

**DEPARTMENT OF DEVELOPMENTAL SERVICES**

1600 NINTH STREET, Room 240, MS 2-13  
SACRAMENTO, CA 95814  
TDD 654-2054 (For the Hearing Impaired)  
(916) 654-1897



December 13, 2012

**CERTIFIED MAIL –  
RETURN RECEIPT REQUESTED**

Denis McGrath, Board President  
San Gabriel/Pomona Regional Center  
761 Corporate Center Drive  
Pomona, CA 91768

Dear Mr. McGrath:

**LETTER OF FINDINGS**

**Department of Developmental Services Final Audit Report for Fiscal Years 2009-10 and  
2010-11– San Gabriel/Pomona Regional Center**

On November 19, 2012, the Department of Developmental Services (DDS or Department) received a written request for an administrative review (Statement of Disputed Issues) from the San Gabriel/Pomona Regional Center (SGPRC), regarding the Department's Final Audit Report referenced above. On November 29, 2012, DDS received a response to the Statement of Disputed Issues from the Department's Audit Branch. Pursuant to California Code of Regulations, Title 17, Section 50732, this letter shall serve as DDS's Letter of Findings regarding the Final Audit Report.

DDS has reviewed the Final Audit Report, the Statement of Disputed Issues, and the Response to the Statement of Disputed Issues. The primary issue upon appeal was overpayments made to a vendor by SGPRC. The audit contained three (3) findings. Of these findings only a portion of Finding 1 is being disputed.

**Finding #1: Over-stated Claims (Disputed Section)**

The audit found that SGPRC had eight (8) instances of overpayment to a vendor due to payments exceeding the contract amount. The total overpayment for this section was \$1,548.26.

The vendor was Dr. William Bernhardt, and the service was funded under Operations.

The contract stated that Dr. Bernhardt would provide supervision and assignment of cases to an employee of SGPRC for Board Certified Behavior Analysis. The stated Funds to be Paid to Vendor for the audited period is as follows: "The total amount of funds payable by SGPRC to Vendor shall be \$75.00 per hour for 6 hours monthly."

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The vendor provided a varied number of service hours over the two fiscal years, both over and under the six (6) hours per month. The hours provided in excess of the six (6) hours per month contributed to the overpayment noted in the Audit Report.

### **Statement of Disputed Issues**

In the Statement of Disputed Issues SGPRC states:

- That the vendor billed, and was paid, at a rate lower than the contract rate;
- The contract monitor, verbally approved the hours in excess of six (6) per month, and signed the invoices submitted by the vendor;
- The varied hours were necessitated by the employee (student's) schedule;
- The total number of hours of service was less (on average) than the six (6) hours per month included in the contract;
- The total amount paid through the contract was less than the total contracted amount; and
- The contract for Fiscal Year 2011-2012 was modified to read "for an average of 6 hours monthly."

### **Administrative Review and Decision**

The Department finds that SGPRC should have modified the contracts with Dr. Bernhardt to clearly stipulate that the hours could be variable and average six (6) hours per month. However, they did make this change in the contract for Fiscal Year 2011-2012, confirming that the average provision of services met their intent.

The contract payments did not exceed the total amount of the contract; the vendor provided the service; and the vendor was given approval by the contract monitor to provide the hours in excess of six (6) per month.

Based on the above, this finding is not upheld, and SGPRC has no outstanding overpayment related to this issue.

### **Summary**

This Letter of Findings modifies the Final Audit Report as noted above, and DDS finds that SGPRC is not required to reimburse DDS \$1,548.26. Pursuant to the California Code of Regulations, Title 17, Section 50750, this Letter of Findings shall be final unless either party files a request for a formal hearing within 30 days of the receipt of this Letter of Findings.

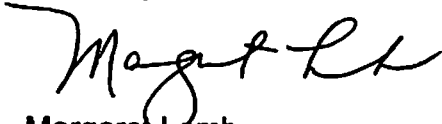
Denis McGrath, Board President  
December 13, 2012  
Page three

Requests for a formal hearing may be mailed to:

Department of Developmental Services  
Attention: Darryl White, Senior Staff Counsel  
P.O. Box 944202  
Sacramento, CA 94244-2020

Should you have any questions regarding this matter, please contact Darryl White, Senior Staff Counsel at (916) 653-0817 or [darryl.white@dds.ca.gov](mailto:darryl.white@dds.ca.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Margaret Lamb". The signature is written in a cursive, flowing style.

