

**DEPARTMENT
OF
DEVELOPMENTAL SERVICES'
AUDIT
OF
WHEELER SUPPORTIVE SERVICES, INC.**

Program:

Supported Living Services – H89099

Audit Period: July 1, 2011, through June 30, 2012

Audit Section

Auditors: Michael Masui, Chief of Vendor Audits
Alton Kitay, Supervisor
Ermias Tecele, Supervisor
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WHEELER SUPPORTIVE SERVICES, INC.

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Wheeler Supportive Services, Inc. (WSS). WSS is one of a number of companies owned and operated by Mr. Zachary Wheeler. This audit report is an audit of WSS only, although Path of Success, Inc., Unified: Compassionate Solutions, Inc., and Zachary Wheeler, Sole Proprietorship, were audited simultaneously with separate audit reports issued. The audit was performed upon WSS' Supported Living Services (SLS) program for the period of July 1, 2011, through June 30, 2012. The audit disclosed the following issue of non-compliance:

Finding: Supported Living Services – Unsupported Billings

The review of WSS' SLS, Vendor Number H89099, revealed that WSS had unsupported billings in the amount of \$162,923 for services billed to Golden Gate Regional Center (GGRC).

The total amount of unsupported billings identified in this audit amounts to \$162,923, which is due back to DDS. A detailed discussion of the finding is contained in the Finding and Recommendation section of this audit report.

BACKGROUND

DDS is responsible, under the Lanterman Developmental Disabilities Services Act, for ensuring that persons with developmental disabilities receive the services and supports they need to lead more independent, productive, and integrated lives. DDS contracts with 21 private, nonprofit regional centers that provide fixed points of contact in the community for serving eligible individuals with developmental disabilities and their families in California. In order for regional centers to fulfill their objectives, they secure services and supports from qualified service providers and/or contractors. Pursuant to the Welfare and Institutions (W&I) Code, Section 4648.1, DDS has the authority to audit those service providers and/or contractors that provide services and supports to persons with developmental disabilities.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The audit was conducted to determine whether WSS' SLS program was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional center's contract with WSS for the period of July 1, 2011, through June 30, 2012.

Scope

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. The auditors did not review the financial statements of WSS, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of WSS' internal controls to gain an understanding of the transaction flow and invoice preparation process, as necessary, to develop appropriate auditing procedures. The audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that WSS complied with the W&I Code and CCR, Title 17. Also, any complaints that DDS' Audit Section was aware of regarding non-compliance with laws and regulations were reviewed and followed upon during the course of the audit. The audit scope was determined by reviewing the programs and services provided to GGRC during the audit period.

Supported Living Services

During the audit period, WSS operated one SLS. The audit included the review of WSS' SLS, Vendor Number H89099, Service Code 896. The initial review of WSS' SLS program, selected from the audit period of July 1, 2011, through June 30, 2012, consisted of a two-month sample: November 2011 and May 2012. Within the sample months selected, the audit sample demonstrated a large percentage of unsupported billings due to the lack of appropriate supporting documentation in the form of timesheets and/or weekly attendance forms. In addition, the audit team determined that WSS employees also work for other companies operated by Mr. Wheeler, Chief Executive Officer of WSS. As a

result, DDS decided to audit all companies operated by Mr. Wheeler, and to expand the testing sample from July 1, 2011, through June 30, 2012.

Methodology

The following methodology was used by DDS to ensure the audit objectives were met. The methodology was designed to obtain reasonable assurance that the evidence provided was sufficient and appropriate to support the finding and conclusion in relation to the audit objectives. The procedures performed included, but were not limited to, the following:

- Review of vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Interview of regional center staff for vendor background information and to obtain prior vendor audit reports.
- Interview of vendor staff and management to gain an understanding of its accounting procedures and processes for regional center billings.
- Review of vendor service/attendance records to determine if the vendor had sufficient and appropriate evidence to support the direct care services billed to the regional center.
- Analysis of the vendor's payroll and attendance/service records to determine if the payroll substantiated the audited hours.

