

**DEPARTMENT  
OF  
DEVELOPMENTAL SERVICES'  
AUDIT  
OF  
ZACHARY WHEELER, SOLE PROPRIETORSHIP**

**Services:**

Supported Living Services – H88944

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

October 27, 2017

**Audit Section**

**Auditors:** Michael Masui, Chief of Vendor Audits  
Alton Kitay, Supervisor  
Ermias Tecele, Supervisor  
Asraf Tootla, Auditor  
Treisa Muhammad, Auditor

# ZACHARY WHEELER, SOLE PROPRIETORSHIP

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## EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited Zachary Wheeler, Sole Proprietorship (ZW). ZW is one of a number of companies owned and operated by Mr. Zachary Wheeler. This report is an audit of only ZW, although Wheeler Supportive Services Inc., Unified: Compassionate Solutions, Inc., and Path of Success, Inc. were audited simultaneously with separate audit reports issued. The audit was performed upon ZW's Supported Living Services (SLS) 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 ZW's SLS, Vendor Number H88944, revealed that ZW had unsupported billings in the amount of \$430,960 for services billed to Golden Gate Regional Center (GGRC).

The total amount of unsupported billings identified in this audit amounts to \$430,960 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 ZW's SLS was compliant with the W&I Code, California Code of Regulations (CCR), Title 17, and the regional center's contracts with ZW 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 ZW, nor was this audit intended to express an opinion on the financial statements. The auditors limited the review of ZW's 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 ZW complied with CCR, Title 17. Also, any complaints that DDS' Audit Section was aware of regarding noncompliance of laws and regulations were reviewed and addressed 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, ZW operated one SLS. The audit included the review of ZW's SLS, Vendor Number H88944, Service Code 896. The initial review, selected from the audit period of July 1, 2011, through June 30, 2012, of ZW's SLS 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. As a result, the audit team adjusted the substantive testing to audit all companies of Mr. Wheeler, and to expand the audit sample to test the period of 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:

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

## **CONCLUSION**

Based upon the item identified in the Finding and Recommendation section, ZW 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 finding in the draft audit report was not discussed with Mr. Wheeler, ZW Sole Proprietorship, because he did not respond to any correspondence from DDS regarding an exit conference. However, the draft audit report was mailed to Mr. Wheeler as certified mail with return receipt requested on August 25, 2015. DDS received a response from Mr. Wheeler on November 2, 2015, stating that ZW 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 ZW. 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 ZW's SLS, Vendor Number H88944, for the sample period of July 1, 2011, through June 30, 2012, revealed that ZW had unsupported billings due to a lack of appropriate documentation to support the units of services billed to GGRC.

A staff to consumer ratio of one to one, in accordance with the program design, was not fulfilled and a commitment of 24 hours per day, seven days a week was not met. In addition, the hours claimed overlapped between daytime and overnight shifts. ZW was not able to provide appropriate supporting documentation for 21,497 hours of services billed. The lack of documentation resulted in unsupported billings to GGRC in the amount of \$430,960 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) state:

- “(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) state:

- “(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:**

ZW must reimburse DDS \$430,960 for the unsupported billings. In addition, ZW should develop and implement policies and procedures to ensure that proper documentation is maintained to support the amounts billed to GGRC.

**ZW's Response:**

Mr. Wheeler stated in his response, received on November 2, 2015, that ZW disagreed with the finding. (See Attachment B)



**Zackery Wheeler**  
**Summary of Unsupported Billings**  
**July 1, 2011 through June 30, 2012**

<i>Finding #</i>	<i>RC</i>	<i>Vendor</i>	<i>Svc Code</i>	<i>Unit Type</i>	<i>Sub Code</i>	<i>Unit Rate per Hour</i>	<u>Unsupported Billings</u>		<u>Amount Due to DDS</u>
							<i>Units</i>	<i>Amount</i>	<i>Amount<sup>1</sup></i>
<b><u>Supported Living Services</u></b>									
		H88944	896						
		GGRC		<i>Hours</i>					
					18H	\$21.70	10,353	\$ 224,660	\$ 224,660
					35H	\$27.61	4,645	\$ 128,248	\$ 128,248
					5H	\$10.85	5,920	\$ 64,232	\$ 64,232
					OHTH	\$26.81	263	\$ 7,051	\$ 7,051
					PS	\$21.70	305	\$ 6,619	\$ 6,619
					01IHS	\$13.59	11	\$ 149	\$ 149
							<u>\$ 21,497</u>	<u>\$ 430,960</u>	<u>\$ 430,960</u>
<b>TOTAL UNSUPPORTED BILLINGS</b>									<b>\$ 430,960</b>

1. All figures have been rounded to the nearest dollar.

## Zachary Wheeler's Response to Draft Report

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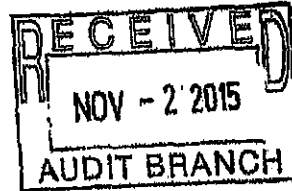
As part of the audit report process, Zachary Wheeler (ZW) was afforded the opportunity to respond to the draft audit report and provide a written response to the finding identified. On October 30, 2015, ZW submitted a response to the draft audit report, which was received by DDS on November 2, 2015.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

The response included two three-page letters addressing two of Mr. Wheeler's companies, ZW and Wheeler Supportive Services (WSS), four letters from relatives who allegedly provided direct care services without compensation, and one box of documents which include: 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 29<sup>th</sup> 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 30<sup>th</sup> 2015. See below for details:

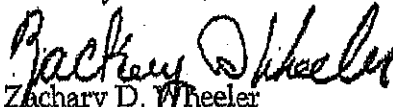
- [REDACTED] (POS)10/2012 \$5,774.59
- [REDACTED] (POS) 11/2012 \$6,042.00

- [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 Zachary 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.