Margaret Lamb  
Review Officer

cc: R. Keith Penman, Executive Director  
San Gabriel/Pomona Regional Center

Darryl White, Senior Staff Counsel  
Department of Developmental Services

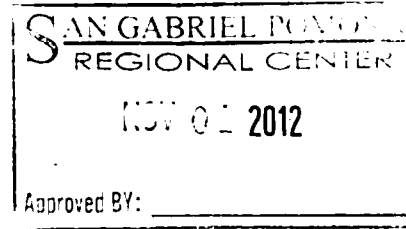
**SAN GABRIEL/POMONA**  
**REGIONAL CENTER**  
**DEC 17 2012**  
Received BY: \_\_\_\_\_

**DEPARTMENT OF DEVELOPMENTAL SERVICES**

1600 NINTH STREET, Room 320, MS 3-9  
SACRAMENTO, CA 95814  
TDD 654-2054 (For the Hearing Impaired)  
(916) 654-1958



October 26, 2012



Denis McGrath, Board President  
San Gabriel/Pomona Valleys Developmental Services, Inc.  
761 Corporate Center Drive  
Pomona, CA 91768

Dear Mr. McGrath:

The Department of Developmental Services' (DDS) Audit Branch has completed the audit of the San Gabriel/Pomona Regional Center (SGPRC). The period of review was from July 1, 2009, through June 30, 2011. The enclosed report discusses the areas reviewed along with the findings and recommendations. The report includes the response submitted by SGPRC, which is included as Appendix A, and DDS' reply, which is enclosed on page 17 of the report.

If there is a disagreement with the audit findings, a written "Statement of Disputed Issues" may be filed with DDS' Audit Appeals Unit, pursuant to California Code of Regulations (CCR) title 17, section 50730, Request for Administrative Review, (excerpt enclosed). The "Statement of Disputed Issues" must be filed within 30 days of receipt of this report to:

Department of Developmental Services  
Audit Appeals Unit  
1600 Ninth Street, Room 240, MS 2-13  
Sacramento, CA 95814

The cooperation of SGPRC's staff in completing the audit is appreciated.

To make payment arrangements to DDS for any amounts due as a result of the findings contained in this final audit report, please contact Tim Gonsalves, Chief, Accounting Section, at (916) 654-2897.

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Denis McGrath  
October 26, 2012  
Page two

If you have any questions regarding the report, please contact Edward Yan, Manager, Audit Branch, at (916) 654-3695.

Sincerely,



BRIAN WINFIELD  
Acting Deputy Director  
Community Operations Division

Enclosures

cc: R. Keith Penman, SGPRC  
Gabi McLean, SGPRC  
Evie Correa, DHCS  
Nancy Bargmann, DDS  
Karyn Meyreles, DDS  
Edward Yan, DDS  
Luciah Ellen Nzima, DDS  
Michelle LaGrandeur, DDS  
Tim Gonsalves, DDS

**California Code of Regulations**  
**Title 17, Division 2**  
**Chapter 1 - General Provisions**  
**SubChapter 7 - Fiscal Audit Appeals**  
**Article 2 - Administrative Review**

**§50730. Request for Administrative Review.**

(a) An individual, entity, or organization which disagrees with any portion or aspect of an audit report issued by the Department or regional center may request an administrative review. The appellant's written request shall be submitted to the Department within 30 days after the receipt of the audit report. The request may be amended at any time during the 30-day period.

(b) If the appellant does not submit the written request within the 30-day period, the appeals review officer shall deny such request, and all audit exceptions or findings in the report shall be deemed final unless the appellant establishes good cause for late filing.

