



**AUDIT OF THE
ALTA CALIFORNIA REGIONAL CENTER
FOR FISCAL YEARS 2003-04, 2004-05, and 2005-06**

Department of Developmental Services

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

Deborah Aldama, Acting Deputy Director, Administration Division
Arthur J. Lee, CPA, Manager, Audit Branch
Edward Yan, Chief of Regional Center Audits, Audit Branch
Staci Yasui, Supervisor, Audit Branch
Luciah Ellen Nzima, Supervisor, Audit Branch

Audit Staff: Paramjit Judge, Lynn Drab, Manuel Garcia, Soi Ly, Oscar Perez, and
Alex Wu

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

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
BACKGROUND	4
Authority	5
Criteria	5
Audit Period	5
OBJECTIVES, SCOPE AND METHODOLOGY	6
I. Purchase of Service	7
II. Regional Center Operations	7
III. Targeted Case Management and Regional Center Rate Study	8
IV. Service Coordinator Caseload Study	8
V. Early Intervention Program (Part C Funding)	9
VI. Family Cost Participation Program	9
VII. Other Sources of Funding	9
VIII. Follow-up Review on Prior DDS' Audit Findings	10
CONCLUSIONS	11
VIEWS OF RESPONSIBLE OFFICIAL	12
RESTRICTED USE	13
FINDINGS AND RECOMMENDATIONS	14
EVALUATION OF RESPONSE	23
REGIONAL CENTER'S RESPONSE	Appendix A

EXECUTIVE SUMMARY

The fiscal compliance audit of Alta California Regional Center (ACRC) revealed that the ACRC was in substantial compliance with the requirements set forth in California Code of Regulations Title 17, the California Welfare and Institutions (W&I) Code, the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services. The audit indicated that, overall, ACRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where ACRC'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 ACRC's operations.

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

- I. These findings need to be addressed, but do not significantly impair the financial integrity of the ACRC or seriously compromise its ability to account for or manage state funds.

Finding 1: Over-Stated Claims

A detailed review of ACRC's Operational Indicator reports and Transportation Programs revealed 69 instances in which ACRC over claimed expenses to the State. These payments were either due to duplicate payments, overlapping authorizations or incorrect calculations, which resulted in overpayments totaling \$216,048.62. This is not in compliance with Title 17, Section 54326 (a)(10). However, ACRC has addressed and corrected 58 of the 69 instances by providing additional documentation its response to the draft report. Eleven instances totaling \$8,965.83 remain outstanding.

Finding 2: Recording of Attendance

The review of the Payroll and Fringe Benefits area revealed that for five of the 22 sampled employees, vacation and sick hours recorded on the employee timesheets were incorrectly recorded in ACRC's attendance records.

In addition, the review of the Targeted Case Management Time Study revealed that for five of the 20 sampled employees, vacation and sick hours recorded on the employee timesheets did not properly reflect what was recorded on the Case Management Time Study Forms (DS 1916).

Finding 3: Missing Contracts

The sample review of ACRC's Transportation Program and Operational Consultant Contractor files revealed nine of the 20 Transportation vendors sampled and three of the four Consultants sampled did not have contracts on file to support their payment rates.

Finding 4: Missing Invoices and Attendance Documentation

The review of 20 Transportation vendor files revealed that ACRC reimbursed six Transportation vendors for services provided to consumers without monthly attendance documentation and/or invoices. This is not in compliance with Title 17, Section 50604 (d)(3)(B) which requires vendors to maintain support for billings/invoicing.

Finding 5: Bank Reconciliations – Lack of Signatures and Dates

The review of 37 bank reconciliations revealed 22 instances where the bank reconciliations were not prepared in a timely manner and/or were not signed and dated by the preparer and reviewer. For the bank reconciliations not prepared timely, the reconciliation of the bank accounts was up to five months late. ACRC stated this was due to the lack of personnel in performing this function.

Finding 6: Equipment

A. Equipment Inventory

ACRC has not completed a physical inventory as required by the State's Equipment Management System Guidelines. These guidelines require that ACRC performs a physical inventory and maintains documentation that the physical inventory has been taken.

B. Missing Equipment

A sample of 40 items from the equipment inventory list provided by ACRC revealed that six items could not be located. This is not in compliance with Article IV, Section 4 (a) of the contract with DDS.

Finding 7: Missing Vendor Files

The sample review of 49 Day Program and Residential vendor files revealed two instances in which the vendor files could not be located. This is not in compliance with Article IV, Sections 3a and 3b of the contract with DDS.

Finding 8: Missing Petty Cash

The review of the nine Petty Cash funds revealed the Roseville office's Petty Cash fund of \$25 could not be located.

Finding 9: Unsupported Caseload Ratios

The review of the Service Coordinator Caseload Ratios revealed that supporting documentation was not maintained to verify the reported ratios for Fiscal Years (FYs) 2003-04 and 2004-05.

Finding 10: Medi-Cal Provider Agreement Forms

The file review of 69 service vendors for Day Program, Transportation, and Residential services revealed that Medi-Cal Provider Agreement forms for four of the vendors were found to be either missing or improperly completed by ACRC. This is not in compliance with Title 17, Section 54326 (a).

II. The following findings were identified during the audit, but have since been addressed and corrected by ACRC.

Finding 11: State Equipment not Capitalized in the General Ledger

Documentation provided by ACRC revealed that equipment purchased and labeled sensitive or over \$5,000 was expensed rather than capitalized in the general ledger as required by the State's Equipment Management Systems Guidelines issued by DDS.

Finding 12: Deceased Consumer Files

The review of the Uniform Fiscal System (UFS) Death report identified five consumers with multiple dates of death recorded. For good internal controls and accounting practices, ACRC should ensure the actual date of death is accurately recoded in UFS.

