



**AUDIT OF THE
SAN DIEGO REGIONAL CENTER
FOR FISCAL YEARS 2012-13 AND 2013-14**

Department of Developmental Services

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EXECUTIVE SUMMARY

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

Findings That Need to be Addressed

Finding 1: Rate Increase After the Freeze (Repeat)

The sampled review of 130 Purchase of Service (POS) vendors revealed that SDRC continued to reimburse two vendors, Faustino Moises Martinez, Vendor Number HQ0334, Service Code 875 and Care 4 U Mobility, Vendor Number HQ0846, Service Code 875, at rates higher than the rates that were in effect as of June 30, 2008. This resulted in overpayments totaling \$183,832.41 from August 2013 through May 2015. This issue was also identified in the prior audit. This is not in compliance with W&I Code, Section 4648.4(b)(2).

Finding 2: Overstated Claims-Duplicate Payment/Overlapping Authorizations

The sampled review of SDRC's Uniform Fiscal Systems (UFS) Indicator Reports revealed 34 instances where SDRC over claimed expenses to the State totaling \$18,179.96. The overpayments were due to duplicate payments and/or overlapping authorizations. This is not in compliance with CCR, Title 17, Section 54326(a)(10).

Finding 3: Missing Documentation – Unsupported Billings (Repeat)

The sampled review of 130 POS vendors revealed that SDRC reimbursed three vendors for services provided to the consumers without supporting documentation. This resulted in unsupported payments totaling \$7,499.69. This issue was also identified in the prior audit. This is not in compliance with CCR, Title 17, Section 50604(d)(1)(2)(3)(C)(e), and the State Contract, Article IV, Sections 3(a) and (b).

Finding 4: Unsupported Credit Card Expenditures

The review of SDRC's operational expenditures revealed two credit card transactions totaling \$412.75 with insufficient documentation to support the expenses claimed to the State. This is not in compliance with the State Contract, Article IV, Section 3(a).

Finding 5: Annual Family Program Fee – Income Documentation

The sampled review of 25 Annual Family Program Fee (AFPF) assessments revealed that SDRC does not require families to submit income documentation for its AFPF assessments. SDRC permits families to self-certify their income using SDRC's AFPF Income Schedule. This is not in compliance with W&I Code, Section 4785(b)(2), and Section II(C) of the DDS AFPF Procedures.

Finding 6: Family Cost Participation Program – Late Assessments

The sampled review of 22 Family Cost Participation Program (FCPP) consumer files revealed SDRC did not assess the parents' share of cost participation as part of the consumer's Individual Program Plan (IPP) or the Individualized Family Service Plan (IFSP) review for 18 consumers. The assessments were completed more than 30 days after the signing of the IPP. This is not in compliance with W&I Code, Section 4783(g)(A)(B)(C).

Finding 7: Expenses Did Not Match to the Year-End General Ledger

The review of the Targeted Case Management (TCM) Rate Study worksheets for May 2013 and March 2014 revealed the expenses included in Attachment C did not reconcile to the Year-End General Ledger. This resulted in discrepancies of \$1,171,178.39 and \$143,918.84 for the 2013 and 2014 rate studies, respectively. This is not in compliance with DDS' Instructions for the TCM Rate Study.

Finding 8: Targeted Case Management Time Study-Recording of Attendance

The sampled review of 19 TCM Time Study forms, (DS 1916), revealed eight employees had vacation and sick hours recorded on their payroll timesheets which did not properly reflect the hours recorded on the DS 1916 forms. This resulted in 23.50 understated hours and 17.50 overstated hours on the TCM Time Study. This is not in compliance with the TCM Rate Study Process and Instructions from DDS.

Finding 9: Vendors Not Enrolled in Electronic Billing (Repeat)

The review of SDRC's electronic billing (EB) vendor listing revealed that 208 out of 3,776 vendors have not been enrolled in EB as of July 1, 2012. None of these vendors were paid by voucher or demonstrated that submitting billings electronically for services would present a substantial financial hardship, which

would have precluded them from enrolling in the EB process. This issue was identified in the prior audit report. This is not in compliance with W&I Code, Section 4641.5 (a)(1)(2) and (b).

Finding 10: Policies and Procedures for Vendor Audits and Reviews

The review of SDRC's list of 179 vendors who were required to contract with an independent accounting firm for an audit or review of its financial statements revealed that 136 vendors did not submit an audit or review. It was found that SDRC does not have procedures in place to follow-up with vendors who have not submitted the required audit reports or reviews. This is not in compliance with W&I Code, Sections 4652.5(a)(1)(A)(B) and (b).

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 (RC). The RCs 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 RC no less than every two years and completes follow-up reviews in alternate years. Also, DDS requires RCs 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 RC 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 RCs' fiscal, administrative, and program operations.

DDS and San Diego-Imperial Counties Developmental Services, Inc. (SDICSI) entered into contract HD099017 (State Contract) effective July 1, 2009, through June 30, 2016. The contract specifies that SDICSI will operate an agency known as SDRC to provide services to individuals with DD and their families in San Diego and Imperial Counties. The contract is funded by State and Federal funds that are dependent upon SDRC performing certain tasks, providing services to eligible consumers and submitting billings to DDS.

This audit was conducted at SDRC from October 27, 2014, through December 12, 2014, 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 SDRC, effective July 1, 2009

AUDIT PERIOD

The audit period was July 1, 2012, through June 30, 2014, with a 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 RCs' 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
- 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 SDRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that SDRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether SDRC was in compliance with the Lanterman Act, CCR, Title 17, the HCBS Waiver for the Developmentally Disabled, and the State Contract.

DDS' review of SDRC'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 2012-13, issued on December 3, 2013. DDS noted no management letter issued for SDRC. 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 SDRC. 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.
- DDS analyzed all of SDRC'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 SDRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that SDRC's accounting staff is properly inputting data, to ensure that 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 SDRC'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 (TCM) 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 SDRC's Rate Study. DDS examined the months of May 2013 and March 2014, and traced the reported information to source documents.
- Reviewed SDRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared it to the Case Management Time Study Forms (DS 1916) to ensure that they were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under W&I Code, Section 4640.6(e), RCs 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 (FCPP)

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 SDRC 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 years 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 SDRC is paying for only its assessed share of cost.

