STATE OF CALIFORNIA--HEALTH AND HUMAN SERVICES AGENCY EDMUND G. BROWN JR., Governor

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

June 24, 2014

Denis McGrath, Board President
San Gabriel/Pomona Valleys Developmental Services, Inc.
75 Rancho Camino Drive
Pomona, CA 91766

Dear Mr. McGrath:

The Department of Developmental Services' (DDS) Audit Branch has completed the audit of the San Gabriel/Pomona Regional Center (SG/PRC). The period of review was from July 1, 2011, through June 30, 2013. The enclosed report discusses the areas reviewed along with the findings and recommendations. The report includes the response submitted by SG/PRC, which is included as Appendix A, and DDS' reply, which is enclosed on page 26 of the report.

As noted in the final audit report, DDS requests that SG/PRC reimburse DDS for the overpayment amount totaling $1,325.78.

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 SG/PRC's staff in completing the audit is appreciated.

Your invoice for the total amount of the audit findings is enclosed. When you make payment to DDS, please refer to the invoice number, so proper credit can be given. If you have any questions regarding the payment process, please contact Tim Gonsalves, Chief, Accounting Section, at (916) 654-2987.

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

Sincerely,

NANCY BARGMANN
Deputy Director
Community Services Division

Enclosures

cc: R. Keith Penman, SG/PRC
Gabi McLean, SG/PRC
Evie Correa, DHCS
Jean Johnson, DDS
Brian Winfield, DDS
Tim Gonsalves, DDS
Dean Shellenberger, DDS
Debie Pritchard, DDS
Edward Yan, DDS
Luciah Ellen Nzima, DDS
Soi Ly, DDS

State of California
DEPARTMENT OF DEVELOPMENTAL SERVICES
1600 9th Street
Sacramento, CA 95814

Denis McGrath, Board President
San Gabriel/Pomona Valleys Developmental Services, Inc.
75 Rancho Camino Drive
Pomona, CA 91766

INVOICE No. **11909**

Date June 24, 2014

Headquarters

Please return copy of Invoice with your remittance and make payable to:

DEPARTMENT OF DEVELOPMENTAL SERVICES
1600 9th Street, Room 310, MS 3-7
Sacramento, CA 95814
Attn: Tim Gonsalves, Chief, Accounting Section

For: Per final audit report dated June 24, 2014, please reimburse the Department of Developmental Services for the unresolved overpayment of $ 1,325.78 for the period of July 1 2011 through June 30, 2013.

Amount Due .... **$ 1,325.78**

APPROPRIATION: ITEM ______ CH. ______ FY ______

X REIMBURSEMENT ______

EXPENDITURE ______

REVENUE ______

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 2011-12 AND 2012-13

Department of Developmental Services

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

Jean Johnson, 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: Nestor Tuazon, Adam Smarte and Fahm Saelee

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

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of San Gabriel/Pomona Regional Center (SG/PRC) was conducted to ensure SG/PRC'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 DDS. The audit indicated that, overall, SG/PRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where SG/PRC's administrative, operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issued or constitute major concerns regarding SG/PRC's operations. A follow-up review was performed to ensure SG/PRC has taken corrective action to resolve the findings identified in the prior DDS Audit Report.

The findings of this report have been separated into the two categories below:

I. Findings that need to be addressed.

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

The review of 35 sampled Purchase of Service (POS) vendor contracts finalized after June 30, 2008, revealed one vendor, Intercare Therapy, Inc., vendor number PP5501, service code 028, that was contracted above the Statewide Median Rate. This resulted in overpayments totaling $1,325.78. This is not in compliance with the W&I Code, section 4691.9(b).

Finding 2: **Vendorization Process Not Followed**

The review of 35 sampled POS vendor contracts revealed two vendors received vendorization approvals prior to verification with the Federal Office of Inspector General (OIG) exclusion database. This is not in compliance with CCR, title 17, section 54311(a)(6) and SG/PRC's Vendorization Process for Negotiated Rate Vendors, Vendorization Process – Other Vendors, Item No. 3.

Finding 3: **Contract Awarded Without Request For Proposal**

The review of the vendor contracts revealed SG/PRC awarded a contract to one vendor, Inclusions Specialized Programs, LLC, vendor number PP5580, to develop an adult Specialized Residential Facility (SRF) without participating in the Request for Proposal (RFP) process. SG/PRC stated that the vendor did not go through a competitive bidding process because it did not have enough time to re-advertise the RFP in order to encumber the funds before the end of the fiscal year June 30, 2013. This is not in compliance with SG/PRC's Resource Development Policy.

Finding 4: **TCM Time Study – Recording of Attendance (Repeat)**

The review of the Targeted Case Management (TCM) Time Study revealed that four of 16 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 23 hours that were overstated and one hour that was understated. This is not in compliance with the Targeted Case Management Rate Study Process and Instructions.

