



**AUDIT OF THE
CENTRAL VALLEY REGIONAL CENTER
FOR FISCAL YEARS 2009-10 AND 2010-11**

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of Central Valley Regional Center (CVRC) revealed that CVRC was in compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare and Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the DDS. The audit indicated that, overall, CVRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where CVRC's administrative, operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding CVRC's operations.

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

I. Findings that need to be addressed.

Finding 1: Rate Increase After the Rate Freeze

A review of 35 sampled Purchase of Service (POS) vendor files revealed CVRC issued rate increases for two vendors after the June 30, 2008, rate freeze was in effect. This resulted in overpayments totaling \$769,815.08. This is not in compliance with W&I Code, section 4648.4(b).

CVRC provided additional information with its response to the Draft Report which indicated one vendor was not in violation of the rate freeze. Therefore, the total overpayment amount has been adjusted to \$749,205.70.

Finding 2: Rate Reduction

A review of 65 sampled POS vendor files and Uniform Fiscal Systems (UFS) Operational Indicator reports revealed CVRC did not correctly apply the 3 and 4.25 percent rate reduction to 26 vendors. This resulted in overpayments totaling \$52,557.36. CVRC took corrective action before the issuance of the Draft Report to resolve \$17,477.14 of the overstated amount with \$35,080.22 still outstanding. This is not in compliance with Assembly Bill 104, chapter 37, section 24, section 10(a).

CVRC provided additional information with its response to the Draft Report, which indicated one vendor was not in violation of the rate reduction, and provided supporting documentation to show it has recovered \$21,958.90 in overpayments. Therefore, \$2,122.45 remains outstanding.

Finding 3: Over/Understated Claims

A review of 30 sampled Transportation and Day program vendor files revealed instances in which CVRC over/understated claims to the State for two of its vendors. This resulted in overpayments totaling \$2,155.71. This is not in compliance with CCR, title 17, section 54326(a)(10).

CVRC provided additional information with its response to the Draft Report which indicated the overpayment totaling \$2,155.71 has been resolved.

Finding 4: Family Cost Participation Program - Late Assessments

A review of 18 sampled Family Cost Participaion Program (FCPP) consumer files revealed eight instances in which CVRC did not assess the parents' share of cost at the maximum amount when parents failed to provide income documentation within 10 working days from the date of the parents' signatures on the Individual Program Plan (IPP). Assessments were completed more than a month after the signing of the IPP. This is not in compliance with W&I Code, section 4783(g)(4), and CCR, title 17, section 50261(a).

II. Finding that has been addressed and corrected by CVRC.

Finding 5: Deceased Consumer Files – Multiple or Incorrect Dates of Death (Repeat)

A review of the UFS Death Report identified four consumers with either multiple or incorrect dates of death recorded. This is not in compliance with the State Contract, Article IV, section 1(c)(1). This issue was identified in the prior audit report.

CVRC has taken corrective action in resolving this issue by researching the correct dates of death for each consumer and updating all four consumers' actual date of death in the UFS.

BACKGROUND

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

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

In addition to the fiscal compliance audit, each regional center will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review 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 Central Valley Regional Center, Inc., entered into contract, HD099002, effective July 1, 2009, through June 30, 2014. The contract specifies that Central Valley Regional Center, Inc. will operate an agency known as the Central Valley Regional Center (CVRC) to provide services to persons with DD and their families in the Fresno, Kings, Madera, Mariposa, Merced, and Tulare Counties. The contract is funded by State and Federal funds that are dependent upon CVRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at CVRC from June 4, 2012, through June 29, 2012, 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 CVRC, effective July 1, 2009

AUDIT PERIOD

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

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

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

DDS' review of CVRC's internal control structure was conducted to gain an understanding of the transaction flow and the policies and procedures as necessary to develop appropriate auditing procedures.

DDS reviewed the annual audit report that was conducted by an independent accounting firm for:

- Fiscal year 2009-10, issued on October 21, 2010
- Fiscal year 2010-11, issued on January 6, 2012

It was noted that no management letter was issued for CVRC. 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, vendor rates, and consumer trust accounts. The sample also included consumers who were eligible for the HCBS Waiver Program. For POS claims, the following procedures were performed:

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by CVRC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17 and W&I Code of regulations.
- DDS selected a sample of individual consumer trust accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000 as prohibited by the Social Security Administration (SSA). In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the SSA in a timely manner. An interview with CVRC's staff revealed that CVRC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to SSA (or other source) in a timely manner.
- DDS selected a sample of UFS reconciliations to determine if any accounts were out-of-balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of CVRC'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 and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