VII. Annual Family Program Fee (AFPF)

The 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 receiving qualifying services through a RC. 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 SDRC 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 Request for Proposal (RFP) process was implemented to ensure RCs outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires RCs to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, RCs 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 SDRC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during our audit review:

- Reviewed SDRC'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 SDRC. 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 SDRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that SDRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and that the 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 SDRC 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 SDRC's Board approved POS, Start-Up and Operational vendor contracts of \$250,000 or more 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 SDRC's current RFP process and Board approval of contracts of \$250,000 or more as well as to determine whether the process in place satisfies the W&I Code and SDRC'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 RCs 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 RCs demonstrate the exemption is necessary for the health and safety of the consumers.

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

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

- Reviewed vendor contracts to verify that SDRC 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

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure SDRC'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
- Part C
- Denti-Cal

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 SDRC and reviewed supporting documentation to determine the degree and completeness of SDRC's implementation of corrective actions.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that, except for the items identified in the Findings and Recommendations section, SDRC 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, 2012, through June 30, 2014.

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 SDRC has not taken appropriate corrective action to resolve three prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on August 28, 2015. The findings in the audit report were discussed at a formal exit conference with SDRC on September 9, 2015. The views of the responsible officials are included in the final audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings That Need to be Addressed

Finding 1: Rate Increase After the Freeze (Repeat)

The sampled review of 130 POS vendors revealed that SDRC continues to reimburse two vendors, Faustino Moises Martinez, Vendor Number HQ0334, Service Code 875 and Care 4 U Mobility, Vendor Number HQ0846, Service Code 875, at rates higher than the rates that were originally in effect as of June 30, 2008. This issue was identified in the prior audit report. SDRC provided documentation indicating the overpayment from the prior audit totaling \$133,477.70 has been resolved but has not made adjustments to the rates paid to the vendors.

SDRC stated that the rate increases were based on court orders which required it to accommodate five consumers who have either disruptive behaviors or need out of area transportation of 50 miles or more. SDRC also stated that it has applied for health and safety waivers retroactively for the five consumers, and will continue to pay the higher rate.

Since the rate increases have not been substantiated with any court orders and SDRC continues to pay the higher rates without an approved health and safety waiver from DDS, this resulted in overpayments totaling \$183,832.41 from August 2013 through May 2015. (See Attachment A) W&I Code, Section 4648.4(b)(2) states, in pertinent part:

“(b) Notwithstanding any other provision of law or regulation, except for subdivision (a), no regional center may pay any provider of the following services or supports a rate that is greater than the rate that is in effect on or after June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008, or the regional center demonstrates that the approval is necessary to protect the consumer’s health or safety and the department has granted prior written authorization:

(2) Transportation, including travel reimbursement.”

Recommendation:

SDRC must reimburse to DDS a total of \$183,832.41 for the overpayments. In addition, SDRC should revert to the original payment terms of the contracts that were in place as of June 30, 2008.

Finding 2: Overstated Claims-Duplicate Payments/Overlapping Authorizations

The review of SDRC's UFS Indicator Reports revealed 34 instances where SDRC over claimed expenses to the State totaling \$18,179.96 for 12 vendors. The overpayments were due to duplicate payments and/or overlapping authorizations. SDRC stated that this occurred due to an oversight. (See Attachment B)

CCR, Title 17, Section 54326(a)(10) states in pertinent part:

“(a) All vendors shall...

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

Recommendation:

SDRC must reimburse to DDS the \$18,179.96 for the overpayments due to overstated claims. SDRC should also closely monitor the UFS Indicator Reports to ensure any payment errors are identified and corrected in a timely manner.

Finding 3: Missing Documentation–Unsupported Billings (Repeat)

The current review of 130 sampled POS vendors revealed that SDRC continues to reimburse vendors without documentation to support the expenses claimed to the State. This resulted in unsupported billings totaling \$7,499.69 to three vendors. SDRC stated that the invoices submitted by the vendor were lost. This issue was identified in the prior audit. SDRC provided documentation indicating the unsupported billings from the prior audit totaling \$144,042.49 have been resolved. In its response to the prior audit, SDRC stated that going forward it will verify invoices and attendance documentation before payments can be made to the vendors. However, SDRC continues to reimburse vendors without supporting documentation and is not following its implemented policies and procedures to ensure that this issue will not occur in the future.

CCR, Title 17, Section 50604(d)(1)(2)(3)(C) and (e) states in pertinent part:

“(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include but not be limited to:

- (1) Information identifying each regional center consumer including the Unique Client Identifier and Consumer name;

- (2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.
- (3) A record of services provided to each consumer. The record shall include:
 - (C) For community-based day programs, the dates of service, place where service was provided, the start and end times of service provided to consumer and the daily or hourly unit of service provided.
- (e) All service providers' records shall be supported by source documentation."

State Contract, Article IV, section 3(a) and (b) states:

"Contractor shall keep records, as follows:

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...
- b. 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 records (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:

SDRC must reimburse to DDS the overpayment totaling \$7,499.69. SDRC must ensure any payments made to the vendors in the future are supported by source documentation. In addition, SDRC should adhere to its implemented policies and procedures to ensure this issue does not occur in the future.

Finding 4: Unsupported Credit Card Expenditures

The review of 74 credit card expenditures revealed two credit card transactions, totaling \$412.75, with insufficient documentation to support the expenses claimed to the State. SDRC was unable to provide detailed receipts as supporting documentation for the two items purchased. SDRC stated that this occurred due

to an oversight. In addition, it was found that SDRC does not have written policies and procedures in place requiring detailed receipts as support for credit card expenditures. (See Attachment C)

State Contract, Article IV, Section 3(a) states:

“The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract (hereinafter collectively called the "records") to the extent and in such detail as will properly reflect net costs (direct and indirect) of labor, materials, equipment, supplies and services, overhead and other costs and expenses of whatever nature for which reimbursement is claimed under the provisions of this contract in accordance with mutually agreed to procedures and generally accepted accounting principles.”