Finding 5: **Annual Family Program Fee Registration Forms Not Completed**

The review of 14 sampled Annual Family Program Fee (AFPF) consumer files revealed five instances where the consumer's AFPF registration forms (DS 6009) were not completed. This is not in compliance with DDS' Annual Family Program Fee Procedures, section II, B.

Finding 6: **Family Cost Participation Program – Late Notification**

The sample review of 30 Family Cost Participation Program (FCPP) consumer files revealed seven instances where SG/PRC did not notify the parents of their assessed share of cost within 10 working days of receipt of the income documentation. This is not in compliance with W&I Code, section 4783(g)(1)(D)(3).

Finding 7: **Uniform Fiscal Systems Reports Not Retained**

The review of the Uniform Fiscal Systems (UFS) revealed that SG/PRC did not retain the reports used to complete the UFS reconciliations. This is not in compliance with W&I, section 4631(b) and the DDS State Contract, Article IV, section 3(b).

Finding 8: **Lack of Medi-Cal Reimbursement Procedures**

During audit of College Hospital Inc. (CHI), vendor number HH0937, service code 700, it was noted that that the vendor failed to bill Medi-Cal for $22,572.00 after the Treatment of Authorization Requests (TAR) were approved for SG/PRC consumers. As a result, a follow-up review at SG/PRC was conducted which found that SG/PRC does not have procedures in place to determine whether vendors have applied for Medi-Cal reimbursements for consumers who are Medi-Cal eligible. SG/PRC has no knowledge of Medi-Cal approvals or denials, unless it is notified by the vendors, and of the amounts that should be reimbursed by the vendor from Medi-Cal if approved.

II. Finding that has been addressed and corrected by SG/PRC.

Finding 9: **Improper Allocation of Community Placement Program Funds**

The review of the Community Placement Program (CPP) claims revealed SG/PRC erroneously included two consumers who were not on the list of consumers who moved from developmental centers to the community as part the CPP claims. This resulted in an improper allocation of CPP funds totaling $38,679.90. This is not in compliance with W&I Code, section 4418.25(b) and (d).

SG/PRC has provided documentation after the fieldwork which shows it has corrected the CPP claims totaling $38,679.90 by reversing the charges from the CPP general ledger into the General Fund general ledger. In addition, SG/PRC stated that it has amended its tracking procedures to include a review of the actual general ledger account charges, instead of relying exclusively on the CPP subcode.

BACKGROUND

DDS is responsible, under the Lanterman Developmental Disabilities Services Act (Lanterman Act), for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive and normal lives. To ensure that these services and supports are available, DDS contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals with DD and their families in California. These fixed points of contact are referred to as regional centers. The regional centers are responsible under State law to help ensure that such persons receive access to the programs and services that are best suited to them throughout their lifetime.

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's HCBS Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each regional center no less than every two years, and completes follow-up reviews in alternate years. 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 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 regional centers' fiscal, administrative and program operations.

DDS and San Gabriel/Pomona Valleys Developmental Services, Inc., entered into contract HD099018, (State Contract) effective July 1, 2009, through June 30, 2016. The contract specifies that that San Gabriel/Pomona Valleys Developmental Services, Inc. will operate an agency known as the San Gabriel Pomona Regional Center (SG/PRC) 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 SG/PRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SG/PRC from September 9, 2013, through October 11, 2013, and was conducted by DDS' Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was July 1, 2011, through June 30, 2013, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was conducted as part of the overall DDS monitoring system that provides information on regional centers' fiscal, administrative, and program operations. The objectives of this audit are:

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

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

DDS' review of SG/PRC'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 (FY) 2011-12, issued on January 9, 2013. In addition, DDS noted no management letter issued for SG/PRC. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. **Purchase of Service**

DDS selected a sample of POS claims billed to DDS. The sample included consumer services and vendor rates. The sample also included consumers who were eligible for the HCBS Waiver Program. For POS claims, the following procedures were performed:

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by SG/PRC. 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 the W&I Code of Regulations.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded $2,000 as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the $2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- DDS selected a sample of 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 SG/PRC's bank accounts to determine whether DDS had signatory authority as required by the contracts with DDS.
- DDS selected a sample of bank reconciliations for Operations accounts to determine if the reconciliations were properly completed on a monthly basis.

II. **Regional Center Operations**

DDS audited SG/PRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that SG/PRC'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 were 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 were tested to determine compliance with CCR, title 17 and the State Contract.

- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.

- DDS reviewed SG/PRC'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 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 SG/PRC's Rate Study. DDS examined the month of June 2011 and traced the reported information to source documents.