BACKGROUND

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

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's Home and Community-Based Services (HCBS) Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each regional center no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires regional centers to contract with independent Certified Public Accountants (CPA) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

In addition to the fiscal compliance audit, each regional center will also be reviewed by DDS' Federal Programs Operations Section staff to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review will have 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 center fiscal, administrative and program operations.

DDS and Alta California Regional Center Inc., entered into two contracts, HD999001, effective July 1, 1999, through June 30, 2004, and HD049001, effective July 1, 2004, through June 30, 2009. These contracts specify that Alta California Regional Center Inc., will operate an agency known as the Alta California Regional Center (ACRC) to provide services to persons with DD and their families in the Alpine, Colusa, El Dorado, Nevada, Placer, Sacramento, Sierra, Sutter, Yolo, and Yuba Counties. The contracts are funded by state and federal funds that are dependent upon ACRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at ACRC from January 16, 2007, through February 16, 2007, and was conducted by DDS's Audit Branch.

AUTHORITY

The audit was conducted under the authority of the Welfare and Institutions (W&I) Code, Section 4780.5, and Article IV, Provision Number 3 of ACRC's contract.

CRITERIA

The following criteria were used for this audit:

- California Welfare and Institutions Code
- "Approved Application for the Home and Community-Based Services Waiver for the Developmentally Disabled"
- California Code of Regulations Title 17
- Federal Office of Management Budget (OMB) Circular A-133
- ACRC's contract with the DDS

AUDIT PERIOD

The audit period was from July 1, 2003, through June 30, 2006, 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 to Title 17, California Code of Regulations (Title 17),
- To determine compliance to the provisions of the HCBS Waiver for the Developmentally Disabled, and
- To determine that costs claimed were in compliance to the provisions of the ACRC's contract with DDS.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of ACRC's financial statements. We limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that ACRC was in compliance with the objectives identified above. Accordingly, we examined transactions, on a test basis, to determine whether ACRC was in compliance with Title 17, the HCBS Waiver for the Developmentally Disabled, and the contract with DDS.

Our review of ACRC's internal control structure was limited to gaining an understanding of the transaction flow and the policies and procedures as necessary to develop appropriate auditing procedures.

We reviewed the annual audit reports that were conducted by an independent accounting firm for Fiscal Years (FYs):

- 2003-04 issued December 3, 2004
- 2004-05 issued December 12, 2005
- 2005-06 issued December 20, 2006

In addition, we reviewed associated management letters that were issued by the independent accounting firm for the FYs 2003-04, 2004-05, and 2005-06. This review was performed to determine the impact, if any, upon our audit and as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

We selected a sample of Purchase of Service (POS) claimed and billed to DDS. The sample included consumer services, vendor rates, and consumer trust accounts. The sample also included consumers who were eligible for the HCBS Waiver. For POS the following procedures were performed:

- We tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- We 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 ACRC. The rates charged for the services provided to individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of Title 17.
- We analyzed all of ACRC's bank accounts to determine if the DDS had signatory authority as required by the contract with the DDS.
- We selected a sample of bank reconciliations for Operations bank accounts to determine if the reconciliations are properly completed on a monthly basis.

II. Regional Center Operations

We audited ACRC operations and conducted tests to determine compliance to the contract with DDS. The tests included various expenditures claimed for administration to ensure that the accounting staff was properly inputting data, transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas were valid and reasonable. These tests included the following:

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance to Title 17 and the contract with DDS.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the contract with the DDS.

- We reviewed ACRC's policies and procedures for compliance to the Title 17 Conflict of Interest requirements and selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

The Targeted Case Management (TCM) rate study is the study that determines DDS rate of reimbursement from the Federal Government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and ACRC's Rate Study. We examined the month of May 2004, and traced the reported information to source documents.
- Reviewed ACRC's Case Management Time Study. We selected a sample of payroll time sheets for this review and compared to the DS1916 forms to ensure that the DS1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Study

Under the W&I code Section 4640.6, regional centers are required to provide service coordinator caseload data to DDS annually. Prior to January 1, 2004, the survey required regional centers to have a service coordinator-to-consumer ratio of 1:62 for all consumers who had not moved from developmental centers to the community since April 14, 1993, and a ratio of 1:45 for all consumers who had moved from developmental centers to the community since April 14, 1993.

However, for the period commencing January 1, 2004, to June 30, 2007, inclusive, the following service coordinator-to-consumer ratios apply:

- A. For all consumers that are three years of age and younger and for consumers that are enrolled on the HCBS 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 in the community continuously for at least 12 months, the required average ratio shall be 1:62.
- 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.

We performed the following procedure upon ACRC's caseload survey.

Reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratio 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

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 we reviewed the Early Intervention Program, including Early Start Plan and Federal Part C funding to determine if the funds were properly accounted for in the Regional Center's accounting records.

VI. Family Cost Participation Program

The Family Cost Participation Program (FCPP) was created for the purpose of assessing cost participation to parents based on income level and dependents. The family cost participation assessments are only applied to respite, day care, and camping services that are included in the child's individual program plan. To determine whether the regional center is in compliance with Title 17 and the WIC code, we performed the following procedures during our audit review.

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

VII. Other Sources of Funding

Regional centers may receive many other sources of funding. For the other sources of funding identified for ACRC, we performed sample tests to ensure that the accounting staff was inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The other sources of funding identified for this audit are:

- Start Up Programs
- Donations

VIII. Follow-up Review on Prior DDS's Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. We identified prior audit findings that were

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

CONCLUSIONS

Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, ACRC was in substantial compliance to applicable sections of Title 17, the HCBS waiver, and the terms of ACRC's contract with DDS for the audit period July 1, 2003, through June 30, 2006.