Recommendation:

SDRC must reimburse DDS \$412.75 for the unsupported expenditures. In addition, SDRC must implement policies and procedures to ensure employees submit original receipts detailing the items purchased by credit card.

Finding 5: Annual Family Program Fee–Income Documentation

The sampled review of 25 AFPP assessments revealed that SDRC does not require families to submit income documentation for its AFPP assessments. SDRC permits families to self-certify their income using SDRC’s AFPP Income Schedule. SDRC indicated it was not aware that families needed to submit income records to certify their adjusted gross income.

W&I Code, section 4785(b)(2) states:

“(2) Notwithstanding paragraph (1), parents described in paragraph (1) of subdivision (a) who demonstrate to the regional center that their adjusted gross family income is less than 800 percent of the federal poverty level shall be required to pay an annual family program fee of one hundred fifty dollars (\$150) per family,”

DDS AFPP Procedures, Section II(C) also states:

“(C) Upon request from the parents, regional centers shall review, and when applicable, adjust the family’s fee assessment if it is demonstrated that the adjusted gross family income is less than 800 percent of the federal poverty level (FPL). Families shall provide the regional center with records to show their total adjusted gross family income as defined in W&I Code Section 4785 (j)(1).”

Recommendation:

SDRC must ensure parents submit appropriate income documentation to meet the income eligibility requirements for the AFPF assessments

Finding 6: Family Cost Participation Program-Late Assessments

The sampled review of 22 FCPP consumer files revealed SDRC did not assess the parents' share of cost participation as part of the consumer's IPP or the IFSP review for 18 consumers. The assessments were completed more than 30 days after the signing of the IPP or IFSP. This occurred because SDRC completes the FCPP assessments and reassessments based on the consumer's date of birth. (See Attachment D.)

W&I Code, Section 4783(g)(A)(B)(C) states in relevant part:

- “(g) Family cost participation assessments or reassessments shall be conducted as follows:
 - (A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.
 - (B) A regional center shall assess the cost participation for parents of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.
 - (C) Reassessments for cost participation shall be conducted as part of the individual program plan or individual family service plan review pursuant to subdivision (b) of Section 4646 of this code or subdivision (f) of Section 95020 of the Government Code.”

Recommendation:

SDRC must amend its process and complete the consumers FCPP assessment as part of the IPP or IFSP. This will ensure compliance with the requirements set forth in W&I Code.

Finding 7: Expenses Did Not Match to the Year-End General Ledger

The review of the TCM Rate Study worksheets revealed discrepancies resulting in overstated expenses totaling \$1,171,178.39 for May 2013 and understated expenses totaling \$143,918.84 for March 2014, between the expenses reported on Attachment C and SDRC's Year-End General Ledger. SDRC did not verify that

its TCM Rate Study worksheets reconciled to the General Ledger prior to sending the TCM Rate Study worksheets to DDS. TCM Rate Study amounts recorded incorrectly may affect the reimbursement rate billed to the federal government, since the rate is established based on SDRC's actual cost.

Instructions for the TCM Rate Study, Attachment C, state:

“ADMINISTRATIVE SURVEY-Computation of Applicable Operating Expenses

Operating Expenses:

1. On the worksheet below, enter the actual 2011-12 FY operating expenses, including outstanding encumbrances and accounts payable that will be paid during the current fiscal year for each program per your UFS GL 310 Budget Report-Detail.”

Recommendation:

SDRC must follow the instructions for the TCM Rate Study and ensure that the expenses reported on the Rate study reconcile to SDRC's actual expenses reported on the Year-End General Ledger.

Finding 8: Targeted Case Management (TCM) Time Study-Recording of Attendance

The sampled review of 19 TCM Time Study forms, DS 1916, revealed eight employees had vacation and sick hours recorded on their payroll timesheets which did not properly reflect the hours recorded on the DS 1916. This resulted in 23.50 hours that were understated and 17.50 overstated hours on the TCM Time Study. SDRC stated that supervisors were comparing the hours recorded on the TCM DS 1916 to the employees work schedule rather than the employees timesheets.

The TCM Rate Study Process and Instructions state:

“All regional center case management staff (category CM) will complete the DS 1916 during the rate study. The total hours worked during the day, including overtime, must be shown. For each day work was performed, enter the number of hours spent on each function outlined on the time sheet...”

Recommendation:

SDRC must ensure Service Coordinators accurately report the number of hours spent on each function. Supervisors should also compare the Time Study DS 1916 forms to the timecards to ensure hours worked during the time study period are properly reflected.

Finding 9: Vendors Not Enrolled in Electronic Billing (Repeat)

The review of SDRC's EB process revealed that 208 out of 3,776 vendors are not enrolled in electronic billing. SDRC stated that eligible vendors who are not on EB are sent notices to enroll; however, vendors have been unwilling to comply. SDRC stated it will continue to attempt to enroll all eligible vendors into the EB process, but will not discontinue services for vendors that do not enroll. This issue was identified in the prior audit report.

W&I Code, Section 4641.5(a)(1)(2) and (b) states:

- “(a) Effective July 1, 2011, all regional centers shall begin transitioning all vendors of all regional center services to electronic billing for services purchased through a regional center. All vendors and contracted providers shall submit all billings electronically for services provided on or after July 1, 2012, with the exception of the following:
 - (1) A vendor or provider whose services are paid for by vouchers, as that term is defined in subdivision (i) of Section 4512 of the Welfare and Institutions Code.
 - (2) A vendor or provider who demonstrates that submitting billings electronically for services presents substantial financial hardship for the provider.”
- (b) For purposes of this section, “electronic billing” is defined as the Regional Center e-Billing System Web application provided by the department.

Recommendation:

SDRC must continue to work on enrolling all vendors into the EB process to ensure compliance with W&I Code, Section 4641.5(a)(1)(2)(b).