- Reviewed SG/PRC's TCM Time Study. DDS selected a sample of payroll timesheets 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 operations reduction to regional centers as required per W&I Code, section 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2012 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program

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

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

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

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

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

VII. Annual Family Program Fee

The Annual Family Program Fee (AFPF) was created for the purpose of assessing an annual fee of up to $200 based on income level of families of children between the ages of 0 through 17 years of age receiving qualifying services through a regional center. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the regional center, and a cost for participation is assessed to the parents under FCPP. To determine whether SG/PRC is in compliance with the W&I Code, DDS requested a list of AFPF assessments and verified the following:

- The adjusted gross family income is at or above 400 percent of the Federal poverty level based upon family size.
- The child has a developmental disability or is eligible for services under the California Early Intervention Services Act.
- The child is less than 18 years of age and lives with his or her parent.
- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.
- The child does not receive services through the Medi-Cal program.
- Documentation was maintained by the regional center to support reduced assessments.

VIII. Procurement

The RFP process was implemented to ensure regional centers outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires regional centers to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, regional centers will ensure that the most cost effective service providers, amongst comparable service providers, are selected as required by the Lanterman Act and the State Contract as amended.

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

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

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

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

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

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

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

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

- Reviewed to ensure SG/PRC 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 SG/PRC's 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 is 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 SG/PRC'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 SG/PRC's State Contract requirements as amended.

IX. Statewide/Regional Center Median Rates

The Statewide or Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure regional centers are not negotiating rates higher than the set median rates for services. Despite the median rate requirement, rate increases could be obtained from DDS under health and safety exemptions where regional centers demonstrate the exemption is necessary for the health and safety of the consumers.

To determine whether SG/PRC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether SG/PRC is using appropriately vendorized service providers and correct service codes, and that SG/PRC is paying authorized contract rates and complying with the medium rate requirements of the W&I Code, section 4691.9.

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

X. Other Sources of Funding from DDS

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure SG/PRC's accounting staff were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- Start-Up Funds, Community and Placement Program.
- Prevention Program.
- Part C.
- Mental Health Services Act.
- Denti-Cal.
- Family Resource Center.

XI. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to SG/PRC and reviewed supporting documentation to determine the degree and completeness of SG/PRC's implementation of corrective actions. The review indicated a prior issue that has not been resolved by SG/PRC.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that, except for the items identified in the Findings and Recommendations section, SG/PRC was in compliance with applicable sections of CCR, title 17, the HCBS Waiver, and the State Contract with DDS for the audit period, July 1, 2011, through June 30, 2013.

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

From the review of prior audit issues, it has been determined that SG/PRC has not taken appropriate corrective action to resolve one prior audit issue.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on April 4, 2014. The findings in the report were discussed at an exit conference with SG/PRC on April 10, 2014. At the exit conference, DDS stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

The findings of this report have been separated into the two categories below:

I. Findings that need to be addressed.

Finding 1: **<u>Negotiated Rate Above the Statewide Median Rate</u>**

The review of 35 sampled POS vendor contracts finalized after June 30, 2008, revealed one vendor, Intercare Therapy, Inc., vendor number PP5501, service code 028, that was contracted above the Statewide Median Rate requirement implemented on July 1, 2008. SG/PRC negotiated a contract rate of $154.50 per session to provide evaluation services effective December 1, 2011, when the Statewide Median Rate is $103.48 per session. This resulted in overpayments totaling $1,325.78.

The vendor was originally vendorized by Frank D. Lanterman Regional Center (FDLRC) which SG/PRC has been utilizing as a user regional center since 2007. SG/PRC vendorized Intercare Therapy, Inc. on December 1, 2011, under the $154.50 rate used by FDLRC. However, since Intercare Therapy, Inc. is now vendorized by SG/PRC, the rate must abide by the Statewide Median Rate. (See Attachment A.)

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

> "Nothwithstanding any other provisions of the law or regulation, commencing July 1, 2008:
>
> (b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower..."

Recommendation:

SG/PRC must reimburse to DDS the $1,325.78 in total overpayment made to Intercare Therapy, Inc. SG/PRC must renegotiate the rate to ensure compliance with the Statewide Median Rates. In addition, SG/PRC must comply with the W&I Code, section 4691.9 and ensure that all vendor rates negotiated after June 30, 2008, abide by the Statewide or SG/PRC Median Rates, whichever is lower.

Finding 2: **Vendorization Process Not Followed**

The review of 35 sampled POS vendor contracts revealed two vendors, Intercare Therapy, Inc., vendor number PP5501 and Behavior Support Services, LLC., vendor number PP5569, received vendorization approvals prior to verifying if these vendors were on the Office of Inspector General (OIG) exclusion database as required by Senate Bill (SB) 74, for all new vendors effective March 24, 2011. Intercare Therapy, Inc. received approval on December 1, 2011, and Behavior Support Services, LLC received approval on April 1, 2012; however, the OIG verifications were not completed until January 30, 2012, and April 19, 2012, respectively. Although the two vendors were not found to be on the exclusion database, verification should have been done before vendorization to ensure these vendors did not have any criminal record. SG/PRC states that it was an oversight on its part and stressed that it usually completes the verification process using the Applicant/Vendor Disclosure Statement, Form DS 1891 before approving vendorizations.