CONCLUSION

Based upon item identified in the Finding and Recommendation section, WSS did not comply with the requirements of CCR, Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on August 25, 2015. The findings in the draft audit report were not discussed with Mr. Wheeler, WSS' CEO, because he did not respond to any correspondence from DDS regarding an exit conference. However, the draft audit report was mailed to Mr. Wheeler, via certified mail, return receipt requested, on August 25, 2015. Mr. Wheeler responded on October 30, 2015 that WSS did not agree with the finding.

RESTRICTED USE

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

FINDING AND RECOMMENDATION

Finding: Supported Living Services - Unsupported Billings

The review of WSS' SLS, Vendor Number H89099, for the sample period of July 1, 2011, through June 30, 2012, revealed that WSS had unsupported billings due to a lack of appropriate documentation to support the units of services billed to GGRC.

The staff to consumer ratio of one to one, in accordance with the program design, was not fulfilled, and the 24 hours per day and seven days a week commitment was also not met. In addition, hours claimed overlapped between the daytime and overnight shift. WSS was not able to provide appropriate supporting documentation for 7,772 hours of services billed. The lack of documentation resulted in unsupported billings to GGRC in the amount of \$162,923 that is due back to DDS. (See Attachment A)

W&I Code, Section 4648.1(e)(1) states:

“(e) A regional center or the department may recover from the provider funds paid for services when the department or the regional center determines, that either of the following has occurred:

(1) The services were not provided in accordance with the regional center's contract or authorization with the provider, or with applicable state laws or regulations.”

CCR, Title 17, Section 54326(a)(3) and (10) states:

“(a) All vendors shall:

(3) Maintain records of services provided to consumers in sufficient detail to verify delivery of the units of service billed:

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

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

“(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program...

(e) All service providers' records shall be supported by source documentation.”

Recommendation:

WSS must reimburse DDS \$162,923 for unsupported billings. In addition, WSS should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to GGRC.

WSS' Response:

Mr. Wheeler, CEO, WSS, stated in his response, dated October 31, 2015 that WSS disagreed with the finding. (See Attachment B)

Wheeler Supportive Services, Inc.
 Summary of Unsupported Billings
 July 1, 2011, through June 30, 2012

Attachment A

| <i>Finding #</i> | <i>Vendor</i> | <i>Svc Code</i> | <i>Description</i> | <i>Unit Rate</i> | <i>Unit Type</i> | Unsupported Billings per Initial Draft Report | | | Adjusted Unsupported Billings per Final Report | | Amount Due to DDS (Final Audit Report) |
|--|---|-----------------|---------------------------|------------------|------------------------|--|-----------------------|---------------------------------|---|------------------------|---|
| | | | | | | <i>Initial Units²</i> | <i>Initial Amount</i> | <i>Additional Units Allowed</i> | <i>Adjusted Units²</i> | <i>Adjusted Amount</i> | <i>Amount</i> |
| <u>Supported Living Services</u> | | | | | | | | | | | |
| | H89099 | 896 | Supported Living Services | 15,320 | Per Month ¹ | 10,073 | 210,819 | 2,301 | 7,772 | 162,923 | 162,923 |
| | GGRC | | | | | 10,073 | 210,819 | 2,301 | 7,772 | 162,923 | 162,923 |
| | <i>Total Supported Living Services</i> | | | | | | | | | | |
| <i>TOTAL UNSUPPORTED BILLINGS</i> | | | | | | | | | | | <u>162,923</u> |

1 Authorization is for one unit per month for 24 hours per day.

2 The unsupported units are computed as the difference between audited service hours and required service hours for FY 2011-12

Wheeler Supportive Services' Response to Draft Report

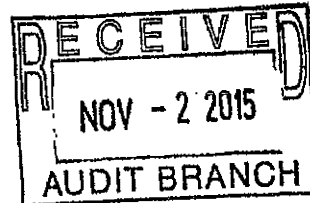
As part of the audit report process, Wheeler Supportive Services (WSS) was afforded the opportunity to respond to the draft audit report and provide a written response to the findings identified. On October 30, 2015, WSS submitted a response to the draft audit report, which was received by DDS on November 2, 2015. This was within the granted extension period.