Finding 10: Policies and Procedures for Vendor Audits and Reviews

The review of SDRC's list of 179 vendors who were required to contract with an independent accounting firm for an audit or review of its financial statements revealed 136 vendors did not submit an audit or review as required. It was found that SDRC has no procedures in place to follow-up with the vendors who are required to, but have not yet, submitted audit reports or reviews.

W&I Code Section 4652.5(a)(1)(A)(B) and (b) states in part:

“(a)(1) An entity receiving payments from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements subject to all of the following:

(A) When the amount received from the regional center or regional centers during the entity's fiscal year is more than or equal to two hundred fifty thousand dollars (\$250,000) but less than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit or independent review report of its financial statements for the period.

(B) When the amount received from the regional center or regional centers during the entity's fiscal year is equal to or more than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit of its financial statements for the period.

(b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within 30 days after completion of the audit or review.”

Recommendation:

SDRC must develop policies and procedures to ensure it is properly tracking and following-up with vendors who are required to, but have not yet, submitted audit reports or reviews. Failure to receive these reports limits SDRC's ability to detect issues that may have an impact on regional center services.

EVALUATION OF RESPONSE

As part of the audit report process, SDRC has been provided with a draft audit report and was requested to provide a response to each finding. SDRC's response dated October 21, 2015, 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 SDRC's response. Except as noted below, SDRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. DDS' Audit Branch will confirm SDRC's corrective actions identified in the response during the follow-up review of the next scheduled audit.

Finding 1: Rate Increase After the Freeze (Repeat)

In its prior response, SDRC agreed that it issued rate increases after the rate freeze. SDRC stated that it needed to negotiate rates above the rate freeze due to fair hearings, disruptive behaviors and long travel distances for the nine consumers. However, in its current response, SDRC stated that it disagrees with the finding because the consumers are medically fragile or posed a substantial threat to themselves and the community; therefore, the need exists to secure the safest, most appropriate and justifiable rate increases for the consumers. SDRC stated that it is still in the process of requesting health and safety waivers from DDS for the transportation of these consumers.

DDS again acknowledges SDRC's effort to secure the justifiable rate for the consumers. SDRC should again take note that health and safety waivers filed after the issuance of the rate increase cannot be retroactively applied to the time when the rate increase was issued. Therefore, the finding remains unchanged and SDRC must reimburse DDS \$183,832.41 for the rate increases issued after the rate freeze. In addition, SDRC must ensure any consumers who use consumer specific rates have health and safety waivers approved by DDS as justification for the higher consumer rates before authorizing services to the consumers.

Finding 2: Overstated Claims-Duplicate Payments/Overlapping Authorizations

SDRC agrees with the recommendation and stated that it will reimburse DDS the overpayment totaling \$18,179.96. SDRC must also ensure it closely monitors the UFS Indicator Reports to ensure any payment errors are identified and corrected in a timely manner.

Finding 3: Missing Documentation – Unsupported Billings (Repeat)

SDRC agrees with the finding and stated that it will reimburse DDS the unsupported billings totaling \$7,499.69. SDRC must also ensure any payments made to the vendors are supported by source documentation.

Finding 4: Unsupported Credit Card Expenditures

SDRC agrees with the recommendation and stated that it will reimburse DDS the unsupported credit card expenses totaling \$412.75. In addition, SDRC stated it will implement procedures to ensure employees submit original receipts detailing the items purchased using credit cards.

Finding 5: Annual Family Program Fee-Income Documentation

SDRC agrees with the recommendation to ensure parents submit appropriate income documentation for the AFPP assessments. DDS will conduct a follow-up review during the next scheduled audit to ensure all parents of consumers under AFPP are submitting income documentation as required.

Finding 6: Family Cost Participation Program-Late Assessments

SDRC agrees with the recommendation and stated that it will amend its FCPP process to ensure FCPP assessments are completed as part of the consumers IPP or IFSP. DDS will conduct a follow-up review during the next scheduled audit to ensure FCPP processes have been amended and that assessments are completed as part of the consumer's IPP or IFSP.

Finding 7: Expenses Did Not Match to the Year-End General Ledger

SDRC agrees with the recommendation and stated that it will ensure expenses reported on the rate study reconcile to actual expenses reported on the Year-End General Ledger. DDS will conduct a follow-up review during the next scheduled audit to ensure expenses match to the Year-End General Ledger.

Finding 8: Targeted Case Management (TCM) Time Study-Recording of Attendance

SDRC agrees with the recommendation and stated that it will instruct its supervisors to compare the Time Study DS 1916 forms to the timesheets to ensure hours reported during the time study period are properly reflected. DDS will conduct a follow-up review during the next scheduled audit to ensure hours reported during the time study period are properly reflected.

Finding 9: Vendors Not Enrolled in Electronic Billing (Repeat)

SDRC agrees with the recommendation and stated that it will continue to try and enroll all eligible vendors into EB. DDS will conduct a follow-up review during the next scheduled audit to ensure all vendors are enrolled in EB.

Finding 10: Policies and Procedures for Vendor Audits and Reviews

SDRC agrees with the recommendation and stated that it will develop procedures to ensure it is properly tracking and following-up with vendors who have not submitted the required audit reports or reviews. DDS will conduct a follow-up review during the next scheduled audit to ensure SDRC has implemented procedures for tracking vendors that have not submitted vendor audits or reviews.