CCR, title 17, section 54311(a)(6) states:

"(a) The applicant or vendor shall disclose all the information required by Title 42, Code of Federal Regulations (CFR), Sections 455.104, 455.105 and 455.106, as of March 25, 2011, and shall complete and submit to the regional center the Applicant/Vendor Disclosure Statement, Form DS 1891 (7/2011), hereby incorporated by reference, which shall include, but not be limited to all of the following:

(6) The name, title and address of any person(s) who, as applicant or vendor, or who has ownership or control interest in the applicant or vendor, or is an agent, director, member of the board of directors, officer, or managing employee of the applicant or vendor, has within the previous ten years:

(A) Been convicted of any felony or misdemeanor involving fraud or abuse in any government program, or related to neglect or abuse of an elder or dependent adult or child, or in any connection with the interference with, or obstruction of, any investigation into health care related fraud or abuse; or

(B) Been found liable in any civil proceeding for fraud or abuse involving any government program; or

(C) Entered into a settlement in lieu of conviction involving fraud or abuse in any government program."

Recommendation:

SG/PRC must adhere to CCR, title 17, section 54311 and its vendorization policy to exercise due diligence in conducting background checks of all prospective vendors, in order to preclude any unqualified vendors from providing services to consumers.

Finding 3: **Contract Awarded Without Request For Proposal**

The review of SG/PRC's three RFP projects that were subject to competitive bidding revealed that one vendor, Inclusions Specialized Programs, LLC, vendor number PP5580, was awarded a contract to develop an adult SRF without having to submit a bid for the project.

SG/PRC awarded Inclusions Specialized Programs, LLC, the contract because SG/PRC did not have enough time to re-advertise the RFP in order to encumber the funds before the end of the fiscal year. SG/PRC stated the vendor had already been vetted by SG/PRC when it submitted an RFP for a different project and SG/PRC stated that Inclusions Specialized Programs, LLC would be an appropriate candidate to develop the project.

SG/PRC's Resource Development Policy states in pertinent part:

> "...SG/PRC identifies a pool of potential providers from vendors who are offering the same or similar services... sends notices of the RFP to other regional centers for distribution. The announcement of a given RFP is posted on our Internet website...Written proposals are evaluated by a team of reviewers... [and] the team determines the applicants that best meet the expectations indicated in the RFP. SG/PRC reserves the right to not award the grant if there is no qualified applicant..."

Recommendation:

SG/PRC must ensure that staff is following its Resource Development Policy to promote transparency and avoid the appearance of favoritism and unfair selection. If there are no suitable providers, SG/PRC should either post another RFP or return the funds to DDS if the funds cannot be encumbered by the end of the fiscal year.

Finding 4: **TCM Time Study – Recording of Attendance (Repeat)**

The review of the TCM Time Study revealed that four of 16 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). The difference between the employees' timesheets and the TCM Time Study forms was a total of 23 hours. SG/PRC indicated this occurred due to oversight by the Case Managers. SG/PRC stated that it has provided training to staff and management since the issue was identified in the prior audit report.

The Targeted Case Management Rate Study Process and Instructions state:

> "...All regional center case management staff (category CM) will complete the DS1916 during the rate study...The total hours worked during the day, including overtime must be shown..."

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:

SG/PRC must 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 5: **Annual Family Program Fee Registration Forms Not Completed**

The review of 14 sampled AFPF consumer files revealed five instances where the AFPF registration forms (DS 6009) were not completed. This occurred because SG/PRC is not requiring the parents to complete the DS 6009 at the time of the consumer's IPP or individualized family services plan (IFSP). SG/PRC stated that its procedure is to send the DS 6009 forms once a year to the families rather than at the time of the consumer's IPP.

DDS Annual Family Program Fee Procedures II, B states:

> "B. Regional centers shall complete the AFPF registration form with parents at the time of consumer's individual program plan (IPP) or individualized family services plan (IFSP)."

Recommendation:

SG/PRC must ensure its staff is aware of, and complies with, the AFPF procedures issued by DDS, specifically the requirement that AFPF registration forms, DS 6009 be completed at the time of the IPP or IFSP.

Finding 6: **Family Cost Participation Program – Late Notification**

The sample review of 30 consumer files revealed seven instances where SG/PRC did not notify the parents of their assessed share of cost within 10 working days of receipt of the income documentation. In five of these instances, 100 days or more had passed before notices were sent to the parents. SG/PRC stated that the reason for the late notification was because the consumers did not have an authorization start date, and without an authorization, there is nothing to assess. SG/PRC also stated that it has amended its procedures to follow up in cases where income documentation is received but an authorization for service has not been approved.

This should ensure parents are notified of their assessed share of cost within 10 working days. (See Attachment B.)

W&I Code, section 4783(g)(1)(D)(3) states:

> "A regional center shall notify parents of the parents' assessed cost participation within 10 working days of receipt of the parents' complete income documentation."