(c) The request shall be known as a "Statement of Disputed Issues." It shall be in writing, signed by the appellant or his/her authorized agent, and shall state the address of the appellant and of the agent, if any agent has been designated. An appellant shall specify the name and address of the individual authorized on behalf of the appellant to receive any and all documents, including the final decision of the Director, relating to proceedings conducted pursuant to this subchapter. The Statement of Disputed Issues need not be formal, but it shall be both complete and specific as to each audit exception or finding being protested. In addition, it shall set forth all of the appellant's contentions as to those exceptions or findings, and the estimated dollar amount of each exception or finding being appealed.

(d) If the appeals review officer determines that a Statement of Disputed Issues fails to state the grounds upon which objections to the audit report are based, with sufficient completeness and specificity for full resolution of the issues presented, he/she shall notify the appellant, in writing, that it does not comply with the requirements of this subchapter.

(e) The appellant has 15 days after the date of mailing of such notice within which to file an amended Statement of Disputed Issues. If the appellant does not amend his/her appeal to correct the stated deficiencies within the time permitted, all audit exceptions or findings affected shall be dismissed from the appeal, unless good cause is shown for the noncompliance.

(f) The appellant shall attach to the Statement of Disputed Issues all documents which he/she intends to introduce into evidence in support of stated contentions. An appellant that is unable to locate, prepare, or compile such documents within the appeal period specified in Subsection (a) above, shall include a statement to this effect in the Statement of Disputed Issues. The appellant shall have an additional 30 days after the expiration of the initial 30-day period in which to submit the documents. Documents that are not submitted within this period shall not be accepted into evidence at any stage of the appeal process unless good cause is shown for the failure to present the documents within the prescribed period.



**AUDIT OF THE  
SAN GABRIEL POMONA REGIONAL CENTER  
FOR FISCAL YEARS 2009-10 AND 2010-11**

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Department of Developmental Services



**This report was prepared by the  
California Department of Developmental Services  
1600 Ninth Street  
Sacramento, CA 95814**

**Karyn A. Meyreles, Deputy Director, Administration Division  
Edward Yan, Manager, Audit Branch  
Luciah Ellen Nzima, Chief of Regional Center Audits, Audit Branch  
Soi Ly, Supervisor, Audit Branch**

**Audit Staff: Adam Smarte, Jeffry Takili, and Nestor Tuazon**

**For more information, please call: (916) 654-3695**

# TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY .....	1
BACKGROUND .....	2
Authority .....	3
Criteria .....	3
Audit Period .....	3
OBJECTIVES, SCOPE, AND METHODOLOGY .....	4
I. Purchase of Service .....	5
II. Regional Center Operations .....	6
III. Targeted Case Management and Regional Center Rate Study .....	6
IV. Service Coordinator Caseload Survey .....	6
V. Early Intervention Program.....	7
VI. Family Cost Participation Program .....	7
VII. Procurement.....	8
VIII. Statewide/Regional Center Median Rates.....	9
IX. Other Sources of Funding from DDS .....	10
X. Follow-Up Review on Prior DDS Audit Findings.....	10
CONCLUSIONS.....	11
VIEWS OF RESPONSIBLE OFFICIALS .....	12
RESTRICTED USE.....	13
FINDINGS AND RECOMMENDATIONS.....	14
EVALUATION OF RESPONSE .....	17
REGIONAL CENTER'S RESPONSE.....	Appendix A

## EXECUTIVE SUMMARY

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The Department of Developmental Services (DDS) fiscal compliance audit of San Gabriel Pomona Regional Center (SGPRC) was conducted to ensure SGPRC'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 the Department of Developmental Services (DDS). The audit indicated that, overall, SGPRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where SGPRC's administrative, operational controls could be strengthened. A follow-up review was performed to ensure SGPRC has taken corrective action to resolve the findings identified by the prior DDS Audit Report.

### **Findings that need to be addressed.**

#### **Finding 1: Over-Stated Claims**

A sample review of 172 Purchase of Services (POS) and Operations (OPS) vendor invoices revealed SGPRC over claimed expenses totaling \$20,878.57. This is not in compliance with CCR, title 17, section 54326(a)(10) and (12) and Assembly Bill No. 104, chapter 37, section 24, section 10(a).