DDS audited CVRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that CVRC's accounting staff is properly inputting data, transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas are valid and reasonable. These tests included the following:

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance with CCR, title 17 and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed CVRC's policies and procedures for compliance with the DDS Conflict of Interest regulations and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

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

- Reviewed applicable TCM records and CVRC's Rate Study. DDS examined the months of May 2010 and June 2011, and traced the reported information to source documents.
- Reviewed CVRC's Case Management Time Study. DDS selected a sample of payroll time sheets for this review and compared it to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under W&I Code, section 4640.6(e), regional centers are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code, section 4640.6(C)(3):

- A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.

- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent operations reduction to regional centers as required per W&I Code, section 4640.6(i) and (j). The ratio continued to be lifted in July 2010 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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

Therefore, DDS also reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratios to determine reasonableness and that supporting documentation is maintained to support the survey and the ratios as required by W&I Code, section 4640.6(e). This requirement is temporarily suspended for the February 2009 and 2010 caseload surveys, which is reported in the month of March.

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program

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

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

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

VII. Procurement

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

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

- Reviewed CVRC'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 complies 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 CVRC. 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 CVRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that CVRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and those contracts were properly signed and executed by both parties to the contract.

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

- Reviewed to ensure CVRC 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 CVRC Board approved POS, Start-Up and Operational vendor contracts over \$250,000 to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. Verified that the funds provided were specifically used to establish new or additional services to consumers and that the usage of funds are of direct benefit to consumers, and that contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess CVRC's current RFP process and Board approval of contracts over \$250,000 as well as to determine whether the process in place satisfies the W&I Code and the State Contract requirements as amended.

VIII. Statewide/Regional Center Median Rates

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

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

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

- Reviewed vendor contracts to verify that CVRC 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 are granted by DDS.

IX. Other Sources of Funding from DDS

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure CVRC'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.
- Foster Grandparents Program.
- Early Start-American Recovery and Reinvestment Act (ARRA) Funds.
- First Five of California.
- Prevention Program.

X. Follow-Up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to CVRC and reviewed supporting documentation to determine the degree and completeness of CVRC'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, CVRC 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, 2009, through June 30, 2011.

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 CVRC has taken appropriate corrective actions to resolve all prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a Draft Report on February 13, 2013. The findings in the report were discussed at an exit conference with CVRC on February 19, 2013. At the exit conference, DDS stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

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

I. Findings that need to be addressed.

Finding 1: Rate Increase After the Rate Freeze

A review of 35 sampled POS vendor files revealed CVRC issued rate increases for two vendors after the June 30, 2008, rate freeze was in effect. CVRC increased the rate of reimbursement for vendor, Tulare County Office of Education (TCOE), vendor number H27899, service code 083, from \$360.15 to \$440.00 per month resulting in an overpayment of \$749,205.70. For vendor, [REDACTED] vendor number PC0104, service code 775, the rate increased from \$1,750.00 to \$2,500.00 per assessment, resulting in an overpayment of \$20,609.38. This resulted in overpayments totaling \$769,815.08 for the two vendors.

W&I Code, section 4648.4(b) 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.”

CVRC provided additional information with its response to the Draft Report which indicated one vendor, [REDACTED] vendor number PC0104, service code 775, was not in violation of the rate freeze. The rate used by this vendor is a usual and customary rate and is not subject to the rate freeze. Therefore, the total overpayment amount has been adjusted to \$749,205.70. (See Attachment A.)

Recommendation:

CVRC must reimburse to DDS the \$749,205.70 paid to the vendor. In addition, CVRC must adjust the vendor’s rate to the rate that was in effect in September 2009.

Finding 2: Rate Reduction

A review of 65 sampled POS vendor files and the UFS Operational Indicator reports revealed CVRC did not correctly apply the 3 and 4.25 percent rate reduction to 26 vendors. This resulted in overpayments totaling \$52,557.36. CVRC stated that this occurred because the program that was provided by DDS to apply the rate reductions did not work as intended. CVRC took corrective action before the issuance of the Draft Report to resolve \$17,477.14 of the overstated amount with \$35,080.22 still outstanding.