Recommendation:

SG/PRC must ensure its staff is aware of, and are following, the FCPP procedures, especially the assessments and notification processes to eliminate delays on sending notification letters.

Finding 7: **<u>Uniform Fiscal Systems Reports Not Retained</u>**

The review of the UFS reconciliations revealed that SG/PRC did not retain the Committed Funds Report (CS914). This report is used to complete the monthly UFS reconciliations. SG/PRC stated that it did not retain the reports due to its large volume. Although SG/PRC performed monthly UFS reconciliations, without the report total on the last page, DDS cannot determine whether the Committed Funds were accurately recorded.

W&I Code, section 4631(b), states in pertinent part:

> "The Department's contract with a regional center shall require strict accountability and reporting of all revenues and expenditures, and strict accountability and reporting as to the effectiveness of the regional center in carrying out its program..."

State Contract, Article IV, section 3(b), states in pertinent part:

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

Recommendation:

SG/PRC must retain an electronic copy and retain printed copies of the first and last pages of the Committed Funds Report for audit purposes. This would ensure that month end balances can be verified for accuracy.

Finding 8: **Lack of Medi-Cal Reimbursement Procedures**

During a vendor audit of CHI, vendor number HH0937, service code 700, it was identified that a total of $108,265.76 was approved for Medi-Cal reimbursement for 21 SG/PRC consumers for services provided from July 1, 2011, through August 31, 2013. However, the review of vendor invoices indicated that CHI only reimbursed SG/PRC $85,693.76. SG/PRC was unaware that $22,572.00 was still outstanding since it did not bill Medi-Cal for the TAR approved services. CHI has subsequently reimbursed SG/PRC a total of $16,929.00, with $5,643.00 still outstanding. (See Attachment C.)

As a result of this issue, a follow-up review was conducted at SG/PRC which found that SG/PRC does not have procedures in place to determine whether vendors have billed Medi-Cal once a TAR has been approved. Since SG/PRC did not have procedures in place, it was unaware of amounts that should have been reimbursed by the vendor from Medi-Cal and it had no knowledge of Medi-Cal approvals or denials unless it was notified by the vendors.

Good internal controls and sound business practices dictate that regional centers have written policies and procedures in place to follow-up with vendors who provide services to Medi-Cal eligible consumers. The procedures must ensure regional centers are receiving copies of Medi-Cal approvals or denial letters to assist in the monitoring of reimbursements, and any Medi-Cal payments received by the vendor are returned to the regional center and used to offset the claim.

Recommendation:

SG/PRC must recover the $5,643.00 that is Medi-Cal reimbursable from CHI for UCI 7998054. In addition, SG/PRC must develop procedures to ensure that all vendors who have consumers eligible for Medi-Cal, are billing for reimbursements appropriately. The procedures must also include a detailed follow-up process to ensure that SG/PRC receives a copy of the Medi-Cal approval or denial letter to assist it in the monitoring of reimbursements.

II. Finding that has been addressed and corrected by SG/PRC.

Finding 9: **Improper Allocation of Community Placement Program Funds**

The review of the CPP claims revealed SG/PRC inappropriately allocated services for two consumers to the CPP fund account instead of the general fund account. The two were not on the list of consumers who moved from developmental centers to the community. SG/PRC stated that this occurred because of an incorrect coding of expenditures in the State claim general ledger account. This resulted in over allocation of CPP funds totaling $38,679.90.

W&I Code, section 4418.25, paragraph (b) states in part:

> "The community placement plan shall provide for dedicated funding for comprehensive assessments of selected developmental center residents, for identified costs of moving selected individuals from developmental centers to the community, and for deflection of selected individuals from developmental center admissions."

Also, W&I Code, Section 4418.25, paragraph (d) states in part:

> "Funds allocated by the department to a regional center for a community placement plan developed under this section shall be controlled through regional center contract to ensure that funds are expended for the purposes allocated."

SG/PRC provided documentation after the fieldwork which shows it has corrected the CPP claims totaling $38,679.90 by reversing the charges from CPP general ledger into the General Fund general ledger account. In addition, SG/PRC stated that it adjusted the tracking procedures to include a review of the actual general ledger account charges, instead of relying exclusively on the CPP subcode.

Recommendation:

SG/PRC must ensure that staff is following its newly implemented procedures by reviewing the actual general ledger account charges for CPP, instead of relying exclusively on the CPP subcode. This will ensure CPP funds are properly allocated.

EVALUATION OF RESPONSE

As part of the audit report process, SG/PRC has been provided with a draft report and was requested to provide a response to each finding. SG/PRC's response dated April 17, 2014, 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 SG/PRC's response. Except as noted below, SG/PRC's response addressed the audit findings and provided reasonable assurance that corrective actions would be taken to resolve the issues. During the follow-up review of the next scheduled audit, DDS' Audit Branch will confirm SG/PRC's corrective actions identified in the response to the draft report.