SGPRC has taken corrective action by collecting \$19,330.31 of the overpayments. The remaining balance of the overpayments totals \$1,548.26.

#### **Finding 2: Targeted Case Management (TCM) Time Study-Recording of Attendance**

The review of the Targeted Case Management (TCM) Time Study revealed that 9 of 19 sampled employees had vacation and sick hours recorded on their timesheets which did not properly reflect the hours recorded on the TCM Time Study forms (DS 1916). This resulted in 41 hours that were overstated and one hour that was understated.

#### **Finding 3: Missing "Hold Harmless" Clause (Repeat)**

A review of SGPRC's lease agreements revealed the four leases identified in the prior audit continue to not include the "Hold Harmless" clause as required by Article VII, section 1 of DDS' contract with SGPRC.

## **BACKGROUND**

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The Department of Developmental Services (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 Home and Community-Based Services (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. Also, DDS 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 staff to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on the Regional Center's fiscal, administrative and program operations.

DDS and San Gabriel/Pomona Valleys Developmental Services, Inc., entered into contract HD099018 effective July 1, 2009, through June 30, 2016. The contract specifies that San Gabriel/Pomona Valleys Developmental Services, Inc. will operate an agency known as the San Gabriel Pomona Regional Center (SGPRC) to provide services to persons with DD and their families in the El Monte, Monrovia, Pomona, and Foothill areas. The contract is funded by State and Federal funds that are dependent upon SGPRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SGPRC from December 5, 2011, through January 13, 2012, and was conducted by DDS' Audit Branch.

## **AUTHORITY**

The audit was conducted under the authority of the Welfare and Institutions (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 Welfare and Institutions (W&I) Code
- “Approved Application for the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled”
- Title 17 of the California Code of Regulations (CCR, title 17)
- Federal Office of Management Budget (OMB) Circular A-133
- State Contract between DDS and SGPRC, effective July 1, 2009

## **AUDIT PERIOD**

The audit period was July 1, 2009, through June 30, 2011, with follow-up as needed into prior and subsequent periods.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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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 Welfare and Institution (W&I) Code (or the Lanterman Act),
- To determine compliance with Title 17 of the California Code of Regulations (CCR, title 17),
- To determine compliance with the provisions of 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 SGPRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that SGPRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether SGPRC was in compliance with the Lanterman Act, CCR, title 17, the HCBS Waiver for the Developmentally Disabled, and the State Contract.

DDS' review of SGPRC'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 2009-10, issued on January 12, 2011. In addition, DDS noted no management letter was issued for SGPRC. This review was performed to determine the impact, if any, upon the DDS audit and as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

**I. Purchase of Service**

DDS selected a sample of Purchase of Service (POS) claims billed to DDS. The sample included consumer services, 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 SGPRC. 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 (SSA). 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 SSA in a timely manner. An interview with SGPRC staff revealed that SGPRC 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 SSA (or other source) in a timely manner.
- DDS selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of SGPRC's bank accounts to determine whether DDS had signatory authority as required by the contract 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 SGPRC operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that SGPRC's accounting staff is properly inputting data, transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas were 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 SGPRC's policies and procedures for compliance with the DDS Conflict of Interest regulations and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

## **III. Targeted Case Management 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. The following procedures were performed upon the study:

- Reviewed applicable TCM records and verified that the information submitted by SGPRC was correct and traceable to the general ledgers and payroll registers.
- Reviewed SGPRC's Case Management Time Study. DDS selected a sample of payroll time sheets for this review and compared it to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

## **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 lifted in February 2009, upon imposition of the 3 percent rate reduction to regional centers as required per W&I Code 4640.6(i) and (j).

However, under W&I Code, section 4640.6(i)(2), for the period commencing February 1, 2009, to June 30, 2010, inclusive, regional centers were no longer required to provide service coordinator caseload data to DDS annually. Regional centers were instead to maintain sufficient service coordinator caseload data to document compliance with the service coordinator-to-consumer ratio requirements in effect.

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). This requirement is temporarily suspended for the February 2009 and 2010 caseload surveys which is reported in the month of March.

