on an oversight on its part by not adjusting the consumers' authorization to reflect actual share of cost.
(See Attachment B.)

WRC has taken corrective action by collecting $1,076.32 in overpayments, with $205.00 still outstanding.

CCR, title 17, section 50255(a) states in part:

"(a) 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 should reimburse the remaining overpayment amount of $205.00 that resulted from incorrectly paying for the families' share of costs. In addition, WRC should ensure that only the costs WRC is responsible for is entered into the UFS to prevent the possibility of any overpayments.

Response:

WRC is in agreement with this finding, and has been unable to collect the remaining balance from the families. Upon receipt of the final audit report, WRC will remit the remaining $205.00 overpayment.

Finding 3: **Annual Family Program Fee – Assessments not Supported**

The sample review of 12 AFPF assessments, revealed four instances where families were assessed below the maximum amount without adequate support which resulted in $350.00 less in fees. WRC stated these four families were unwilling to provide income documentation for the assessment and instead relied on verbal confirmation from the families. Since WRC did not obtain income documentation to support the assessments, the families should have been assessed at the maximum amount. (See Attachment C.)

DDS Annual Family Program Fee Procedures Section C states in part:

"Regional centers shall verify the annual income of the family by way of an administrative review of the current payroll and/or income tax records of the parents to determine parents' gross income. In instances in which the parents' income is determined to be below 800 percent of the current year FPL, the regional center shall adjust the family fee to $150.00. In any instance in which the parents' adjusted gross family income is below 400 percent of the current year FPL, that family shall be deemed ineligible for participation in the AFPF."

Recommendation:

WRC must remit to DDS the total amount of $350.00 that was inappropriately reduced from the AFPF assessments of the four families. In addition, WRC must follow the AFPF procedures by requesting and verifying either current payroll and/or income tax records of parents to determine parents' gross income. This would ensure the adequate support and assessment for families deemed eligible for participation in the AFPF.

Response:

WRC is in agreement with this finding and upon receipt of the final audit report, will remit the total amount of $350.00 that was inappropriately reduced from the AFPF assessments of the four families. In addition, WRC will follow the AFPF procedures by requesting and verifying the appropriate records of parents to determine parents' gross income.

Finding 4: **Materiality Threshold Not Stated on the Request For Proposal (RFP) Policy**

The review of the Board approved RFP policy revealed that WRC did not include the applicable dollar thresholds for requiring the utilization of the RFP process as required by the state contract.

State Contract, Article II, section 2(b) states in part:

"Contractor shall institute a Board approved policy effective January 1, 2011 specifying the circumstances under which the regional center will issue requests for proposals to address a service need. This policy shall also address the applicable dollar thresholds for requiring the utilization of the request for proposals process; the request for proposals notification process; and, how submitted proposals will be evaluated and the applicant selected."

Recommendation:

WRC should amend its RFP policy to ensure compliance with the State contract, Article II, section 2(b) on including the applicable dollar thresholds.

Response:

WRC is in agreement with this finding and has amended its existing policy (copy attached) to include the applicable dollar thresholds, ensuring compliance with the State contract, Article II, section 2(b).

May 28, 2013

Terri Delgadillo
Director,
Department of Developmental Services
P. O. Box 944202
Sacramento, California 94244-2020

Re: Westside Regional Center Draft Fiscal Audit Findings
Fiscal Years 2010-11 and 2011-12 Finding #1

Dear Terri,

Westside Regional (WRC) Center requests your review of Finding #1 of our Draft Fiscal Audit for Fiscal years 2010-11 and 2011-12. The finding entails one service, Wortham Supported Day Program, for one client, [redacted]. WRC developed a specialized day service for [redacted] to address the goals/objectives in her IPP as well as to assist her to remain in the community and avoiding placement in a developmental center.