Except for those items described in the Findings and Recommendations Section, 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 ACRC has taken appropriate corrective actions to resolve all prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on February 20, 2008. The findings in the report were discussed at an exit conference with ACRC on March 7, 2008. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, the Centers for Medicare and Medicaid Services, and the Alta California Regional Center. It is not intended and should not be used by anyone other than these specified parties. This restriction does not limit distribution of this report, which is a matter of public record.

ARTHUR J. LEE, CPA, Manager
Audit Branch

FINDINGS AND RECOMMENDATIONS

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

- I. The following findings need to be addressed, but do not significantly impair the financial integrity of ACRC or seriously compromise its ability to account for or manage State funds.

Finding 1: Over-Stated Claims

A review of the ACRC's Operational Indicators reports and Transportation Programs revealed 69 instances in which ACRC over-claimed expenses to the State. There were seven instances of overpayments totaling \$5,753.86, due to duplicate/overlapping authorizations; 47 instances of overpayments totaling \$70,850.78, due to additional units of service being paid above the authorized amount; 10 instances of overpayments totaling \$127,914.45, due to multiple authorizations or payments applied to the incorrect month; one instance of an overpayment totaling \$4,132 due to a cancelled authorization; and four instances of overpayments totaling \$7,397.53, due to payments not being supported by attendance documentation. The total overpayment was \$216,048.62. (See Attachment A.)

Title 17, Section 54326 (a)(10) states:

“All vendors shall...

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

In addition, for good business and internal control practices, ACRC should generate and monitor the Operational Indicator reports periodically to detect and correct any overpayments that may have occurred in the course of doing business with its vendors.

ACRC provided additional documentation in its response to the draft report showing that corrective actions have been taken in resolving 58 of the 69 instances. ACRC collected overpayments totaling \$5,257.71. Credit memos and adjusting entries to the correct service months by ACRC resulted in a total of \$201,825.08. Therefore, the corrective actions taken by ACRC have resulted in a total of \$207,082.79 that has been resolved. The remaining 11 instances totaling \$8,965.83 are still outstanding.

Recommendation:

ACRC should continue to research the 11 remaining instances totaling \$8,965.83 and make the appropriate adjustments once the issues have been identified. In addition, ACRC should develop and implement procedures to ensure staff is

aware of and monitoring the Operational Indicator reports to timely detect and correct any overpayments that may have occurred in the course of doing business with its vendors.

Finding 2: Recording of Attendance

The review of the Payroll and Fringe Benefits area revealed that for five of the 22 sampled employees, vacation and sick-hours on the employee timesheets were incorrectly recorded in ACRC's attendance records.

In addition, the review of the Targeted Case Management Time (TCM) study revealed that for five of the 20 sampled employees, vacation and sick-hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM study forms (DS1916). The difference between the employee timesheets and the TCM study forms were 34 hours. Though the difference did not have a significant impact on the TCM rate, hours recorded incorrectly in the TCM study can affect the TCM rate billed to the Federal Government.

For good business and internal control practices, vacation and sick-time should be recorded correctly on ACRC's attendance system and the TCM study forms (DS1916). Time recorded incorrectly may result in overpayments or underpayments to employees, incorrect balance of fringe benefits, or 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:

ACRC should implement policies and procedures to ensure all employee timesheets are properly recorded in the ACRC attendance reporting system and in agreement with the TCM study forms (DS1916).

Finding 3: Missing Contracts

The sample review of ACRC's Transportation vendors and operational Consultant Contractor files revealed that nine of the 20 Transportation vendors sampled and three of the four Consultants sampled did not have a contract on file to support the payment rates. (See Attachment B.)

For good internal control practices, supporting documentation such as written contracts should be in place and with signatures of both parties. The written contracts should include the scope of services to be provided and the compensation that will be paid for the services. This is to ensure that there will be no misunderstanding regarding the agreement between the two parties.

Recommendation:

ACRC should develop and implement procedures to ensure all its Transportation vendors and consultants have written contracts in place to support the amounts paid.

Finding 4: Missing Invoices and Attendance Documentation

The review of 20 Transportation vendor files revealed that ACRC reimbursed six Transportation vendors for services provided to consumers without supporting documentation. Five vendors were paid without attendance documentation, and one vendor did not have any billing invoices on file to support payments made by ACRC. (See Attachment C.)

Title 17, Section 50604 (d) states in part:

“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:

- (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:
 - (B) For transportation services, the dates of service, city or county where service was provided, and the number of miles driven or trips provided.”

Recommendation:

ACRC should develop and implement procedures to require all vendors submit invoices and attendance documentation before reimbursing vendors for services provided to consumers. This will ensure ACRC’s compliance with Title 17, Section 50604 (d).

Finding 5: Bank Reconciliations – Lack of Signatures and Dates

The review of 37 bank reconciliations revealed 22 instances where the bank reconciliations were not prepared in a timely manner and/or were not signed and dated by the preparer and reviewer. For the bank reconciliations not timely prepared, the reconciliation of the bank accounts was up to five months late. ACRC stated this was due to the lack of personnel in performing this function. In addition, though ACRC has bank reconciliations procedures in place, the

procedures do not state that the reconciliations should be completed in a timely manner.

For good internal controls and accounting practices the reconciliations should be signed and dated by both the preparer and reviewer and be performed on a monthly basis to detect any errors or reconciling items. This will ensure that any errors or reconciling items are identified, researched, and corrected.