Assembly Bill 104, chapter 37, section 24, section 10(a) states:

“(a) Notwithstanding any other provision of law, in order to implement change in the level of funding for regional centers purchase of services, regional centers shall reduce payments for service and supports provided pursuant to Title 14 (commencing with Section 95000) of the Government Code and Division 4.1 (commencing with Section 4400) and Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code. From February 1, 2009, to June 30, 2010, inclusive, regional centers shall reduce all payments for these services and supports paid from purchase of service funds for services delivered on or after February 1, 2009, by 3 percent, and from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent, unless the regional center demonstrates that a nonreduced payment is necessary to protect the health and safety of the individual for whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval.”

CVRC provided additional information with its response to the Draft Report which indicated one vendor, Maxim Healthcare, vendor number HC0207, service code 854, was not in violation of the rate reduction. The rate used by this vendor is a usual and customary rate and is not subject to the rate reduction, thus, the overpayment has been adjusted by \$10,998.87. In addition, CVRC provided supporting documentation to show it has recovered \$21,958.90 in overpayments. Therefore, \$2,122.45 remains outstanding. (See Attachment B.)

Recommendation:

CVRC must reimburse to DDS the \$2,122.45 of the outstanding overpayment. In addition, CVRC must review its vendor payments to ensure it has appropriately applied the mandated rate reductions to ensure compliance with Assembly Bill 104, chapter 37, section 24, section 10(a).

Finding 3: Over/Understated Claims

A review of 30 sampled Transportation and Day program vendor files revealed CVRC over/under claimed expenses to the State. CVRC continued to reimburse

vendor Alleluia Agape Transportation, vendor number HC0699, service code 880, at a monthly rate after it had converted to a daily rate for services provided from September 2009 through June 2011, resulting in over/underpayments totaling \$7,171.37 and \$5,131.58, respectively. The net overpayment to this vendor totaled \$2,039.79. In addition, CVRC overstated the units of reimbursement for vendor ARC Fresno Enrichment, vendor number H08579, service code 510, resulting in 12 instances of overpayments totaling \$115.92. This resulted in overpayments totaling \$2,155.71 for the two vendors. (See Attachment C.)

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

“(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.”

In addition, the Contract between CVRC and the vendor states:

“The basic rate of payment for transportation service shall be: \$12.88 per client per day.”

CVRC has taken corrective action in resolving this issue by collecting the \$2,155.71 in overpayments.

Recommendation:

CVRC should continue to review vendor payment invoices to ensure any payment errors that may have occurred, in the course of doing business with its vendors, are identified and corrected in a timely manner.

Finding 4: Family Cost Participation Program - Late Assessments

A review of 18 sampled FCPP consumer files revealed eight instances where CVRC did not assess the parents’ share of cost at the maximum amount when parents failed to provide income documentation within 10 working days from the date of the parents’ signatures on the IPP. Assessments were completed more than a month after the signing of the IPP. (See Attachment D.)

W&I Code, section 4783(g)(4) states in relevant part:

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

- (4) Parents who have not provided copies of income documentation pursuant to paragraph (2) shall be assessed the maximum cost participation based on the highest income level adjusted for family

size until such time as the appropriate income documentation is provided...”

CCR, title 17, section 50261 states in relevant part:

“(a) Each parent shall provide the regional center with his or her proof of gross annual income pursuant to Section 4783(g)(2) and (i) of the Welfare and Institutions Code, within ten (10) working days from the date of the parents’ signatures on the Individual Program Plan. The regional center may grant a ten (10) working day extension to provide documentation, if parents have acted in good faith. In no event shall more than one ten (10) working day extension be granted. Failure to provide the information will result in the regional center setting the cost participation at the maximum amount, pursuant to section 4783(g)(4) of the Welfare and Institution Code.”

Recommendation:

CVRC must ensure parents who do not provide income documentation within 10 working days from the parents’ signature on the IPP are assessed at the maximum amount to ensure compliance with CCR, title 17, section 50261(a).

II. Finding that has been addressed and corrected by CVRC.

Finding 5: Deceased Consumer Files – Multiple or Incorrect Dates of Death (Repeat)

The review of the UFS Death Report identified two consumers with multiple dates of death and two consumers with the incorrect dates of death recorded. In its prior response, CVRC stated that it had implemented procedures which include the reconciling, reviewing, and monitoring of actual dates of death with the UFS death report.

State Contract, Article IV, section 1(c)(1) states in part:

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

- (1) 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 any 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, CVRC should ensure the actual date of death is accurately recorded in UFS to avoid any potential payments after the date of death.

CVRC has taken corrective action in resolving this issue by researching the correct dates of death for each consumer and updating all four consumers' actual date of death in the UFS.