I. Findings that need to be addressed.

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

SG/PRC stated that it believed Intercare Therapy, Inc., vendor number PP5501, service code 028, was an existing vendor as this vendor was already vendorized by another regional center. SG/PRC also stated that it will recoup and reimburse DDS the overpayment totaling $1,325.78 paid to the vendor. In addition, SG/PRC stated that it has renegotiated the vendor rate to ensure compliance with the Statewide Median Rate. However, SG/PRC did not provide any support documentation with its response indicating that it amended the vendor rate and recouped the overpayment totaling $1,325.78. DDS will conduct a follow-up review during the next scheduled audit to ensure this issue has been resolved.

Finding 2: **Vendorization Process Not Followed**

SG/PRC stated that it was an error on its part that two vendors, Intercare Therapy, Inc., vendor number PP5501 and Behavior Support Services, LLC., vendor number PP5569, received vendorization approvals prior to OIG verifications. SG/PRC stated that it has procedures in place which require that OIG verifications be completed before the vendorization. SG/PRC reiterated that it has reminded its staff of the procedures in place and has enhanced its monitoring of the vendorization process to ensure compliance with CCR, title 17 requirements. DDS will conduct a follow-up review during the next scheduled audit to ensure this issue has been resolved.

Finding 3: **Contract Awarded Without Request For Proposal**

SG/PRC stated that it awarded the contract to Inclusions Specialized Programs, LLC, vendor number PP5580, because the vendor was previously awarded a similar RFP project and had gone through the vetting process. SG/PRC indicated that its intent was not to circumvent the RFP process. Although SG/PRC did not comply with the letter of the law, it believes that it did comply with the intent of the law. SG/PRC agrees that this action leaves it open to scrutiny for favoritisms and unfair selection and agrees to follow procedures in place to avoid any public criticism. DDS will conduct a follow-up review during the next scheduled audit to ensure procedures in place are being followed.

Finding 4: **TCM Time Study – Recording of Attendance (Repeat)**

SG/PRC stated that it provided training to its employees which reduced the number of incidents where the timesheets and DS 1916 did not match. DDS agrees with SG/PRC that it reduced the difference between the employees' timesheets and the DS 1916 forms. However, SG/PRC should re-evaluate its current procedures and determine whether additional controls need to be implemented to ensure all employee timesheets reconcile to the DS 1916 forms. A Time Study 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 or not maximizing Federal funds for overstated hours. DDS will conduct a follow-up review during the next scheduled audit to ensure procedures in place have been amended.

Finding 5: **Annual Family Program Fee Registration Forms Not Completed**

SG/PRC stated that it is currently reassessing its AFPF process to ensure AFPF registration forms are completed at the time of the IPP or IFSP. SG/PRC must ensure its staff is aware of and complies with, the AFPF procedures issued by DDS, specifically the requirement that AFPF registration forms be completed at the time of the IPP or IFSP. DDS will conduct a follow-up review during the next scheduled audit to ensure AFPF forms are completed at the time of the IPP or IFSP.

Finding 6: **Family Cost Participation Program – Late Notification**

SG/PRC stated that it has reviewed and amended its procedures to ensure parents are notified of their assessed share of cost within 10 working days of receipt of the income documentation. DDS will conduct a follow-up review during the next scheduled audit to ensure its staff is aware and following the FCPP procedures regarding the notification process in order to eliminate delays in sending notification letters to parents.

Finding 7: **Uniform Fiscal Systems Reports Not Retained**

SG/PRC stated that it disagrees with the finding and requests that this finding be taken out of the final report as the totals of the Committed Funds Report do not appear in the General Ledger and should not be used in the UFS reconciliation. SG/PRC indicated that it has never been required to use this report for its UFS reconciliations. In addition, SG/PRC stated that it retains the first and last pages of all subsidiary reports needed to support General Ledger balances for client funds. DDS disagrees with SG/PRC as the procedure for UFS reconciliation were put in place by DDS and given to all regional centers for utilization. These procedures require the regional center to ensure that sub account listing committed balances match to the CS914. Also, DDS disagrees with SG/PRC that it retains the first and last pages of all subsidiary reports needed to support general ledger balances for client funds as the CS914 report was never given to DDS for review. DDS will conduct a follow-up review during the next schedule audit to ensure SG/PRC is retaining copies of the Committed Funds Report for audit purposes. This would ensure that month end balances can be verified for accuracy.

Finding 8: **Lack of Medi-Cal Reimbursement Procedures**

SG/PRC requests that this finding be taken out of the final report since this issue was found during a vendor audit. SG/PRC stated that, although this was not part of its audit, it has taken DDS' recommendation seriously and has amended its monitoring and accountability of vendors' Medi-Cal billings. DDS does not agree that the finding should be removed from the report as it serves as a reminder for SG/PRC that this issue needs to be resolved.

In addition, SG/PRC stated that it needs more details from DDS in order to recover the overpayment totaling $5,643.00 paid to CHI, vendor number HH0937, service code 700. The details of the Medi-Cal reimbursements due to SG/PRC are included as Attachment C of this report. However, SG/PRC's inability to identify whether or not it has already received the reimbursements from CHI further re-enforces DDS' finding that adequate procedures must be implemented.