Recommendation:

ACRC should revise its bank reconciliation procedures to ensure all bank reconciliations be reconciled in a timely manner to ensure that any errors or reconciling items are identified, researched, and corrected. The procedure should also require both the preparer and reviewer sign and date the reconciliations when completed. In addition, the position responsible for performing the monthly bank reconciliations is an integral part of the accounting function of ACRC and cross-training of other employees within the unit should be done to ensure that monthly bank reconciliations are completed on a timely basis.

Finding 6: Equipment

A. Equipment Inventory

ACRC has not completed a physical inventory as required by the State's Equipment Management System Guidelines. These guidelines require that ACRC performs a physical inventory and maintains documentation that the physical inventory has been taken.

Article IV, Section 4a of the contract between DDS and ACRC states in part:

“Contractor shall comply with the State's Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”

Section III (F) of the State's Equipment Management System Guidelines, dated February 1, 2003, states in part:

“The inventory will be conducted per State Administrative Manual (SAM) Section 8652.”

State Administrative Manual (SAM) Section 8652 states in part:

“Departments will make a physical count of all property and reconcile the count with accounting records at least once every three years.

Departments are responsible for developing and carrying out an inventory plan which will include:

2. Internal Control:

- b. Worksheets used to take inventory will be retained for audit and will show the date of inventory and the name of the inventory taker.”

Recommendation:

ACRC should develop policies and procedures to ensure compliance to the State’s Equipment Management System Guidelines as required by its contract with DDS. The policies and procedures should include requirements to take a physical inventory and maintain documentation of the physical inventory.

B. Missing Equipment

A sample of 40 items from the equipment inventory list provided by ACRC revealed that six items could not be located. (See Attachment D.)

Article IV, Section 4a of the contract between DDS and ACRC states:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. Contractor shall comply with the State’s Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”

State’s Equipment Management System Guidelines Section III (A) states:

“Each RC shall designate one employee (Property Custodian) to be responsible for state-owned equipment. This employee shall ensure the proper use and maintenance of the state-owned equipment, and will promptly report any loss or misuse of state-owned equipment subject to these guidelines, or any condition requiring repairs or that creates a hazardous working condition.”

Recommendation:

ACRC should implement the procedure to maintain and safeguard the property as per State’s Equipment Management System Guidelines.

Finding 7: Missing Vendor Files

The sample review of 49 Day Program and Residential vendor files revealed two instances in which the vendor files could not be located. (See Attachment E.)

Article IV, Section 3a and 3b, of the contract between DDS and ACRC states in part:

“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, reimbursement is claimed under the provisions of this contract in accordance with mutually agreed to procedures and generally accepted accounting principles.”

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 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 and or any other appropriate State agency...”

Recommendation:

ACRC should obtain or reconstruct the files that have been identified as missing or unavailable. In addition, ACRC should develop and implement procedures to ensure vendor files are maintained and accessible to support the amounts paid.

Finding 8: Missing Petty Cash

The review of the nine Petty Cash funds revealed the Roseville office’s Petty Cash fund of \$25 could not be located. This was due to the lack of proper safeguarding procedures. Though ACRC has procedures in place regarding the reimbursement of the Petty Cash, the procedures do not address proper safeguarding of the cash on hand.

For good internal control and accounting practices, ACRC should ensure that there are adequate Petty Cash policies and procedures in place for the safeguarding of its assets.

Recommendation:

ACRC should revise its Petty Cash procedures to include the safeguarding of the cash on hand. This will ensure its Petty Cash custodians are aware of the policies and procedures in place and of the proper safeguarding of the Petty Cash funds.

Finding 9: Unsupported Caseload Ratios

The review of the Service Coordinator Caseload Ratios revealed that supporting documentation for FYs 2003-04, and 2004-05, was not maintained to verify the reported ratios as required in the contract with DDS.

Article IV, Section 3(a) of the contract between DDS and ACRC states in part:

“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, reimbursement is claimed under the provisions of this contract in accordance with mutually agreed to procedures and generally accepted accounting principles.”

Recommendation:

ACRC should implement policies and procedures to ensure supporting documents are maintained to support the reported caseload ratios.

Finding 10: Medi-Cal Provider Agreement Forms

The file review of 69 service vendors for Day Program, Transportation, and Residential services revealed that the Medi-Cal Provider Agreement forms for four vendors were found to be either missing or improperly completed by ACRC. The uncompleted forms were either missing a vendor number or signature and date. (See Attachment F.)

Title 17, Section 54326(a) states:

“All vendors shall...

(16) Sign the Home and Community Based Service provider Agreement (6/99), if applicable pursuant to Section 54310(a) (10) (I), (d).”

In addition, for good internal practices, all required forms shall be properly completed and retained on file.

Recommendation:

ACRC should implement procedures to ensure that all Medi-Cal Provider Agreement forms are properly completed and on file for every vendor providing services to the consumer.

II. The following findings were identified during the audit, but have since been addressed and corrected by ACRC.

Finding 11: State Equipment not Capitalized in the General Ledger

Documentation provided by ACRC revealed that equipment purchased and labeled sensitive or over \$5,000 was expensed rather than capitalized in the general ledger as required by the State's Equipment Management Systems Guidelines issued by DDS. The review of ACRC documentation identified that ACRC expensed all equipment purchases and did not capitalize State equipment that has a normal useful life of at least one year, a unit acquisition cost of at least \$5,000, and is to be used to conduct State business, as required by the State Equipment Management Systems Guidelines and the State Administrative Manual (SAM).

Article IV, Section 4a of the contract between DDS and ACRC states in part:

“Contractor shall comply with the State's Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”

The State's Equipment Management System Guidelines, revised February 1, 2003, issued by DDS, Section IV states:

“RC's will follow standard accounting guidelines as described in SAM Section 8600 et seq. “

SAM Section 8602 states:

“State property is capitalized for accounting purposes when certain conditions are met. Capitalization means to record the property in the accounting records as assets. Tangible property must meet the following three requirements in order to meet the capitalization requirements:

1. Have a normal useful life of at least one year;
2. Have a unit acquisition cost of at least \$5,000...
3. Be used to conduct State business.”