Recommendation:

CVRC should continue to follow its implemented procedures which include the reconciling, reviewing, and monitoring of actual dates of death with the UFS death report to ensure that the correct date of death is recorded in UFS.

EVALUATION OF RESPONSE

As part of the audit report process, CVRC has been provided with a draft report and was requested to provide a response to each finding. CVRC's response dated April 2, 2013, 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 CVRC's response. Except as noted below, CVRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. During the follow-up review of the next scheduled audit, the DDS Audit Branch will confirm CVRC's corrective actions in their response to the draft audit report.

Finding 1: Rate Increase After the Rate Freeze

CVRC disagrees with the finding which states that two of its vendors received rate increases after the rate freeze was in effect, which resulted in overpayments totaling \$769,815.08.

CVRC argues that TCOE, vendor number H27899, service code 083, did not receive a rate increase. CVRC states that due to the changes in the eligibility criteria for Early Start services, it needed to amend its contract with TCOE to reflect the reduced number of consumers. CVRC did not want to be tied to a monthly contract amount and stated it received DDS approval to change the contract to an individual consumer rate, so long as the reimbursed amount remained under the contracted dollar amount of \$2,305,000 per fiscal year.

CVRC negotiated a new rate with TCOE of \$360.15 per child per month effective September 1, 2009. However, in February 2010, CVRC stated that TCOE was experiencing a financial hardship due to the decline in the number of consumers it served. CVRC did not want to revert back to the original contract amount, and instead increased TCOE's rate from \$360.15 to \$440.00 per consumer per month effective March 2010, without an approved Health and Safety exemption from DDS. CVRC states the rate increase was in compliance with the W&I Code, since the total reimbursement was under the original contract amount. DDS does not agree with CVRC, that the rate increase is in compliance with W&I Code, since CVRC increased TCOE's rate from \$360.15 to \$440.00 per consumer per month after the rate freeze was in effect.

In addition, CVRC disagrees with the finding that a rate increase issued to the vendor [REDACTED] vendor number PC0104, violated the rate freeze. CVRC provided additional documentation indicating that [REDACTED] is a usual and customary vendor and is exempt from the rate freeze. DDS agrees with CVRC and will consider the overpayment totaling \$20,609.38 for [REDACTED] resolved.

Therefore, CVRC must reimburse to DDS the overpayment totaling \$749,205.70. In addition, CVRC must adjust the vendor's rate to the rate that was in effect prior to March 2010, to ensure compliance with W&I Code, section 4648.4(b).

Finding 2: Rate Reduction

CVRC stated it agrees that \$24,081.35 was overpaid to 25 different vendors due to the incorrect application of the 3 and 4.25 percent rate reduction. CVRC provided supporting documentation to show it has recovered \$21,958.90 in overpayments from 15 vendors with \$2,122.45 still outstanding. CVRC indicated that it is unable to recover this overpayment, since the vendors are out of business. CVRC provided copies of demand letters dated June 22, 2012, sent to the vendors in an attempt to collect the overpayments totaling \$2,122.45.

CVRC also stated it disagrees with overpayments totaling \$10,998.87 to one vendor, Maxim Healthcare, vendor number HC020, service code 854. CVRC provided additional information with its response to the Draft Report which indicated Maxim Healthcare is not in violation of the rate reduction. The rate used by this vendor is a usual and customary rate and is not subject to the rate reduction. DDS concurs with CVRC that Maxim Healthcare is not subject to the rate reduction, and the overpayment has been adjusted by \$10,998.87.

Therefore, CVRC must reimburse to DDS the overpayment totaling \$2,122.45. In addition, CVRC must also review its vendor payments to ensure it has appropriately applied the mandated rate reductions to ensure compliance with Assembly Bill 104, chapter 37, section 24, section 10(a).

Finding 3: Over/Understated Claims

CVRC agrees that it overpaid vendors Alleluia Agape Transportation, vendor number HC0699, and ARC Fresno Enrichment, vendor number H08579. CVRC provided additional information with its response to the Draft Report which indicated the overpayment totaling \$2,155.71 has been resolved. DDS concurs with CVRC's response and based on the review of CVRC's additional information, DDS considers this issue resolved.

Finding 4: Family Cost Participation Program - Late Assessments

CVRC submitted updated FCPP procedures to ensure compliance with the FCPP guidelines. The updated procedures include adding the FCPP assessment to the IPP meeting, and time stamping correspondence and income documentation upon receipt. Follow-up will be performed during the next scheduled audit to ensure CVRC has fully complied with the FCPP requirements.