The response included two three-page letters addressing two of Mr. Wheeler's companies, WSS and Zachary Wheeler (ZW), four letters from relatives who allegedly provided direct care services without compensation, and one box of documents which included timesheets and excel spreadsheets showing both semi-monthly payroll and monthly volunteer hours. Due to the large volume of documents provided as part of the response package, these documents are not included in this report. The following pages contain the vendor's written response.

October 30, 2015

*Sent this date via certified mail, return receipt requested;
Copy by First Class Mail*

Edward Yan
Department of Developmental Services
Audit Branch
1600 Ninth Street, Room 230, M.S. 2-10
Sacramento, CA 95814



*Re: Additional Support to Response to Findings of Audit of FY 2012
Wheeler Supportive Services, Inc. Supportive Living Services #H89099
(Audit period July 1, 2011 through June 30, 2012)
Zachary Wheeler, Sole Proprietorship #H88944
(Audit period July 1, 2011 through June 30, 2012)*

Dear Mr. Yan:

This letter serves as our additional response to the findings identified in your letter of October 16th regarding the draft audit of Wheeler Supportive Services, Inc. and Zachary Wheeler, sole proprietorship (vendor numbers above and hereafter collectively referred to as WSS). We appreciate the efforts extended by you and the audit team to date.

DDS's audit was of two WSS programs; Supportive Living Services (#H89099), and we also understand that the scope included Zachary Wheeler, Sole proprietorship (#H88944). DDS's draft audit finding claims "unsupported billings" in the amount of \$210,819.20. This amount was attributed to vendor number #H89099 though the scope also appears to have included the other vendor number referenced above. WSS conceded in our letter of September 29th that there were some services billed which cannot be substantiated based upon existing records, however, we disputed the hours used to calculate the amounts of the unsupported billings. This response includes additional documentation related to the above issue. I believe that the information below supports my contention that the hours included in your findings were materially higher than what occurred and as such I have included the following additional documentation:

- Identification of my relatives who provided support to consumers for me but were not compensated, as the rates I was reimbursed for services provided did not provide adequate compensation. This issue has been previously communicated to the Regional Centers on a number of occasions. This information was also provided with my response for additional documentation for Path of Success as they worked with both companies.
- Letters from those relatives indicating the hours per month they provided from June 2011 through December 2012.

Pursuant to Title 17, § 50705(a) (1), liquidation of the disputed overpayments must be deferred pending completion of administrative review. Because the audit has not yet been finalized and WSS retains its right to appeal, DDS and Golden Gate Regional Center may not collect or deduct any of the disputed funds from WSS' billings or otherwise attempt to collect or recover the disputed overpayment until this audit is finally resolved.

WSS' disputes Finding 1 of the draft audit report on the WSS' SLS (#H89099), which claims to have found a total of 10,073.38 hours for which WSS "was not able to provide appropriate supporting documentation".

WSS is providing this additional documentation prior to November 2nd, as stated in your letter and as permitted by 17 CCR § 50730(f). WSS also stipulates that 816.75 hours of service may not be adequately documented (although we did actually provide all of these services to consumers).

WSS also contends that there were a number of invoices related to #H88944 for which WSS has not been paid due to continuing issues with Golden Gate Regional Center. These invoices relate to SLS services provided to consumers and was incorrectly posted to Zachary Wheeler, sole proprietorship after my contract was terminated by GGRC as well as my Lifeline services contract which pays \$508.36 per month and was authorized through June 30th 2015. See below for details:

- [REDACTED] (POS) 10/2012 \$5,774.59
- [REDACTED] (POS) 11/2012 \$6,042.00

- [REDACTED] (POS) 12/2012 \$6,000.49
- [REDACTED] (POS) 1/2013 \$5,730.30
- [REDACTED] (UCS) 2/2014 \$906.40
- [REDACTED] (UCS) 3/2014 \$906.40

Lifeline services \$508.56 per month from October 2012 through June 30, 2015 (44 months) which adds up to a total of \$22,376.64. All of these amounts should be deducted or offset from any overpayments resulting from the audit.