[redacted] is a 32 year old, African American woman with severe developmental disabilities. Her disabilities include but are not limited to: Autism, Cerebral Palsy, Epilepsy, Severe Intellectual Disabilities, Disorders of Multiple Cranial Nerves, Severe Hearing Loss and Moderate Vision Loss. She has extreme self-injurious behavior (that lead to her vision loss) and tantrums. She requires total assistance with all ADL skills. Her behaviors include: Severe Aggression, Major Property Destruction and Emotional Outbursts. She will wander or run away without constant supervision. Needless to say, it has been extremely difficult to provide services in the community and to prevent moving her to a more restrictive environment.

The program identified in Audit Finding #1 – Wortham Supported Day Program, was developed to meet [redacted] significant challenges and needs as identified in her IPP. Her parents/ conservators worked very closely with the service provider to develop this program. The program has had a major impact on [redacted] life. It provides seven (7) hours per day of 2:1 support for [redacted] to assist her in having a meaningful day, with exercise and participation in her community to her level of tolerance.

When this program was developed, WRC made the unfortunate decision to provide a flat monthly rate for the multiple services that were provided. This was done to give the service provider consistent support so that she could maintain competent and consistent staff to meet [redacted] severe support needs. The monthly rate included a seven (7) hour per day supported day program with funding for a 2:1 staff to client ratio. WRC has since changed the funding for the program to reflect current Median Rates for an hourly day service under service code 055 and additional staffing under service code 110 effective, July 1, 2012.

The Draft Audit Finding #1 is purely a finding that WRC did not use the Median Rate correctly. This finding in no way reflects on the services provided or the needs of the individual who received the services. WRC has completed QA visits to observe [redacted] and her program. WRC QA Staff found that the service clearly met the goals and objectives of [redacted] IPP and that it is instrumental in reducing her self-injurious behaviors and her aggressive outbursts. It has increased the quality of her life. Wortham Supported Day Program has provided all of the services for which it was paid with excellent results. The Draft Audit Finding that requires the service provider to repay $269,788.94 due to a mistake by WRC is overwhelming. The funds were spent on services provided in accordance with the Lanterman Act. They just had an improper coding.

If Wortham Supported Day Program must pay back the $269,788.94, the hardship on the service provider will force her out of business. If this service provider is forced out of business, WRC will lose this program, an SLS Agency and two residential facilities all because of a mistake in selecting a rate outside of the Median Rates. The service was provided, staff was paid and [redacted] has significantly benefited. If WRC must repay the money from its Operations Budget, WRC will not be able to conduct business.

WRC requests that you review this finding and explore the hardship that it will cause the client, the service provider and WRC. WRC has suggested to the DDS auditors and the DDS Rate Section that there are two solutions to this issue:

1. WRC will reclassify the service retroactively to April 2009 in accordance with the Median Rates. If there is any overage in funds, WRC will develop a repayment plan.
2. WRC will request a retroactive Health and Safety Waiver for the client to justify the rate.

We appreciate your immediate consideration of this matter and the hardship that it will cause. There is much at stake with Finding #1 of the WRC Fiscal Audit. The only option that WRC has obtained from the DDS Auditors is that of an audit appeal. However, WRC believes that we should forego the expense and time of an audit appeal since resolution of this matter is something that just seems like the right thing to do If there are other solutions or suggestions, WRC is very open to exploring them. Since we share a mission to support people with developmental disabilities, collecting $269,788.94 for services that have been provided and that have provided an effective support for a very involved individual contradicts all that we are here to do. I have listed our respective mission statements on an attached page.

I look forward to discussing this matter with you and developing a reasonable solution. Please contact me as soon as possible.

Thank you for your time and consideration.

Sincerely,

Mike Danneker
Executive Director

VISION

BUILDING PARTNERSHIPS, SUPPORTING CHOICES

MISSION

The Department of Developmental Services (DDS) is committed to providing leadership that results in quality services to the people of California and assures the opportunity for individuals with developmental disabilities to exercise their right to make choices.