#### **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 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 Family Cost Participation Program (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 SGPRC 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 Family Cost Participation.

- Reviewed the parents' income documentation to verify their level of participation based on the Family Cost Participation Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days.
- Reviewed vendor payments to verify that SGPRC is paying for only its assessed share of cost.

## **VII. Procurement**

The Request for Proposal (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 SGPRC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during the audit review:

- Reviewed the SGPRC 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 communicated to all vendors. All submitted proposals are evaluated by a team of individuals, to determine whether proposals are properly documented, recorded and authorized by appropriate officials at SGPRC. 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 the 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 SGPRC notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that SGPRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and those contracts are 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 SGPRC 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 SGPRC 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 and 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 SGPRC'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 and Regional Center Median Rates were implemented on July 1, 2008, 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 SGPRC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether SGPRC is using appropriately vendorized service providers, have correct service codes, and that SGPRC is paying authorized contract rates and complying with the median rate requirements for the W&I Code, section 4691.9.
- Reviewed vendor contracts to verify that SGPRC is reimbursing vendors using authorized contract median rates, and 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 many other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure SGPRC'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 other sources of funding from DDS identified in this audit are:

- Start-Up Funds.
- Prevention Program.
- Deflection.
- American Recovery and Reinvestment Act (ARRA) Funds.
- Mental Health Services Act Funds.
- Family Resource Center 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 the prior audit findings that were reported to SGPRC and reviewed supporting documentation to determine the degree and completeness of SGPRC's implementation of the corrective action.

## CONCLUSIONS

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Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations Section, SGPRC was in compliance with applicable sections of the CCR, title 17, the HCBS waiver, and the State Contract with DDS for the audit period, July 1, 2009, through June 30, 2011.

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

From the review of the prior audit issues, it was determined that SGPRC has not taken appropriate corrective action to resolve one prior audit issue which is identified in the Findings and Recommendations Section.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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DDS issued a draft report on August 16, 2012. The findings in the report were discussed at an exit conference with SGPRC on September 6, 2012. At the exit conference, DDS stated that the final report will incorporate the views of responsible officials.

## **RESTRICTED USE**

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**This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, Centers for Medicare and Medicaid Services, and San Gabriel Pomona Regional Center. This restriction does not limit distribution of this report, which is a matter of public record.**

## FINDINGS AND RECOMMENDATIONS

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### Findings that need to be addressed.

#### **Finding 1: Over-Stated Claims**

A sample review of 172 of SGPRC's Purchase of Service and Operational vendor claims revealed 86 instances in which SGPRC over claimed expenses totaling \$20,878.57 to the State. There were 55 instances of overpayments due to incorrect calculation of the 4.25 percent rate reduction, 17 instances due to incorrect billings, one instance due to duplicate payments, five instances due to incorrect authorizations, and eight instances due to payments exceeding the contract amount.

SGPRC has taken corrective action by collecting \$19,330.31 of the overpayments. The remaining balance of the overpayments totals \$1,548.26. (See Attachment A.)

CCR, title 17, section 54326(a)(10) and (12) states:

"All vendors shall...

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

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

Also CCR, title 17, section 57300(c) states:

"Regional centers shall not reimburse vendors:

(1) Unless they have a rate established pursuant to these regulations which is currently in effect; nor

(2) For services in an amount greater than the rate established pursuant to these regulations."

Assembly Bill No. 104, chapter 37, section 24, section 10(a) states:

"(a) Notwithstanding any other provision of law, in order to implement changes in the level of funding for regional center purchase of services, regional centers shall reduce payments for services and supports provided pursuant to Title 14 (commencing with Section 95000) of the Government Code and



Division 4.1 (commencing with Section 4400) and Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code. From February 1, 2009, to June 30, 2010, inclusive, regional centers shall reduce all payments for these services and supports paid from purchase of services funds for services delivered on or after February 1, 2009, by 3 percent, and from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent, unless the regional center demonstrates that a non-reduced payment is necessary to protect the health and safety of the individual for whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval.”