ACRC took corrective action after fieldwork by submitting the March 2007, year to date trial balance to demonstrate its State equipment over \$5,000 and sensitive is capitalized.

Recommendation:

ACRC should develop and implement procedures to ensure that the State Equipment Management Systems Guideline is met. These policies and procedures should include identifying State Equipment that meet the appropriate criteria for capitalization are properly recorded in the General Ledger.

Finding 12: Deceased Consumer Files

The review of the Uniform Fiscal System (UFS) Death Report, we identified five consumers with multiple dates of death recorded. In all of the instances there were two different dates of death. Though the five consumers had multiple dates of death recorded, no payments were found to have been made beyond the actual date of death.

Article IV, 1(C) of the contract between DDS and ACRC states in part:

“Contractor shall make available accurate and complete UFS and/or CADDIS information to the state. Accordingly Contractor shall:

Update changes to all mandatory items of the Client Master File at least annually except for the following elements, which must be updated within thirty (30) days of Contractor being aware of an of the following events:

- a) The death of a consumer;
- b) The change of address of a consumer; or
- c) The change of residence type of a consumer.”

In addition, for good internal controls and accounting practices, ACRC should ensure the actual date of death is accurately recorded in UFS to avoid any potential payments after the date of death.

ACRC took corrective action to resolve the multiple dates of death during the course of fieldwork by updating its records to reflect the consumers’ actual date of death.

Recommendation:

ACRC should provide its staff with written procedures and training on the recording of deceased consumers in UFS. In addition, ACRC should review all current deceased consumer files to ensure that only one date of death is recorded in the UFS.

EVALUATION OF RESPONSE

As part of the audit report process, ACRC is provided with a draft report and is requested to provide a response to each finding. ACRC's response dated April 4, 2008, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section and a summary of the findings in the Executive Summary section. DDS's Audit Branch has evaluated ACRC's response. Except as noted below, ACRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. DDS's Audit Branch will confirm ACRC's corrective actions identified in the response during the follow-up review or the next scheduled audit.

Finding 1: Overstated Claims

ACRC has stated in its response that corrective action have been taken or is in the process for resolving the overpayment amounts identified in the finding. Since no supporting documentation was submitted with their initial response, additional information was requested from ACRC to support corrective actions have been taken in resolving the overpaid amounts. Based on the additional documentation provided from ACRC, DDS's Audits was able to determine that some corrective actions have been taken to resolve the overpayments. It was determined that ACRC has corrected 58 of the 69 instances identified in the report. ACRC collected overpayments totaling \$5,257.71. Credit memos and adjusting entries to the correct service months by ACRC resulted in a total of \$201,825.08. Therefore, based on the additional information provided by ACRC, DDS has revised the recommendation in the Findings and Recommendation section. The revised recommendation reduces the total amount that ACRC needs to reimburse DDS from \$216,048.62 to \$8,965.83. The remaining 11 instances totaling \$8,965.83 are still outstanding and will be followed-up in the next scheduled DDS audit to determine if the remaining payments have been addressed or recovered and that procedures are in place to ensure proper monitoring of the Operational Indicator reports.

Finding 2: Recording of Attendance

ACRC states that it has implemented a new system on July 1, 2008, that will ensure attendance sheets are properly recorded. Also, ACRC states in its response that they believe the sampled attendance data was recorded correctly in a different time-period than what the auditors reviewed. However, ACRC did not provide additional documentation to verify the employees' time was recorded in a different time period. In addition, the recording of the attendance data in a different time-period would still not properly reflected the actual date and time of the employees' timesheets. Therefore, ACRC should continue to monitor the attendance data to ensure it is properly reflects the employee's timesheets. A

follow-up review will be performed in the next scheduled audit to ensure ACRC has addressed this issue.

Finding 3: Missing Contracts

ACRC states in its response that they have implemented additional controls and software to ensure contracts are in place, but documentation to support ACRC's response was not provided. In addition, ACRC states that one of the three identified operational Consultants with a missing contract was for a \$300 payment made to a Deputy Director to attend an all-staff meeting prior to being employed by ACRC and did not require a contract. However, ACRC has not provided additional documentation to support this claim. Therefore, this finding will remain unchanged and ACRC should ensure all its consultants have written contracts in place to support the amounts paid. A follow-up review will be performed in the next scheduled audit to determine if this issue has been resolved.

Finding 5: Bank Reconciliations – Lack of Signatures and Dates

ACRC states in its response that it has hired additional staff to complete the bank reconciliations and that it is now being performed in a timely manner. In addition, ACRC states that its current procedures require the preparer and reviewer to sign and date the bank reconciliations; however ACRC does not believe that an occasional missing signature or date on bank reconciliations should be considered incomplete. DDS Audits agrees and has revised the title of the finding title. However, unsigned or undated bank reconciliations would not be in compliance with ACRC's current procedures and would not ensure that the reconciliations were completed in a timely manner. A follow-up review will be performed in the next scheduled audit to determine if this issue has been resolved.

