



**AUDIT OF THE
ALTA CALIFORNIA REGIONAL CENTER
FOR FISCAL YEARS 2006-07 and 2007-08**

Department of Developmental Services

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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. The following finding needs to be addressed, but does not significantly impair the financial integrity of ACRC or seriously compromise its ability to account for or manage State funds.

Finding 1: Missing "Hold Harmless" Clause

A review of ACRC's 11 lease agreements for real property revealed that the leases for the Grass Valley and Yuba City offices did not include a "Hold Harmless" clause as required by Article VII, section 1 of DDS's contract with ACRC.

- II. The following finding was identified during the audit, but has since been addressed and corrected by ACRC.

Finding 2: Medi-Cal Provider Agreement Forms (Repeat)

The file review of 100 service vendors for Day Program, Transportation, and Residential services revealed that the Medi-Cal Provider Agreement forms for 26 vendors were found to be not properly completed by ACRC. The forms either were missing the service codes and/or vendor number, or had multiple service codes. This is not in compliance with Title 17, Section 54326(a).

ACRC has taken corrective action by providing DDS with the properly completed Medi-Cal Provider Agreement forms.

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 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 contract, HD049001, effective July 1, 2004, through June 30, 2009. The contract specifies 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 contract is 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 December 8, 2008, through January 23, 2009, 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 (W&I)
- "Approved Application for the Home and Community-Based Services Waiver (HCBS) for the Developmentally Disabled"
- California Code of Regulations, Title 17 (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, 2006, through June 30, 2008, 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 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 report that was conducted by an independent accounting firm for fiscal year 2006-07, and was issued on December 20, 2007.

In addition, we reviewed the associated management letter that was issued by the independent accounting firm for FY 2006-07. 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 selected a sample of individual trust accounts to determine if there were any unusual activities and if any individual account balances were not over the \$2,000 resource limit as required by the Social Security Administration (SSA). In addition, we determined if any retroactive Social Security benefit payments were not held for a period longer than nine months. We also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures are maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, is used by ACRC. An interview with ACRC staff revealed that ACRC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to SSA (or other source) in a timely manner.
- We selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding reconciling items.
- We analyzed all of ACRC's bank accounts to determine if DDS had signatory authority as required by the contract with the DDS.
- We selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

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 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 on the study:

- Reviewed applicable TCM records and verified that the information submitted by ACRC to calculate the TCM rate can be traced to the general ledgers and payroll registers.
- 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 the 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, commencing January 1, 2004, 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 also 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 ACRC's accounting records.

VI. Family Cost Participation Program

The Family Cost Participation Program (FCPP) was created for the purpose of assessing cost participation of parents based on income level and number of 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 ACRC is in compliance with Title 17 and the W&I 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:

- Wellness Programs
- Start Up Programs
- Medicare Moderation Act (Part D Funding)

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 corrective action taken.

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, 2006, through June 30, 2008.

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, except for Finding two which is included in the Findings and Recommendations Section.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on September 28, 2009. The findings in the report were discussed at an exit conference with ACRC on October 19, 2009. 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.

FINDINGS AND RECOMMENDATIONS

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

- I. The following finding needs to be addressed, but does not significantly impair the financial integrity of the ACRC or seriously compromise its ability to account for or manage state funds.

Finding 1: Missing “Hold Harmless” Clause

A review of ACRC’s 11 lease agreements for real property revealed that the leases for the Grass Valley and Yuba City offices did not include a “Hold Harmless” clause as required by the contract with DDS. This clause is needed to ensure the State is held harmless for any claims and/or losses that may be associated with these leases.

State Contract Article VII, (1) states:

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

Recommendation:

ACRC should amend the leases to include a “Hold Harmless” clause to ensure compliance with the State contract and protect the State from claims and/or losses resulting from these leases. In addition, ACRC should implement policies and procedures to ensure that any future lease agreements will comply with this requirement.

- II. The following finding was identified during the audit, but has since been addressed and corrected by ACRC.

Finding 2: Medi-Cal Provider Agreement Forms (Repeat)

The file review of 100 service vendors for Day Program, Transportation, and Residential services revealed that the Medi-Cal Provider Agreement forms for 26 vendors were found to be not properly completed by ACRC. The forms either were missing the service codes and/or vendor number or had multiple service codes.

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.

ACRC has taken corrective steps to comply with Title 17, Section 54326(a) by providing to DDS the properly completed Medi-Cal Provider Agreement forms.

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.

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 October 20, 2009, 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. 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 of the next scheduled audit.

APPENDIX A

ALTA CALIFORNIA REGIONAL CENTER

RESPONSE

TO AUDIT FINDINGS

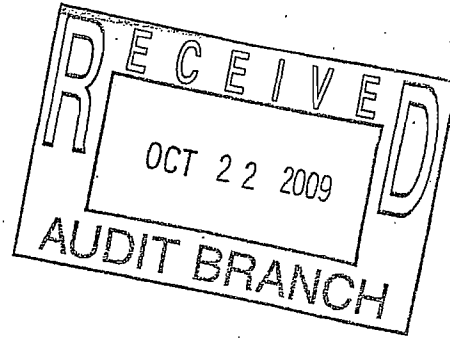
Certain documents provided by the Regional Center as attachments to their response are not included in this report due to the detailed and sometimes confidential nature of the information.



ALTA CALIFORNIA
REGIONAL CENTER

October 20, 2009

Edward Yan,
Acting Manger Audit Branch
Department of Developmental Services
1600 Ninth Street Room 230, MS 2-10
Sacramento, CA 95814



Dear Mr. Yan

This letter is our response to the draft audit report. We wish to thank you and your staff for the courtesy to all of the staff at Alta during the recent audit. Please extend my thanks.

Page 12 of the draft audit report includes two findings. Below is Alta's response:

Finding 1 – Lack of hold harmless clauses in some office leases

We concur with the finding of the lack of a hold harmless clause for the Grass Valley lease. We are working with the landlord to seek an amendment to the lease to include the hold harmless clause.

For the Yuba City Office, attached is the original lease which you will note includes the required hold harmless clause on page 14, paragraph 42. This lease covers 4208 square feet of the total 5,678 square feet under lease. The second lease dated July of 2006 for an expansion of 1470 square feet does not contain the hold harmless clause. We are working with the landlord to seek an amendment to include the hold harmless clause.

Finding 2 – Medi-Cal Provider Agreements not signed

We have corrected this finding and have put in place procedures to require a Medi-Cal provider agreement to be signed prior to the completion of the vendorization process.

Please contact me should you have any questions.

Peter Tiedemann
Chief Operating Officer