**Recommendation:**

SGPRC must recover the remaining improper overpayments made to the respective vendors and reimburse DDS the outstanding amount of \$1,548.26. In addition SGPRC must ensure the payments made reflect the actual rates established. SGPRC should also review its vendor payment invoices and rate letters to ensure it has appropriately applied the mandated rate reduction to its vendors and any payment errors identified are corrected in a timely manner.

**Finding 2: Targeted Case Management (TCM) Time Study-Recording of Attendance**

The review of the TCM Time Study revealed that 9 of 19 sampled employees had vacation and sick hours recorded on their timesheets which did not properly reflect what was recorded on the TCM Time Study forms (DS 1916), due to the Case Managers’ oversight. The difference between the employees’ timesheets and the TCM Time Study forms was a total of 40 hours.

For good business and internal control practices, vacation and sick leave should be recorded correctly on the DS 1916. Time recorded incorrectly may result in an incorrect calculation of the TCM rate, which could result in the requirement to return overpayments of the TCM rate to the Federal Government.

**Recommendation:**

SGPRC should adhere to its current policies and procedures and provide additional training, if needed, to its staff to ensure that all employee timesheets reconcile to the DS 1916.

**Finding 3: Missing “Hold Harmless” Clause (Repeat)**

A review of SGPRC’s lease agreements for real property revealed the four leases identified in the prior audit continue to not include the “Hold Harmless” clause as required by the contract with DDS. This clause is needed to ensure the State is held harmless for any claims and/or losses that may be associated with these lease agreements. As stated in the prior response, SGPRC explained that it has made several unsuccessful verbal and written attempts to obtain amendments for the lease agreements from the landlords.

State Contract Article VII(1) states:

“The contract shall include in all new leases or rental agreements for real property a clause that holds the State harmless for such leases.”

**Recommendation:**

SGPRC must continue to negotiate with its landlords to ensure that as the current leases are due for renewal in 2013 and 2014, they include the “Hold Harmless” clause. In addition, SGPRC should ensure that any future lease agreements negotiated with landlords have the “Hold Harmless” clause included to comply with this contract requirement.

## EVALUATION OF RESPONSE

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As part of the audit report process, SGPRC has been provided with a draft report and was requested to provide a response to each finding. SGPRC's response dated September 11, 2012, 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 SGPRC's response. Except as noted below, SGPRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. During the follow-up review of the next scheduled audit, the DDS Audit Branch will confirm SGPRC's corrective actions in their response to the draft audit report.

### **Finding 1: Over-Stated Claims**

SGPRC stated that the \$1,548.26 reimbursed to the vendor is not an overpayment, but an issue of contract language regarding the monthly distribution of hours of service. The contract stipulated a maximum of six hours per month to be provided and should have been written for an average number of hours per month instead.

SGPRC stated services were provided according to the intent of the contract and did not exceed the total allocation for the contract. SGPRC stated that the total amount billed and paid was less than the total contract amount and since the hours provided were not evenly distributed, the monthly total was exceeded in some months. In other months, there were no services provided or services provided were lesser than the monthly total, so that the average was, in fact, lower than the monthly maximum per contract.

DDS disagrees with SGPRC's interpretation of its contract as this contract does not specify the number of hours to be provided per year. SGPRC's contract specifically states six hours per month. This is not in compliance with CCR, title 17, section 54326(a)(10) and (12) which states, "all vendors shall bill only for services which are actually provided to consumers and which have been authorized by the referring regional center."

However, to ensure vendors are reimbursed correctly and that issues like this one do not arise in the future, DDS recommends that SGPRC clearly specify the terms of the contract. SGPRC must ensure vendors are not reimbursed based on intentions, but based on actual number of units provided. In addition, services provided should not exceed the maximum number of units authorized in the contract.

**Finding 2: Targeted Case Management (TCM) Time Study-Recording of Attendance**

SGPRC stated that it is in agreement with this finding and is currently working on following DDS' recommendation which requires it to adhere to its current policies and procedures, and provide additional training, if needed, to its staff to ensure that all employee timesheets reconcile to the DS 1916.