**Alta California Regional Center
Over-Stated Claims
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Service Code	Authorization Number	Payment Period	Overpayment	Resolved	Outstanding Amount
Overpayment due to duplicate/overlapping authorizations								
1		Z09592	895	5237047	12/04-02/05	\$24.00	Yes	\$0.00
2		H09365	510	5237882	7/04-6/05	\$2,389.00	Yes	\$0.00
3		H63688	510	5241379	7/04-6/06	\$450.52	Yes	\$0.00
4		H94554	520	6254867	09/05-09/05	\$671.76	Yes	\$0.00
5		H24367	515	5115485	07/04-12/04	\$1,171.20	Yes	\$0.00
6		HA0109	805	5234545	9/04-9/05	\$446.50	Yes	\$0.00
7		H79825	515	5097013	07/04-06/06	\$600.88	Yes	\$0.00
Total for duplicate/overlapping authorizations						\$5,753.86		
Total for unresolved amount								\$0.00

Overpayments due to additional units being paid above the authorized amount								
8		H10136	520	6122380	7/05-6/06	\$1,826.67	Yes	\$0.00
9		HA0079	520	6252070	8/05-6/06	\$1,788.51	Yes	\$0.00
10		Z09517	895	5239734	12/04-12/04	\$127.80	Yes	\$0.00
11		H04250	880	6051070	07/05-06/06	\$5,468.50	Yes	\$0.00
12		H04250	880	6051071	07/05-06/06	\$5,405.00	Yes	\$0.00
13		H63899	515	6259727	10/05-6/06	\$1,175.91	Yes	\$0.00
14		ZA0260	895	6247957	7/05-6/06	\$28.00	Yes	\$0.00
15		Z09517	895	6262772	12/05-12/05	\$70.80	Yes	\$0.00
16		HA0027	520	6220747	12/05-12/05	\$386.52	Yes	\$0.00
17		Z08517	895	6252966	07/05-07/05	\$26.20	Yes	\$0.00
18		HA0027	520	6234058	09/05-10/05	\$475.10	Yes	\$0.00
19		ZA1052	895	6243089	08/05-12/05	\$50.00	Yes	\$0.00
20		ZA0260	895	6171736	07/05-07/05	\$80.00	Yes	\$0.00
21		ZA0260	895	6218750	07/05-07/05	\$156.00	Yes	\$0.00
22		ZA0260	895	6194677	07/05-07/05	\$12.00	Yes	\$0.00
23		Z09517	895	6255016	8/05-8/05	\$34.60	Yes	\$0.00
24		ZA0260	895	6147434	07/05-07/05	\$80.00	Yes	\$0.00

**Alta California Regional Center
Over-Stated Claims
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Service Code	Authorization Number	Payment Period	Overpayment	Resolved	Outstanding Amount
25		HA0027	520	6257809	11/05-11/05	\$1,046.83	Yes	\$0.00
26		H09452	520	6164535	10/05-10/05	\$213.00	Yes	\$0.00
27		HA0027	520	6213746	10/05-10/05	\$539.52	Yes	\$0.00
28		ZA0260	895	6209233	07/05-07/05	\$64.00	Yes	\$0.00
29		HA0027	520	6134317	07/05-06/06	\$104.68	Yes	\$0.00
30		H64134	805	5232589	11/05-2/05	\$39.26	Yes	\$0.00
31		H64134	805	5224498	7/04-8/04	\$215.93	Yes	\$0.00
32		ZA0260	895	6147149	07/05-07/05	\$48.00	Yes	\$0.00
33		H49325	520	6224941	08/05-08/05	\$125.81	Yes	\$0.00
34		H10136	520	5236241	11/04-11/04	\$78.39	Yes	\$0.00
35		HA0027	520	6240504	12/05-12/05	\$491.21	Yes	\$0.00
36		HA0027	520	6139742	12/05-12/05	\$32.21	Yes	\$0.00
37		Z63816	895	5235326	08/04-08/04	\$223.00	Yes	\$0.00
38		Z09517	895	6260976	11/05-11/05	\$18.20	Yes	\$0.00
39		H10136	520	6146062	10/05-10/05	\$352.76	Yes	\$0.00
40		Z09517	895	6257410	09/05-09/05	\$6.00	Yes	\$0.00
41		ZA0260	895	6195728	7/05-6/30	\$30.00	Yes	\$0.00
42		HA0118	505	5236996	02/05-02/05	\$650.00	Yes	\$0.00
43		ZA0260	895	6193326	07/05-07/05	\$36.00	Yes	\$0.00
44		H09452	520	5122868	08/04-04/05	\$355.00	Yes	\$0.00
45		Z09523	895	6257415	10/05-6/30	\$680.00	Yes	\$0.00
46		ZA0260	895	6185785	7/05-12/05	\$80.00	Yes	\$0.00
47		H04250	880	5051071	7/04-6/05	\$2,341.50	Yes	\$0.00
48		Z09436	895	6252215	07/05-06/06	\$44,460.12	Yes	\$0.00
49		H24279	520	6211223	11/05-11/05	\$702.75	Partial	421.65
50		H24360	505	5204850	7/04-6/06	\$359.52	No	\$359.52
51		ZA0260	895	5243045	02/05-02/05	\$72.00	No	\$72.00
52		ZA0260	895	6220747	07/05-07/05	\$18.00	No	\$18.00
53		H24391	868	5240552	11/04-11/04	\$272.01	No	\$272.01

**Alta California Regional Center
Over-Stated Claims
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Service Code	Authorization Number	Payment Period	Overpayment	Resolved	Outstanding Amount
54		HA0310	520	5217563	01/05-01/05	\$3.47	No	\$3.47
Total for additional units being paid above the authorized amount						\$70,850.78		
Total for unresolved amount								\$1,146.65