Please review the additional documentation we have submitted and revise the final audit findings and report accordingly. Should you have any questions or desire additional information, please contact me at your earliest convenience.

Sincerely Yours,


Zachary D. Wheeler

October 28, 2015

Edward Yan
Department of Developmental Services
Audit Branch
1600 Ninth Street, Room 230, M.S. 2-10
Sacramento, CA 95814

Re: Volunteer services provided in 2011/2012

Dear Mr. Yan:

This letter serves as documentation of the hours I provided to Zachery Wheeler for care of consumers in his Companies during 2011/2012. I provided hours to Mr. Wheeler without any compensation for the 18 month period from June 2011 through December 2012. I worked monthly and typically worked 3 weeks per month and 8 hours per day for a typical month for a total of 120 hours per month. I did not submit any time sheets as I was not an employee of his Companies. Zachary provided me with room and board in exchange for my assistance as well as assistance in looking for full time employment in California.

1000 hours

Should you have any questions or require additional information, please contact me at your convenience.

Sincerely Yours,

██████████

Cc: Zachary D. Wheeler

October 28, 2015

Edward Yan
Department of Developmental Services
Audit Branch
1600 Ninth Street, Room 230, M.S. 2-10
Sacramento, CA 95814

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1440 hours

Should you have any questions or require additional information, please contact me at your convenience.

Sincerely Yours,

██████████

Cc: Zachary D. Wheeler

October 28, 2015

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Audit Branch
1600 Ninth Street, Room 230, M.S. 2-10
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11460 hours

Should you have any questions or require additional information, please contact me at your convenience.

Sincerely Yours,

████████████████████

Cc: Zachary D. Wheeler

October 28, 2015

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*12 x 120 =
1440
hours*

Should you have any questions or require additional information, please contact me at your convenience.

Sincerely Yours,

██████████

Cc: Zachary D. Wheeler

THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF WHEELER SUPPORTIVE SERVICES' RESPONSE

DDS evaluated WSS' written response to the draft audit report and determined that Mr. Wheeler, CEO, disagreed with the finding. Below is a summary of the vendor's response as well as DDS' evaluation of the vendor's response. Mr. Wheeler's response addressed the draft audit report of two of his companies, WSS and Zachary Wheeler (ZW). This evaluation pertains to the response to the draft audit report for WSS only. (See Attachment B to the final audit report for the full text of WSS' response.)

Finding: Supported Living Services – Unsupported Billings

WSS stated that four of his relatives provided support to consumers but were not compensated at the rates that WSS was reimbursed for services provided did not provide adequate compensation. He provided letters from the relatives stating that they worked from June 2011 through December 2012 for 120 hours per month without compensation for all of Mr. Wheeler's companies.

DDS Evaluation:

In reviewing WSS's letters provided as support to refute DDS' audit finding with regard to unsupported billings, it was determined that no additional supporting documentation was provided. Title 17 requires that service providers shall maintain complete service records to support all billings to each regional center. A letter from a relative stating that services were provided without compensation does not support the hours billed. In addition, the letters were not signed.

However, DDS identified two consumers who attended the Mobile Day Program, SC 091, and one consumer who attended the Community Integration Program, SC 055, in one of Mr. Wheeler's other companies, Path of Success (POS), which was also audited by DDS. In computing the unsupported billings for WSS' SLS program, DDS reduced the required SLS hours by the hours the consumers attended the Mobile Day Program and the Community Integration Program, respectively.

Conclusion:

The letters from several individuals stating that services were provided without compensation do not provide adequate support for the hours billed and therefore WSS was not allowed credit for those hours. However, DDS reduced the required SLS hours by the hours the consumers attended the Mobile Day Program and the Community Integration Program which resulted in a reduction to the finding from \$210,819 to \$162,923 or by \$47,896.