San Diego Regional Center
Rate Increase After the Freeze (Repeat)
Fiscal Years 2012-13 and 2013-14

Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overpayments
6287378	HQ0334	Faustino Moises Martinez	875	14405429	Feb-14	\$348.65
				14405429	Mar-14	\$357.83
				14405429	Apr-14	\$376.18
				14405429	May-14	\$367.00
				14405429	Jun-14	\$385.35
				15405429	Jul-14	\$376.18
				15405429	Aug-14	\$385.35
				15405429	Sep-14	\$348.65
				15405429	Oct-14	\$403.70
				15405429	Nov-14	\$293.60
				15405429	Dec-14	\$348.65
				15405429	Jan-15	\$348.65
				15405429	Feb-15	\$293.60
				15405429	Mar-15	\$385.35
				6282681	HQ0334	Faustino Moises Martinez
14405428	Mar-14	\$2,867.00				
14405428	Apr-14	\$3,153.70				
14405428	May-14	\$3,010.35				
14405428	Jun-14	\$3,010.35				
15405428	Jul-14	\$3,153.70				
15405428	Aug-14	\$3,010.35				
15405428	Sep-14	\$3,010.35				
15405428	Oct-14	\$3,153.70				
15405428	Nov-14	\$2,436.95				
15405428	Dec-14	\$2,867.00				
15405428	Jan-15	\$2,867.00				
15405428	Feb-15	\$2,293.60				
15405428	Mar-15	\$3,153.70				
6213392	HQ0846	Care 4 U Mobility	875			
				14390541	Sep-13	\$3,059.20
				14390541	Oct-13	\$3,365.12
				14390541	Nov-13	\$2,600.32
				14390541	Dec-13	\$2,294.40
				14390541	Jan-14	\$2,906.24
				14390541	Feb-14	\$2,829.76

**San Diego Regional Center
Rate Increase After the Freeze (Repeat)
Fiscal Years 2012-13 and 2013-14**

Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overpayments
6213392				14390541	Mar-14	\$2,906.24
				14390541	Apr-14	\$3,365.12
				14390541	May-14	\$3,212.16
				14390541	Jun-14	\$3,212.16
				15390541	Jul-14	\$3,212.16
				15390541	Aug-14	\$3,059.20
				15390541	Sep-14	\$2,906.24
				15390541	Oct-14	\$2,447.36
				15390541	Nov-14	\$2,294.40
				15390541	Dec-14	\$2,600.32
				15390541	Jan-15	\$2,982.72
				15390541	Feb-15	\$2,982.72
				15390541	Mar-15	\$3,212.16
				15390541	Apr-15	\$3,365.12
				6286909	HQ0846	Care 4 U Mobility (Continued)
14390539	Aug-13	\$401.28				
14390538	Sep-13	\$926.64				
14390539	Sep-13	\$328.32				
14390538	Oct-13	\$772.20				
14390539	Oct-13	\$437.76				
14390538	Nov-13	\$823.68				
14390539	Nov-13	\$364.80				
14390538	Dec-13	\$978.12				
14390539	Dec-13	\$328.32				
14390538	Jan-14	\$1,184.04				
14390539	Jan-14	\$255.36				
14390538	Feb-14	\$926.64				
14390539	Feb-14	\$291.84				
14390538	Mar-14	\$926.64				
14390539	Mar-14	\$364.80				
14390538	Apr-14	\$978.12				
14390539	Apr-14	\$437.76				
14390538	May-14	\$514.80				
14390539	May-14	\$656.64				
14390538	Jun-14	\$1,029.60				
14390539	Jun-14	\$401.28				

San Diego Regional Center
Rate Increase After the Freeze (Repeat)
Fiscal Years 2012-13 and 2013-14

Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overpayments
6286909	HQ0846	Care 4 U Mobility (Continued)	875	15390538	Jul-14	\$1,184.04
				15390539	Jul-14	\$364.80
				15390538	Aug-14	\$926.64
				15390539	Aug-14	\$401.28
				15390538	Sep-14	\$1,081.08
				15390539	Sep-14	\$328.32
				15390538	Oct-14	\$926.64
				15390539	Oct-14	\$474.24
				15390538	Nov-14	\$772.20
				15390539	Nov-14	\$291.84
				15390538	Dec-14	\$978.12
				15390539	Dec-14	\$328.32
				15390538	Jan-15	\$1,029.60
				15390539	Jan-15	\$401.28
				15390538	Feb-15	\$926.64
				15390539	Feb-15	\$291.84
				15390539	Mar-15	\$401.28
				15390539	Apr-15	\$364.80
15390539	May-15	\$328.32				
6246686				14390540	Aug-13	\$2,123.28
				14390540	Sep-13	\$2,359.20
				14390540	Oct-13	\$2,477.16
				14390540	Nov-13	\$2,123.28
				14390540	Dec-13	\$2,241.24
				14390540	Jan-14	\$2,477.16
				14390540	Feb-14	\$2,241.24
				14390540	Mar-14	\$2,241.24
				14390540	Apr-14	\$2,595.12
				14390540	May-14	\$2,123.28
				14390540	Jun-14	\$2,477.16
				15390540	Jul-14	\$1,887.36
				15390540	Aug-14	\$2,477.16
				15390540	Sep-14	\$2,418.18
				15390540	Oct-14	\$2,536.14
				15390540	Nov-14	\$2,005.32
				15390540	Dec-14	\$2,241.24
				15390540	Jan-15	\$2,359.20

**San Diego Regional Center
Rate Increase After the Freeze (Repeat)
Fiscal Years 2012-13 and 2013-14**

Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overpayments
6246686	HQ0846	Care 4 U Mobility (Continued)	875	15390540	Feb-15	\$2,123.28
				15390540	Mar-15	\$2,595.12
				15390540	Apr-15	\$2,595.12
				15390540	May-15	\$2,359.20
Total Overpayments Due to Rate Increase After the Freeze						\$183,832.41

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**San Diego Regional Center
Overstated Claims-Duplicate Payments/Overlapping Authorizations
Fiscal Years 2012-13 and 2013-14**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overstated Claims
1	6281880	HQ0958	Inside Passage	915	13364683	Oct-12	\$147.86
2	6258606	P39415	Kimberly Gaines-Williams	620	13365973	Nov-12	\$25.10
3	6222778	P49657	Michelle Lopez	109	13369496	Jan-13	\$380.18
4	6598784	P72845	Safety Alert, Inc.	17	13297374	Jul-12	\$1,743.69
5	6207914				13330516	Oct-12	\$438.51
6	6279850	PQ0622	Promising Futures	109	13359419	Jul-13	\$833.78
7	6284948				13359815	Aug-12	\$533.52
8	6288440	PQ3252	Keisha Bedford	65	13362898	Oct-12	\$198.60
9	6245007	PQ7197	Ron's Pharmacy Svcs.	765	13302264	Jan-12	\$274.08
10						Feb-12	\$3,872.11
11	6286560	PQ7197	Ron's Pharmacy Svcs.	765	13142486	Jul-12	\$157.61
12	6296618					Aug-12	\$12.98
13	6245007	PQ7197	Ron's Pharmacy Svcs.	765	13302264	Sep-12	\$3,980.24
14						Nov-12	\$2,193.72
15						Dec-12	\$256.23
16	6286560	PQ7197	Ron's Pharmacy Svcs.	765	13142486	Dec-12	\$12.50
17						Mar-13	\$12.50
18	6286560	PQ7288	Mobile Therapist, Inc.	773	14383811	Jun-13	\$12.50
19	6235734					Aug-13	\$169.75
20	6270422	PQ8219	Crimson Center For Speech	102	14389569	Sep-13	\$169.75
21						Oct-13	\$237.65
22	6270487	PQ8219	Crimson Center For Speech	102	14390633	Nov-13	\$427.77
23						Nov-13	\$334.71