SG/PRC must recover the $5,643.00 made for reimbursable services to CHI for UCI 7998054. In addition, DDS will conduct a follow-up during the next scheduled audit to ensure developed procedures for Medi-Cal billing are being followed.

Attachment A

San Gabriel/Pomona Regional Center
Negotiated Rate Above the Statewide Median Rate
Fiscal Years 2011-12 and 2012-13

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over Payments
1	7909083	PP5501	Intercare Therapy, Inc.	028	12303440	12/2011	$ 48.85
2	7909440				12304699	01/2012	$ 48.85
3	7911173				12304589	01/2012	$ 48.85
4	7911872				12304700	01/2012	$ 48.85
5	7328938				12304107	02/2012	$ 48.85
6	7906486				12303894	02/2012	$ 48.85
7	7907952				12305490	03/2012	$ 48.85
8	7933219				12306606	03/2012	$ 48.85
9	7915392				12308770	05/2012	$ 48.85
10	7917825				12309703	05/2012	$ 48.85
11	7911634				12308054	05/2012	$ 48.85
12	7913108				12308494	05/2012	$ 48.85
13	6053556				12309085	06/2012	$ 48.85
14	7905677				12310659	06/2012	$ 48.85
15	7905696				13312450	07/2012	$ 53.49
16	7909195				13314301	08/2012	$ 53.49
17	7323878				13313430	09/2012	$ 53.49
18	7911130				13314475	09/2012	$ 53.49
19	7912306				13313431	09/2012	$ 53.49
20	7913687				13313842	09/2012	$ 53.49
21	7910408				13316635	10/2012	$ 53.49
22	6052823				13318774	12/2012	$ 53.49
23	7912194				13318775	12/2012	$ 53.49
24	7915778				13318640	12/2012	$ 53.49
25	7915294				13321611	03/2013	$ 53.49
26	7903811				13322153	04/2013	$ 53.49
Total Overstated Claims for Intercare Therapy, Inc.							**$ 1,325.78**

San Gabriel/Pomona Regional Center
Family Cost Participation Program - Late Notification
Fiscal Years 2011-12 and 2012-13

No.	UCI	Date Income Docs Received	SGPRC Notification Letter sent	Number of Working Days Before Notification Letter Was Sent
1	7912383	7/18/2011	1/18/2012	133
2	7916089	8/30/2011	1/19/2012	100
3	7916650	6/7/2011	3/12/2012	199
4	7919137	6/27/2012	8/6/2012	28
5	7905883	11/15/2010	12/8/2011	284
6	7997239	3/4/2011	1/18/2012	228
7	1978852	9/26/2011	1/23/2012	85

San Gabriel/Pomona Regional Center
Total Medi-Cal Reimbursements Due to SG/PRC from College Hospital Inc.
Fiscal Years 2011-12 and 2012-13

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Sub	Authorization Number	Approved TAR Dates	Number of Approved Days	Medi-Cal Reimbursement Rate	Medi-Cal Reimbursement Due to SGPRC
1	7998054	HH0937	College Hospital Inc	700	DDMI	13318470	12/05/12	1	$ 627.00	$ 627.00
2	7998054	HH0937	College Hospital Inc	700	DDMI	13318470	12/9/12 - 12/10/12	2	$ 627.00	$ 1,254.00
3	7998054	HH0937	College Hospital Inc	700	DDMI	13318470	12/20/12	1	$ 627.00	$ 627.00
4	7998054	HH0937	College Hospital Inc	700	DDMI	13318470	12/22/12	1	$ 627.00	$ 627.00
5	7998054	HH0937	College Hospital Inc	700	DDMI	13318470	12/23/12 - 12/26/12	4	$ 627.00	$ 2,508.00
Total Medi-Cal Reimbursements Due to SGPRC from College Hospital Inc.										**$ 5,643.00**

APPENDIX A

SAN GABRIEL/POMONA REGIONAL CENTER

RESPONSE
TO AUDIT FINDINGS

SAN GABRIEL/POMONA

REGIONAL CENTER
75 Rancho Camino Drive, Pomona, California 91766
(909) 620-7722

May 12, 2014

Mr. Edward Yan
Department of Developmental Services
1600 Ninth Street, Room 230, MS 2-10
Sacramento, CA 95814

Re: Draft Audit Report for Fiscal Years 2011-12 and 2012-13

Dear Mr. Yan,

We received the above cited report and discussed it with your audit team at the exit conference on April 10, 2014, over the phone. We understand that our response is due today, May 12, 2014. Please accept our comments on each of the findings. We noted that you incorporated our previous response to these issues in your report so our final comments will be rather brief.

Finding 1: Negotiated Rate Above the Statewide Median Rate.