Mission Statement

It is Westside Regional Center's mission to empower people with developmental disabilities and their families to choose and access community services that facilitate a quality of life comparable to persons without disabilities.

Westside Regional Center

Protocol for Disbursement for Start-Up and Development Funding Utilizing Purchase of Service Funds

I. Effective Date: January 1, 2011

II. Issue:

The WRC contract with the Department of Developmental Services (DDS) includes a provision, under Article II. Program Provisions, (2) Resource Development that regional centers may choose to utilize purchase of service (POS) funds for selected new program development. The contract requires that the regional center develop and maintain a written policy for the disbursement of start-up monies, and submit a copy of the policy to DDS once said policy has been approved by the contractor's board of directors. This policy has been developed in accordance with the requirements of the current WRC/DDS contract and shall be submitted to DDS.

III. Procedures/Guidelines for Services Development and Start-up Funding Criteria for Consideration of Funding:

a. The regional center's executive director shall approve the decision to utilize POS funds for start-up prior to any announcement of funding availability.
b. Criteria for each specific round of applications will be based on individuals need and approved by the executive director.
c. Applicants must have proven expertise and experience in related services.
d. Applicants must demonstrate fiscal stability and responsibility.
e. Start-up costs must be reasonable, necessary and not available from another source.
f. Proposals may include an applicant share of cost.
g. Ongoing POS costs after start-up should not exceed typical costs for similar services.

IV. Proposal Announcement and Screening:

a. If start-up funding is made available, there will be a general announcement to the WRC Vendor Advisory Committee with follow-up information, in writing, to the community.
b. The written announcement will include information on application requirements, selection criteria and deadlines for applications.
c. The WRC community services staff shall coordinate screening. Additional persons, including people with developmental disabilities, professionals and members of the community may be included in the process, based on the scope and content of the proposal.
d. The executive director shall approve final funding for all proposals. The decision of the WRC director is the final decision level.

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e. All applicants will receive notification of the WRC decision regarding their proposal.
f. WRC reserves the right to request or negotiate changes in a proposal, to accept all or part of a proposal, or to reject any or all proposals.

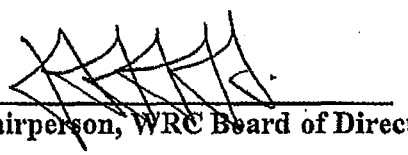
V. Proposal Screening Guidelines:

a. Will the proposal develop a needed new service, increase the number of people supported in a needed existing service, or enhance the quality and safety of needed services?
b. Will the proposal address an identified need of the regional center?
c. Will the proposal assure that the ongoing cost of an existing service is not increased or that the ongoing cost of a new program is cost-effective in comparison to other typical services?
d. Is the cost of the start-up proposal reasonable, not included in current rates or fees, and not available from another funding source?

VI. Record Keeping:

a. All allocations of start-up funds shall be governed by a written agreement/contract between WRC and the provider. All contracts awarding funding of $250,000 or more must be approved by the WRC Board of Directors.
b. Agreements may be performance-based or paid by cost reimbursement.
c. Agreements for projects will include a provision for repayment if not completed, and describe circumstances that may require a repayment.
d. Agreements will include the basis of the payment agreement and comply with any regional center contracting requirements including the provisions of Title 17, Sections 50601 et seq., Service Provider Accountability.
e. Development agreements utilizing POS funding shall be assigned a vendor number and a subcode as directed by DDS.
f. Original agreements shall be filed with the vendor files in the centers community services department and a copy shall be sent to the accounting department.
g. Provider billings, based on performance objectives, shall be reviewed and approved by WRC's Community Services department prior to submission to the accounting department.
h. Provider billings based on cost reimbursement shall be reviewed by the accounting department's fiscal monitor for compliance with agreement payment provisions prior to disbursement.

Approved by:



Chairperson, WRC Board of Directors

3.06.13

Date

3-5-13
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