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**San Diego Regional Center
Overstated Claims-Duplicate Payments/Overlapping Authorizations
Fiscal Years 2012-13 and 2013-14**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overstated Claims
24	6261270	PQ8237	Sunny Days of Ca.	102	13363142	Oct-12	\$98.76
25	6257560					Nov-12	\$49.38
26	6260726					Nov-12	\$49.38
27	6245447	PQ9614	CARES	24	13368274	Dec-12	\$810.00
28						Jan-13	\$390.00
29						Feb-13	\$110.00
30	6285190	VQ3145	Thomas Santiago	425	13273302	Jul-12	\$16.48
31						Aug-12	\$42.40
32						Sep-12	\$1.72
33						Nov-12	\$164.44
34						Jan-13	\$22.06
Total Overpayments Due to Duplicate Payments/Overlapping Authorizations							\$18,179.96

**San Diego Regional Center
Unsupported Credit Card Expenditures
Fiscal Years 2012-13 and 2013-14**

	Merchant	Transaction Date	Transaction Amount
Unsupported Disbursements			
1	Sombrero Mission Gorge	9/17/2013	\$122.63
2	Antojito Como En Casa	12/21/2012	\$290.12
Total Credit Card Expenditures Not Supported			\$412.75

San Diego Regional Center
Family Cost Participation Program - Late Assessments
Fiscal Years 2012-13 and 2013-14

	Unique Client Identification Number	IPP Date	Assessment Date
1	6246216	2/28/2014	4/30/14
2	6239549	11/6/2013	6/9/14
3	6245064	12/21/2011	11/27/12
4	6252903	1/30/2014	4/30/14
5	6242569	1/18/2012	11/27/12
6	6224567	1/24/2014	4/29/14
7	6297774	8/29/2011	7/18/12
8	6247742	11/26/2013	4/30/14
9	6272559	3/13/2014	4/30/14
10	6251351	3/6/2012	11/27/12
11	6231651	8/2/2012	11/15/12
12	6236187	10/4/2012	11/15/12
13	6262337	2/3/2014	4/29/14
14	6231528	6/24/2013	9/3/13
15	6232639	2/12/2014	3/31/14
16	6227080	10/15/2012	11/29/12
17	6227593	8/3/2012	11/15/12
18	6226650	9/13/2012	2/20/14

APPENDIX A

SAN DIEGO REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**

(Certain documents provided by the San Diego Regional Center as attachments to its response are not included in this Audit Report due to the detailed and sometimes confidential nature of the information.)



San Diego Regional Center

Serving Individuals with Developmental Disabilities in San Diego and Imperial Counties
4355 Ruffin Road, San Diego, CA 92123 · (858) 576-2996 · www.sdrc.org

October 21, 2015

Ed Yan, Manager
Audit Branch
Department of Developmental Services
1600 Ninth Street, Room 230, MS-2-10
Sacramento, California 95814

Dear Mr. Yan:

The following are the San Diego Regional Center (SDRC) responses to the findings and recommendations of the Department of Developmental Services Draft Fiscal Audit of Fiscal Years 2012-13 and 2013-14.

Thank you for the opportunity to have the San Diego Regional Center responses included in the final audit report.

Finding 1: Rate Increase After the Freeze (Repeat)

The sampled review of 130 POS transportation vendor files revealed that SDRC continues to reimburse two vendors Faustino Moises Martinez, Vendor number HQ0334, Service Code 875, and Care 4 U Mobility, Vendor Number HQ0846, Service Code 875, at rates higher than the rates that were originally in effect as of June 30, 2008. This issue was identified in the prior audit report. SDRC provided documentation indicating the overpayment from the prior audit totaling \$133,477.70 has been resolved but has not made adjustments to the rates paid to the vendors.

SDRC stated that the increases were based on court orders which required it to accommodate five consumers who have either disruptive behaviors or need out of the area transportation of 50 miles or more. SDRC also stated that it has applied for health and safety waivers retroactively for the five consumers, and continue to pay the higher rate.

Since the rate increases have not been substantiated with any court orders and SDRC continues to pay the higher rates without an approved health and safety waiver from DDS this resulted in overpayments totaling \$183,832.41 from August 2013 through May 2015.

W&I Code, section 4648.4(b)(2) states, in pertinent part:

- “(b) Notwithstanding any other provision of law or regulation, except for subdivision (a), no regional center may pay any provider of the following services or supports a rate that is greater than the rate that is in effect on or after June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008, or the regional center demonstrates that the approval is necessary to protect the consumer's health or safety and the department has granted prior written authorization:

(2) Transportation, including travel reimbursement."

Recommendation:

SDRC must remit to DDS a total of \$183,832.41, for the overpayments. In addition, SDRC should revert to the original payment terms of the contracts that were in place as of June 30, 2008.

SDRC Response to Finding 1:

SDRC does not concur with the DDS recommendation to reimburse the Department for expenses related to public health and safety. SDRC is continuing the process of requesting health and safety waivers from DDS for the transportation of these consumers. The consumers are medically fragile or pose a substantial threat to themselves and/or the public welfare of others in the community and were transported using the safest and most appropriate means available to the regional center.