12 x 120 =  
1440  
12.000 hr

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

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.

11/16/15

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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*120 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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11/10/15

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

Sincerely Yours,

[Redacted Signature]

Cc: Zachary D. Wheeler

## THE DEPARTMENT OF DEVELOPMENTAL SERVICES' EVALUATION OF ZACHARY WHEELER'S RESPONSE

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

### **Finding: Supported Living Services – Unsupported Billings**

*ZW stated that four of his relatives provided support to consumers but were not compensated as the rates that ZW 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. In addition, ZW stated, that there were a number of invoices related to ZW's SLS program for which Mr. Wheeler's other company Wheeler Supportive Services, Inc. (WSS) has not been paid due to continuing issues with the Golden Gate Regional Center (GGRC). ZW's response further stated, that these invoices relate to both SLS services provided to consumers which were incorrectly posted to ZW after the contract with GGRC was terminated and to the Lifeline services contract with GGRC for \$508.36 per month authorized through June 30, 2015. ZW contends that invoices are unpaid for two consumers; ■■■ for the months of October 2012 through January 2013, and for ■■■ for the months of February and March 2014. ZW requests that these invoices as well as the unpaid invoices for the Lifeline contract for the period from October 1, 2012 through June 30, 2015 should be offset against the unsupported billings in finding 1.*

### **DDS Evaluation:**

In reviewing ZW'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.

DDS' audit finding for the unsupported billings covers the audit period from July 1, 2011, through June 30, 2012. The unpaid invoices for ■■■ and ■■■ are for the months of October 2012 through January 2013, and for the months of February and March 2014, respectively. These months are outside of the audit period. In addition, the invoices are for two of Mr. Wheeler's other companies, Path of Success (POS) and Unified Compassionate Solutions (UCS) and cannot be used to offset the unsupported billings for ZW.

Further, the contract for SLS between ZW and GGRC was terminated as of October 1, 2012. ZW was instructed to cease providing services and to remove all direct service staff from the consumer homes as of October 1, 2012. The SLS contract also includes a 24-hour Emergency Assistance service that ZW refers to as Lifeline Services contract. The 24-hour Emergency Assistance service provides response to calls for assistance to its consumers in emergency situations. Since the 24-hour Emergency Assistance service is part of the SLS contract, the termination of the SLS contract between ZW and GGRC also cancels the 24-hour Emergency Assistance service. Consequently, DDS determined that the unpaid invoices for the 24-hour Emergency Assistance service cannot be offset against the unsupported billings finding. (See Attachment D)

**Conclusion:**

ZW did not provide any supporting evidence that would result in a reduction of the finding. The letters from several individuals stating that services were provided without compensation do not provide adequate support for the hours billed and therefore, ZW was not allowed credit for those hours.



## Golden Gate Regional Center

Serving people with developmental disabilities since 1966

July 31, 2012

### VIA MESSENGER DELIVERY

Zackery Wheeler  
Wheeler Support Services  
1501 Bayshore Highway  
Burlingame, CA 94010

Re: Zackery Wheeler (VIN No. H88944)  
Wheeler Support Services (VIN No. H89099)

Dear Zack:

After thoughtful consideration, Golden Gate Regional Center (GGRC) has decided to utilize its regulatory authority to terminate the contract and vendorization between GGRC and Wheeler Support Services (VIN No. H89099) and Zackery Wheeler (VIN No. H88944). Therefore, by the enclosed notice, the contract will officially terminate on October 1, 2012. As of that date Wheeler Support Services shall immediately cease providing services to, and remove any direct service staff from the home of, any GGRC participant whose services were being provided by Wheeler Support Services (H89099) or Zackery Wheeler (H88944).

We thank you for your past services.

Very truly yours,

A handwritten signature in black ink that reads "Lisa Rosene". The signature is written in a cursive style.

Lisa Rosene  
Chief, Regional Center Services

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[www.ggrc.org](http://www.ggrc.org)

875 Stevenson St., 6th Floor  
San Francisco, CA 94103  
(415) 546-9222

3130 La Selva St., Ste 202  
San Mateo, CA 94403  
(650) 574-9232

5725 Paradise Dr., Bldg. A Ste 100  
Corte Madera, CA 94925  
(415) 945-1600



# Golden Gate Regional Center

Serving people with developmental disabilities since 1966

## 60 DAY NOTICE OF TERMINATION OF CONTRACT

*17 Cal, Code Regulations §58672*

TO: Zackery Wheeler (VIN No. H88944)  
Wheeler Support Services (VIN No. H89099)  
1501 Bayshore Highway  
Burlingame, CA 94010

FROM: Lisa Rosene, Chief, Regional Center Services  
Golden Gate Regional Center

GOLDEN GATE REGIONAL CENTER hereby provides NOTICE OF TERMINATION OF CONTRACT and vendor services with ZACKERY WHEELER (VIN No. H88944) and WHEELER SUPPORT SERVICES (VIN No. H89099) effective the below date:

**OCTOBER 1, 2012**

On October 1, 2012, the contract termination date, ZACKERY WHEELER and WHEELER SUPPORT SERVICES, shall immediately cease providing services to, and remove any direct service staff from the home of, any consumer whose services were covered by the contract. (See *17 Cal, Code Regulations §58672(b)*)

GOLDEN GATE REGIONAL CENTER

Dated 7/31/12

By Lisa Rosene / LRS  
Lisa Rosene  
Chief, Regional Center Services

[www.ggrc.org](http://www.ggrc.org)

875 Stevenson St., 6th Floor  
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