**Finding 3: Missing "Hold Harmless" Clause (Repeat)**

SGPRC stated, as it did in its prior response, that it is in agreement with the finding and is currently working on following DDS' recommendation, which requires it to continue to negotiate with their landlords to amend all of its leases to include the "Hold Harmless" clause. The terms of the lease agreements that do not include the "Hold Harmless" clause are set to expire in 2013 and 2014. Therefore, as these current leases are due for renewal, and for any new leases, SGPRC must ensure the "Hold Harmless" clause is included as required by the State contract.

**San Gabriel Pomona Regional Center  
Over-Stated Claims  
Fiscal Year 2009-10 and 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over Payments (A)
<b>Overpayments Due to Payments Exceeding Contract</b>							
1	N/A	10977	Dr. Bernhardt & Associates	N/A	1100687	1/10	\$95.63
2	N/A	10977	Dr. Bernhardt & Associates	N/A	1100710	2/10	\$277.50
3	N/A	10977	Dr. Bernhardt & Associates	N/A	1100836	4/10	\$204.75
4	N/A	10977	Dr. Bernhardt & Associates	N/A	1101133	6/10	\$204.75
5	N/A	10977	Dr. Bernhardt & Associates	N/A	1101320	8/10	\$132.00
6	N/A	10977	Dr. Bernhardt & Associates	N/A	1101596	11/10	\$241.12
7	N/A	10977	Dr. Bernhardt & Associates	N/A	1101719	12/10	\$52.60
8	N/A	10977	Dr. Bernhardt & Associates	N/A	1101859	1/11	\$339.91
<b>Total Overpayments Due to Payments Exceeding Contract</b>							<b>\$1,548.26</b>

**APPENDIX A**

**SAN GABRIEL/POMONA REGIONAL CENTER**

**RESPONSE  
TO AUDIT FINDINGS**

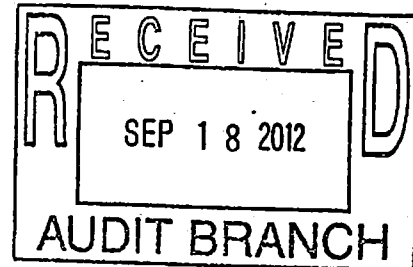
**(Certain documents provided by the San Gabriel/Pomona Regional Center as attachments to its response are not included in this report due to the detailed and sometimes confidential nature of the information.)**

# SAN GABRIEL/POMONA

## REGIONAL CENTER

761 Corporate Center Drive, Pomona, California 91768  
(909) 620-7722

September 11, 2012



Re: Response to Draft Audit Report for Fiscal Years 2009-10 and 2010-11

Dear Mr. Yan,

Thank you for providing us with the Draft Audit Report and the opportunity to respond.

We are in agreement with findings #2 and #3 and we are currently working on following your recommendations. For finding #1, please consider our comments and requests to (a) move this finding to the category of Findings That Have Been Addressed for the amount of \$19,330.31 since we recovered all POS overpayments before the draft report was issued, and to (b) remove the request of returning the alleged Operations overpayment of \$1,548.26 (this is for one vendor only).

Our argument is that this is not an overpayment but an issue of contract language in regards to the monthly distribution of hours of service. The contract stipulated a maximum amount of hours to be provided and should have been written for an average amount of hours per month instead.

The contract was for the supervision of an intern for behavioral services which fluctuated monthly with school assignments. However, the contract anticipated a constant monthly amount of service hours. The services that were provided and paid for were provided according to the intent of the contract, and did not exceed the total allocation for the contract. In fact, the total amount billed and paid was less than the total contract amount. However, since the hours provided were not evenly distributed, the monthly total was exceeded in some months – as noted in the draft audit report. In other months, there were no charges or charges lesser than the monthly total so that the average was in fact lower than the monthly maximum per contract. Please see our analysis attached which takes the rate differential into account due to our application of the 3 and 4.25 percent discount.

For the following fiscal year, we changed the contract language to average hours to allow for monthly fluctuations of services. There was only one more invoice, below the max/average monthly amount.

We'd like to thank you for your consideration of our requests and would be happy to answer any further questions you might have.

Sincerely,

A handwritten signature in cursive script that reads "Gabi McLean".

Gabi McLean  
Director, Fiscal Services