Finding 2: Overstated Claims-Duplicate Payments/Overlapping Authorizations

The review of SDRC's UFS Indicator Reports revealed 34 instances where SDRC over claimed expenses to the State totaling \$18,179.96 for twelve vendors. The overpayments were due to duplicate payments and or overlapping authorizations.

CCR Title 17, Section 54326(a)(10) states in pertinent part:

"(a) All vendors shall . . .

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

Recommendation:

SDRC must reimburse DDS the overpayment totaling \$18,179.96 for the overpayments due to overstated claims. SDRC should also closely monitor the UFS Indicator Reports to ensure any payments errors are identified and corrected in a timely manner.

SDRC Response to Finding 2:

SDRC concurs with the DDS recommendation to reimburse DDS \$18,179.96 in overpayments.

Finding 3: Missing Documentation – Unsupported Billings (Repeat)

The sampled review of 130 POS vendor files revealed that SDRC continues to reimburse vendors without documentation to support the expenses claimed to the State. This resulted in the unsupported billings totaling \$7,499.69 to the three vendors during the current audit. SDRC stated that the invoices were lost. This issue was identified in the prior audit. SDRC provided documentation indicating the overpayment from the prior audit totaling \$144,042.49 has been resolved. In its response to the prior audit, SDRC stated that going forward it will obtain invoices and attendance

before payments can be made to the vendors. However, SDRC continues to reimburse vendors without support documentation and is not adhering to its implemented policies and procedures to ensure that this issue will not occur in the future.

CCR, Title 17, Section 50604(d)(1)(2)(3)(C) and (e) states in pertinent part:

- “(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program . . . Service records used to support service providers’ billing/invoicing shall include but not be limited to:
- (1) Information identifying each regional center consumer including the Unique Client identifier and Consumer name;
 - (2) Documentation for each consumer reflecting the date for program entrance and exit, if applicable, as authorized by a regional center.
 - (3) A record of services provided to each consumer. The record shall include:
 - (C) For community-based day programs the dates of service, place where service was provided, the start and end times of service provided.
- (e) All service providers’ records shall be supported by source documentation.”

State Contract, Article IV, section 3(a) and (b) states:

- “ . . . Contractor shall keep records, as follows:
- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract. . .
 - b. The Contractor shall make available at the office of the Contractor at any time 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 records (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:

SDRC must reimburse to DDS the overpayment totaling \$7,499.69. SDRC must ensure any payments made to the vendors in the future are supported by source documentation. In addition, SDRC should adhere to its policies and procedures to ensure this issue does not occur in the future.

SDRC Response to Finding 3:

SDRC concurs with the DDS finding and will reimburse \$7,499.69 to DDS.

Finding 4: Unsupported Credit Card Expenditures

A review of 74 credit card purchases revealed two credit card transaction transactions totaling \$412.75 with insufficient documentation to support the expenses claimed to the State. SDRC was unable to provide detailed receipts as supporting documentation for the two items purchased. SDRC stated that this occurred due to an oversight. In addition, it was found that SDRC does not have written policies and procedures in place requiring detailed receipts as support for credit card expenditures.

State Contract, Article IV, Section 3(a) states:

"The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract (hereinafter collectively called the "records") to the extent and in such detail as will properly reflect net costs (direct and indirect) of labor, materials, equipment, supplies and services, overhead and other costs and expenses of whatever nature for which reimbursement is claimed under the provisions of this contract in accordance with mutually agreed to procedures and generally accepted accounting principles."

Recommendation:

SDRC must reimburse DDS \$412.75 for unsupported expenditures. In addition, SDRC must implement policies and procedures to ensure employees submit original receipts detailing the items purchased by credit card.

SDRC Response to Finding 4:

SDRC concurs with the recommendation to reimburse \$412.75 to DDS. Additionally, SDRC will implement procedures to ensure employees submit original receipts detailing the items purchased by credit card.

Finding 5: Annual Family Program Fee – Income Documentation

The sampled review of 25 AFPP assessments revealed that SDRC does not require families to submit income documentation for its AFPP assessments. SDRC permits families to self-certify their income using SDRC's AFPP Income Schedule. SDRC indicated it was not aware that families need to submit income records to certify their adjusted gross income.

W&I Code, Section 4785(b)(2) states:

"(2) Notwithstanding paragraph (1), parents described in paragraph (1) of subdivision (a) who demonstrate to the regional center that their adjusted gross family income is

less than 800 percent of the federal poverty level shall be required to pay an annual family program fee of one hundred and fifty dollars (\$150) per family,"

DDS AFPF Procedures, Section II(C) also states:

- "(C) Upon request from the parents, regional center shall review, and when applicable, adjust the family fee assessment if it is demonstrated that the adjusted gross family income is less than the 800 percent of the federal poverty level (FPL). Families shall provide the regional center with their total adjusted gross family income as defined in W&I Code Section 4785 (j)(1)."

Recommendation:

SDRC must ensure parents submit appropriate income documentation to meet the income eligibility requirements for the AFPF assessments.

SDRC Response to Finding 5:

SDRC concurs with the recommendation to ensure parents submit appropriate income documentation to meet the income eligibility requirements for the AFPF assessments.

Finding 6: Family Cost Participation Program – Late Assessments

A sampled review of 22 Family Cost Participation Program (FCPP) consumer files revealed SDRC did not assess the parents' share of cost participation as part of the consumer's Individual Program Plan (IPP) or the Individualized Family Service Plan (IFSP) review for 18 consumers. The assessments were completed more than 30 days after the signing of the IPP or IFSP. This occurred because SDRC completes the FCPP assessments and reassessments based on the consumer's date of birth.

W&I Code, Section 4783 (g)(A)(B)(C) state in relevant part:

"(g) Family cost participation assessments or reassessments shall be conducted as follows:

- (A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.
- (B) A regional center shall assess the cost participation for parents of newly identified consumers at the time of initial individual program plan or the individualized family service plan.
- (C) Reassessments for cost participation shall be conducted as part of the individual program plan or individual family service plan review pursuant to

subdivision (b) of Section 4646 of this code of subdivision (f) of Section 95020 of the Government Code.”