We would like to reiterate that we did not willfully disregard the Statewide Median Rate mandate but created this situation by interpreting that this was not a new vendor. We will follow your recommendation and recuperate the $1,325.78 as identified in the finding, and return the money to DDS. We discontinued the rate immediately after you notified us of the issue.

Finding 2: Vendorization Process Not Followed.

We would like to assure you that our procedures demand OIG verifications are completed before the vendorization is confirmed, and this was human error, not a pattern of non-compliance. We have reinforced those procedures with our staff and have enhanced our monitoring of the vendorization process to assure that there are no other delays in the OIG verification process.

Finding 3: Contract Awarded Without Request for Proposal.

As we explained in our initial response, we awarded the contract because the vendor had responded to the request for proposal for a concurrent project for like services. The vendor was vetted and selected properly for that project, and the contract cited in the audit was added to the initial project. It was never our intent to award a contract without a request for proposal and proper vetting. We made a judgment that did not follow the letter of the law but the intent of the law. We understand now that this scenario leaves the regional center vulnerable to the perception of favoritisms and unfair selection. We are committed to avoid such vulnerability and to adhere strictly to our Resource Development Policy.

Finding 4: TCM Time Study - Recording of Attendance (Repeat)

Our previous training resulted in a reduced number of incidents where the time study and the attendance record did not match. We will provide additional and repeated training and monitoring guidance to further reduce or eliminate such differences.

Finding 5: Annual Family Program Fee Registration Forms Not Completed

We are currently reassessing our annual process and are searching for a reasonable process to comply with the mandate that AFPF registration forms are completed at the time of the IPP or IFSP. Our previous decision to make an annual one-time assessment mailing was due to the limited tracking options on SANDIS, and difficulties and work-intensive options of implementation of follow up of the AFPF program. We had notified the Department and requested assistance in the implementation and application process. SANDIS still has considerable limitations and a new program has not been established. We hope and expect that the new, promised AFPF program will assist us in establishing procedures that make the completion of the 6009 registration form at the time of the IPP a trackable event that can be properly recorded.

Finding 6: Family Cost Participation Program – Late Notification.

We have reviewed and amended our procedures to ensure that late notifications do not occur. While we cannot avoid a delay in the notification when there is no current authorization to assess, we did strengthen our protocol to assure that assessments are made and notifications are sent out as soon as we have an authorization in the system to apply the assessment to.

Finding 7: Uniform Fiscal Systems Reports Not Retained

We firmly reject this finding and kindly request it be eliminated from the final report. The totals of this report (CS914) do not appear in the General Ledger and can therefore not be utilized for reconciliation purposes. In the 28 years of UFS and of DDS audits, we have not been required to, nor have we seen a need to, use the totals of this report for general ledger reconciliations. We do however, retain the first and last pages of all subsidiary reports needed to support general ledger balances for client funds (02) receivables, loans, and cash. We also verify that transfer accounts and accounts payable accounts are zero and that 01 and 02 balances match. So the categorical statement that we do not retain UFS reports (needed for UFS reconciliations) does not reflect what we do.

Finding 8: Lack of Medi-Cal Reimbursement Procedures.

We object to having this finding be part of the regional center audit report. We understand that there was a vendor audit and we understand that our follow up and monitoring of possible Medi-Cal reimbursement could be (and have since been) improved. However, we ascertain that this vendor audit finding should not be part of this regional center audit report. This vendor audit was not mentioned in the entrance conference, and it was not part of the regional center audit protocol. It also was not mentioned in the face-to-face exit conference at the end of the field work at our center.

We do like to inform you that we have taken your observations seriously and we have reviewed and amended our monitoring processes. While we never can assure that vendors who have consumers eligible for Medi-Cal, are billing Medi-Cal for reimbursements appropriately, we certainly are willing to establish monitoring processes that prompt the vendor for information and follows up on Medi-Cal approval or denial letters. We have amended our monitoring processes and feel confident that such changes contribute to improved accountability of vendors with Medi-Cal billings.

In order to identify and potentially recover the allegedly still outstanding overpayment of $5,643 for UCI 7998054, we are requesting the service dates for such alleged overpayment. We looked at the documentation on hand and found that this client had numerous claims and subsequent reimbursements and we could not determine without more detailed information if the monies had been received since. Please provide such detail so that we can follow up appropriately. We received several reimbursement of this amount for this client but cannot be sure that this has been resolved.

Finding 9: Improper Allocation of Community Placement Program Funds.

As you stated in your report, this finding has already been corrected. We would like to mention that the "inappropriate utilization of Community Placement Funds" was the result of a clerical error in the rate table input, and not a willful improper allocation of CPP funds. We have since implemented additional monitoring steps to assure the discovery and correction of any potential clerical errors.

We would like to thank your audit team for their professionalism and courtesy during their field work. We are confident that your careful consideration of our comments on findings 7 and 8 will result in a positive response.

Sincerely,

Keith Penman
Executive Director

Cc: Gabi McLean