Overpayments due to multiple authorizations or payments applied to the incorrect month								
55		H24279	520	5222955	12/04-6/05	\$1,363.30	Yes	\$0.00
56		H09686	915	5218990	07/04-02/05	\$2,076.00	Yes	\$0.00
57		HA0232	905	5197652	07/04-09/04	\$2,190.00	Yes	\$0.00
58		H03778	905	5036055	07/04-08/04	\$841.00	Yes	\$0.00
59		Z09436	895	6252215	07/05-06/06	\$7,900.00	Yes	\$0.00
60		HA0244	915	5222854	08/04-08/04	\$2,376.00	Yes	\$0.00
61		HA0158	915	5213932	07/04-10/04	\$10,440.00	Yes	\$0.00
62		H06598	895	5134995	08/04-08/04	\$66.00	Yes	\$0.00
63		H04250	880	5051070	7/04-6/05	\$100,240.50	Yes	\$0.00
64		H24279	520	6260525	10/05-06/06	\$421.65	No	\$421.65
Total for multiple authorizations or payments applied to the incorrect month						\$127,914.45		
Total for unresolved amount								\$421.65

Overpayment due to cancelled authorization								
65		HA0341	915	5248598	05/05-06/05	\$4,132.00	Yes	\$0.00
Total for cancelled authorization						\$4,132.00		
Total for unresolved amount								\$0.00

Overpayments due to payments not being supported by attendance documentation								
66		HA0013	875		Apr-05	\$294.72	No	\$294.72
67		HA0013	875		Feb-06	\$1,023.99	No	\$1,023.99
68		H24335	875		Sep-03	\$236.72	No	\$236.72
69		H24336	875		Jan-06	\$5,842.10	No	\$5,842.10

**Alta California Regional Center
Over-Stated Claims
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Service Code	Authorization Number	Payment Period	Overpayment	Resolved	Outstanding Amount
Total for transportation payments not being supported by attendance documentation						\$7,397.53		
Total for unresolved amount								\$7,397.53

	Total Overpayments	\$216,048.62
	Less: Amounts Resolved by ACRC	
Amount resolved for duplicate/overlapping authorizations	(\$5,753.86)	
Amount resolved for additional units being paid above the authorized amount	(\$69,704.13)	
Amount resolved for multiple authorizations or payments applied to the incorrect month	(\$127,492.80)	
Amount resolved for cancelled authorization	(\$4,132.00)	
	Total Resolved	(\$207,082.79)
	Total Overpayments Still Outstanding	\$8,965.83

**Alta California Regional Center
Missing Contracts
Fiscal Years 2003-04, 2004-05, and 2005-06**

Transportation Vendors without Contracts				
	Vendor Name	Vendor Number	Service Code	Comment
1	River City Transportation Services	HA0249	875	1
2	Elk Grove Adult Community Training Inc.	H02123	880	1
3	Kings View Work Exp. Center Inc.	H02148	880	2
4	UCP Woodland Community Options	H24186	880	1
5	Northern California Inalliance	H24245	880	1
6	Progressive Employment Concepts	H63717	880	1
7	RCCA Woodland Cap	HA0066	880	1
8	[REDACTED]	HA0494	880	1
9	Inalliance CTP	PA0648	880	1

Consultants without Contracts		
	Consultant Name	Comment
1	[REDACTED]	1
2	[REDACTED]	3
3	[REDACTED]	4

Legend:

- 1 = Missing contracts for for Fiscal Years 2003-04, 2004-05, and 2005-06.
- 2 = Missing contracts for Fiscal Years 2003-04 and 2005-06
- 3 = Missing contracts for for Fiscal Years 2004-05 and 2005-06.
- 4 = Missing contract for the Fiscal Year 2005-06.

**Alta California Regional Center
Missing Invoices and Attendance Documentation
Fiscal Years 2003-04, 2004-05, and 2005-06**

Vendors Without Attendance Documentation				
	Vendor Name	Vendor Number	Service Month	Service Code
1	Inalliance CTP	PA0648	Oct. 2005	880
2	Consolidated Trans. Service Agency	H09769	Mar.-June 2005 and Feb.-May 2006	875
3	Western Transit Systems	H22952	Dec. 2005 and Mar.-May 2006	875
4	MV Transportation Inc.	H24335	Oct. 2003, Mar.-May 2005, Oct. 2005, Dec. 2005, and Jan. 2006	875
5	Gold County Telecare Inc.	ZA1722	Dec. 2003 - Mar. 2004, Mar.-June 2005, and Feb.-May 2006	875

Vendor with Missing Invoices				
	Vendor Name	Vendor Number	Service Month	Service Code
1	Southside Passage Southside Art Center	P80625	July 2003, Feb.-Mar. 2004, and May 2004	880

Alta California Regional Center
Missing Equipment
Fiscal Years 2003-04, 2004-05, and 2005-06

	Item Description	Serial Number	State Tag Number
1	Television, Color	411330789	305748
2	Computer, Personal	SG91700176	321429
3	Projector, Computer	5RW0480535	331723
4	Dell Laptop	68BQY11	338603
5	Dell Optiplex GX260S Computer	BXW1W11	338729
6	Dell Desktop	5DXC821	99990

**Alta California Regional Center
Missing Vendor Files
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Vendor Name	Vendor Number	Service Code
1	Community Resource Services	H24360	505
2		HA0411	905

**Alta California Regional Center
Medi-Cal Provider Agreement Forms
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Vendor Name	Service Code	Vendor Number	Comment
1	Gold Country Telecare, Inc.	875	ZA1722	1
2	[REDACTED]	880	HA0494	1
3	UCP Woodland Community Options	880	H24186	2
4	[REDACTED]	910	HA0328	3

Legend:

- 1 = Medi-Cal Provider Agreement form with missing vendor number
- 2 = Medi-Cal Provider Agreement form not signed and dated
- 3 = Missing Medi-Cal Provider Agreement form

APPENDIX A

ALTA CALIFORNIA REGIONAL CENTER

RESPONSE

TO AUDIT FINDINGS

Certain documents provided by the Regional Center as attachments to their response are not included in this report due to the detailed and sometimes confidential nature of the information.