Recommendation:

SDRC must amend its process and complete the consumers FCPP assessment as part of the IPP or IFSP. This will ensure compliance with the requirements set forth in the W&I Code.

SDRC Response to Finding 6:

SDRC concurs with the recommendation to amend its process and complete the consumers FCPP assessment as part of the IPP or IFSP.

Finding 7: Expenses Did Not Match to the Year-End General Ledger

The review of the TCM Rate Study worksheets revealed discrepancies resulting in overstated expenses totaling \$1,171, 178.39 for May 2013 and understated expenses totaling \$143,918.84 for March 2014, between the expenses reported on Attachment C and SDRC’s Year-End ledger. SDRC did not verify that its TCM Rate Study worksheets reconciled to the General Ledger prior to sending the TCM Rate Study worksheet to DDS. TCM Rate Study amounts recorded incorrectly may affect the reimbursement rate billed to the federal government, since the rate is established based on the SDRC’s actual cost.

Instructions for the TCM Rate study, Attachment C, states:

“ADMINISTRATIVE SURVEY – Computation of Applicable Operations Expenses

Operation Expenses:

1. On the worksheet below, enter the actual 2011-12 operation expenses, including outstanding encumbrances and accounts payable that will be paid during the current fiscal year for each program per UFS 310 Budget Report – Detail.”

Recommendation:

SDRC must follow the instructions for the TCM Rate Study and ensure that the expenses reported on the study reconcile to SDRC’s actual expenses reported on the Year-End General Ledger.

SDRC Response to Finding 7:

SDRC concurs with the recommendation to ensure that the expenses reported on the study reconcile to SDRC actual expenses reported on the Year-End General Ledger.

Finding 8: Targeted Case Management (TCM) Time Study-Recording of Attendance

The sampled review of 19 TCM Time Study forms, DS 1916, revealed eight employees had vacation and sick hours recorded on their timesheets which did not properly reflect the hours recorded on the DS 1916. This resulted in 23.50 hours that were understated and 17.50 overstated hours on the TCM Time Study. SDRC stated that supervisors were comparing the hours recorded on the TCM DS 1916 to the employees' work schedule rather than the employees' timesheets.

The TCM Rate Study Process and Instructions state:

“ . . . All regional center case management staff (category CM) will complete the DS 1916 during the rate study The total hours worked during the day, including overtime must be shown For each day work was performed, enter the number of hours spent on each function outlined on the time sheet”

Recommendation:

SDRC must ensure Service Coordinators accurately report the number of hours spent on each function. Supervisors should also compare the Time Study DS 1916 forms to the timesheets to ensure hours worked during the time study period are properly reflected.

SDRC Response to Finding 8:

SDRC concurs with the recommendation and will instruct supervisors to compare the Time Study DS 1916 forms to the timesheets to ensure hours worked during the time study period are properly reflected.

Finding 9: Vendors Not Enrolled in Electronic Billing (Repeat)

The review of SDRC's Electronic Billing (EB) process revealed that 208 out of 3,776 vendors are not enrolled in electronic billing. SDRC stated that eligible vendors who are not on EB are sent notices to enroll; however, vendors have been unwilling to comply. SDRC stated it will continue to attempt to enroll all eligible vendors into the EB process, but will not discontinue services for vendors that do not enroll. This issue was identified in the prior audit report.

W&I Code, Section 4641.5(a)(1)(2) and (b) states:

"(a) Effective July 1, 2011, all regional centers shall begin transitioning all vendors of all regional center services to electronic billing for services purchased through a regional center. All vendors and contracted providers shall submit all billings electronically for services provided on or after July 1, 2012 with the exception of the following:

- (1) A vendor or provider whose services are paid for by vouchers as that term is defined in subdivision (i) of Section 4512 of the Welfare and Institutions Code.

- (2) A vendor or provider who demonstrates that submitting billings electronically for services presents substantial financial hardship for the provider.”
- (b) For purposes of this section, “electronic billing” is defined as the Regional Center e-Billing System Web application provided by the Department.

Recommendation:

SDRC must continue work on enrolling all vendors into the EB process to ensure compliance with W&I Code, Section 4641.5(a)(1)(2)(b).

SDRC Response to Finding 9:

SDRC concurs with the recommendation and will continue to enroll all eligible vendors to the electronic billing process.

Finding 10: Policies and Procedures for Vendor Audits and Reviews

The review of SDRC’s list of 179 vendors who were required to contract with an independent accounting firm for an audit or a review of its financial statements revealed 136 vendors did not submit an audit or review as required. It was found that SDRC has no procedures in place to follow-up with the vendors that are required to, but have not yet, submitted audit reports or reviews.

W&I Code Section 4652.5(a)(1)(A)(B) and (b) state in part:

- “(a)(1) An entity receiving payment from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements subject to all of the following:
 - (A) When the amount received from the regional center or regional centers during the entity’s fiscal year is more than or equal to two hundred fifty thousand (\$250,000) but less than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit or independent review report of its financial statements for the period.
 - (B) When the amount received from the regional center or regional centers during the entity’s fiscal year is equal to or more than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit of its financial statements for the period.
- (b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center with 30 days after completion of the audit or review.”

Recommendation:

SDRC must develop policies and procedures to ensure it is properly tracking and following-up with vendors who are required to, but have not yet, submitted audit reports or reviews. Failure to receive these reports limits SDRC's ability to detect issues that may have an impact on regional center services.

SDRC Response to Finding 10:

SDRC concurs with the recommendation and will develop procedures to ensure it is properly tracking and following-up with vendors who are required to, but have not yet, submitted audit reports or reviews.

If you have any questions, please contact me at (858) 576-2933.

Sincerely,



Carlos Flores
Executive Director

- c: Linda Schmalzel, Chair, SDICDSI Board of Directors
Ann Featherstone, Vice-Chair, SDICDSI Board of Directors
Cuauhtemoc Hernandez, Treasurer, SDICDSI Board of Directors
Michael Bell, Chief Financial Officer