ALTA CALIFORNIA
REGIONAL CENTER

April 4, 2008

Mr. Arthur J. Lee, CPA, Manager
Department of Developmental Services
Audit Branch
1600 Ninth Street, Room 230, MS 2-10
Sacramento, CA 95814

Dear Mr. Lee,

As agreed from our exit conference on March 7, 2008, we are submitting our response to your draft report of the audit of Alta California Regional Center (ACRC) for the Fiscal Year 2003-04, 2004-05 and 2006-07.

If you have any questions or need additional information, please call me at (916) 978-6621.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roy Doronila', is written over the typed name.

Roy Doronila
Chief Financial Officer

cc: Peter Tiedemann, Chief Operating Officer

**AUDIT YEARS 2003-04, 2004-05, 2005-06
RESPONSE TO FINDINGS**

Finding 1: Overstated Claims

We have reviewed the items on Finding 1 and determined the following:

\$178,744.98 of the reported total overpayment of \$216,048.62 were in fact not overpayments but were payments that were booked on the wrong service months and has appeared to be double payments for that service month. We have made adjusting journal entries to correct the error except for items that relate to fiscal years that are now closed.

Payments in the amount of \$ 13,370.80 that exceeded the authorized amounts were also not overpayments but valid payments because the authorized amounts were estimated at the time it was authorized. As a practice we require that the original requestor (Transportation Coordinator or Service Coordinator) is consulted and provides approval for the additional amount. The amount billed in this case was the correct amount owed for the services. Additional payments amounting to \$1,776.79 that appeared to be overpayments due to payments to multiple vendors for the same consumer and for the same service month were actually valid payments because the client changed vendors within that month. Another instance was an erroneous comment on the authorization which implied an authorized services hours that was different with the payment. This was verified to be a valid payment. Other miscellaneous items totaling \$5,841.70 were reviewed including items with missing attendance documentations and in most cases the payments were found to be appropriate.

A total of \$9,055.50 were verified to be overpayments and recovered from vendors through credit memos. There are remaining unresolved items in the amount of \$7,258.85. We will continue to pursue the overpayment portion of this amount and adjust any technical errors that remain.

We have changed our procedures as a result of these findings. Additional approval process was instituted for overrides of exceptions to minimize overpayments. Additional controls were also put in place to rectify

erroneous entries before posting. We also review the audit indicators report on a regular basis to monitor exceptions.

Finding 2: Vacation and Sick-Tim Recorded Incorrectly

We have implemented additional tracking to follow up late attendance records and insure that we receive and record them in a timely manner. We are in the process of reviewing various payroll and time and attendance software to improve our tracking methods. We anticipate implementing a new system at July 1, 2008. Additional systems will be in place at that time assuring that we have attendance sheets. The recording process will be automated.

We also believe that most of the sampled attendance data was recorded correctly in a different time-period than the auditors reviewed.

Finding 3: Missing Contracts

Transportation vendors have been reviewed and contracts put into place. Additional controls have been implemented to assure that all operations consultants have a valid contract prior to implementation of services.

In addition, we have implemented use of a contract tracking software. Contracts are being monitored monthly to assure that all contracts are renewed prior to expiration.

One of the three missing operations contracts was for a \$300 payment made to a Deputy Director to attend an All Staff meeting prior to actually beginning employment. We do not feel this required a contract.

Finding 4: Missing Invoices and Attendance Documentation

We agree with this finding and have instituted a requirement for all transportation related billings to include proof of attendance. The single payment that was unsupported by an invoice was an anomaly. We normally require a signed invoice for every billing.

Finding 5: Incomplete Bank Reconciliations

During some of the period that was audited multiple key positions in the fiscal staff were vacant, due to budget restrictions and other extenuating circumstances. Existing staff were covering two or more workloads. During that period of time we fell behind in reconciling the bank accounts. When additional staff was hired, following a training period, we caught up and have been reconciling the accounts in a timely manner for quite some time.

Our procedure has been for the preparer and reviewer to sign the reconciliations. It is our intent to follow that procedure at all times. However, we do not believe that an occasional missing signature or date should be considered an "incomplete" bank reconciliation.

Finding 6: Equipment

A physical inventory was completed on 7-13-07. The six (6) items that were unaccounted at the time of the audit have now been located. Three (3) of the items are currently in use and the remaining three (3) were items that were surveyed out.

Finding 7: Missing Vendor Files

We agree with the recommendation. We started the process of reconstructing the files.

Finding 8: Missing Petty Cash

We have revised our Petty Cash procedures to include provisions for safeguarding the cash on hand. We are requiring more frequent petty cash replenishments from all offices, to assure that the cash is being safeguarded.

A portion of the missing \$25 was found. Although it is important to safeguard this cash, this is a de minimis amount.

Finding 9: Unsupported Caseload Ratios

We agree with the recommendation. We developed a special report (snapshot) of the files at the same time ratios are reported.

Finding 10: Medi-Cal Provider Agreement Forms

We agree with the recommendation. We intend to correct the errors found on three of the forms and request the one missing form from the vendor.

Finding 11: State Equipment not capitalized in the General Ledger.

It is proper to expense all equipment purchases on the regional center's general ledger. They must be expensed in order to "State Claim" them and obtain reimbursement for their purchase. However, it is also proper to set up a capitalized Equipment Account, with a matching Allowance for State Equipment Account. These accounts did exist at 6/30/06 and had balances in them. However, the balances had not been modified to reflect the current amount. Adjustments were made to the account while the auditors were on site, and then adjusted after the physical inventory was completed.

Our procedures have been modified to assure that these capitalized accounts are updated on a regular basis.