**Central Valley Regional Center
Rate Increase After the Rate Freeze
Fiscal Years 2009-10 and 2010-11**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
1	H27899	Tulare County Office of Education	083	Mar-10	\$26,308.02
				Apr-10	\$27,368.35
				May-10	\$29,011.40
				Jun-10	\$28,914.65
				Jul-10	\$30,251.53
				Aug-10	\$30,669.49
				Sep-10	\$30,729.05
				Oct-10	\$30,482.78
				Nov-10	\$30,813.45
				Dec-10	\$30,269.45
				Jan-11	\$30,504.49
				Feb-11	\$30,341.23
				Mar-11	\$30,311.35
				Apr-11	\$30,534.03
				May-11	\$30,479.28
				Jun-11	\$31,238.93
				Jul-11	\$31,817.65
				Aug-11	\$33,289.61
				Sep-11	\$32,875.71
				Oct-11	\$33,415.27
Nov-11	\$33,586.44				
Dec-11	\$33,844.84				
Jan-12	\$35,565.13				
Feb-12	\$36,583.58				
Total Overpayments Due to the Rate Increase					\$749,205.70

**Central Valley Regional Center
Rate Reduction
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
1	[REDACTED]	H07304	905	Jul-10	\$61.65	\$0.00	\$61.65
				Aug-10	\$61.65	\$0.00	\$61.65
				Sep-10	\$61.65	\$0.00	\$61.65
Totals for Vendor H07304					\$184.95	\$0.00	\$184.95
2	[REDACTED]	H08619	905	Jul-10	\$25.71	\$0.00	\$25.71
				Aug-10	\$25.71	\$0.00	\$25.71
				Sep-10	\$10.29	\$0.00	\$10.29
Totals for Vendor H08619					\$61.71	\$0.00	\$61.71
3	[REDACTED]	H08690	905	Jul-10	\$46.24	\$46.24	\$0.00
				Aug-10	\$46.24	\$46.24	\$0.00
				Sep-10	\$46.24	\$46.24	\$0.00
Totals for Vendor H08690					\$138.72	\$138.72	\$0.00
4	[REDACTED]	HC0060	915	Jul-10	\$115.58	\$0.00	\$115.58
				Aug-10	\$115.58	\$0.00	\$115.58
				Sep-10	\$115.58	\$0.00	\$115.58
				Oct-10	\$6.66	\$0.00	\$6.66
Totals for Vendor HC0060					\$353.40	\$0.00	\$353.40
5	[REDACTED]	HC0124	910	Jul-10	\$8.30	\$8.30	\$0.00
				Aug-10	\$31.60	\$31.60	\$0.00
				Sep-10	\$31.60	\$31.60	\$0.00
				Oct-10	\$31.19	\$31.19	\$0.00
				Nov-10	\$31.19	\$31.19	\$0.00
Totals for Vendor HC0124					\$133.88	\$133.88	\$0.00
6	[REDACTED]	HC0208	915	Jul-10	\$113.17	\$0.00	\$113.17

**Central Valley Regional Center
Rate Reduction
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
	██████████ (Continued)	HC0208	915	Aug-10	\$5.23	\$0.00	\$5.23
Totals for Vendor HC0208					\$118.40	\$0.00	\$118.40
7	██████████	HC0275	905	Jul-10	\$36.57	\$0.00	\$36.57
Totals for Vendor HC0275					\$36.57	\$0.00	\$36.57
8	██████████	HC0370	905	Jul-10	\$80.32	\$0.00	\$80.32
				Aug-10	\$80.32	\$0.00	\$80.32
				Sep-10	\$80.32	\$0.00	\$80.32
Totals for Vendor HC0370					\$240.96	\$0.00	\$240.96
9	Unique Families, Inc.	HC0560	904	Jun-10	\$30.81	\$30.81	\$0.00
				Jul-10	\$658.32	\$658.32	\$0.00
				Aug-10	\$719.94	\$719.94	\$0.00
				Sep-10	\$733.35	\$733.35	\$0.00
Totals for Vendor HC0560					\$2,142.42	\$2,142.42	\$0.00
10	██████████	HC0575	915	Jul-10	\$204.24	\$0.00	\$204.24
				Aug-10	\$157.42	\$0.00	\$157.42
				Sep-10	\$157.42	\$0.00	\$157.42
Totals for Vendor HC0575					\$519.08	\$0.00	\$519.08
11	██████████	HC0612	910	Jul-10	\$49.50	\$0.00	\$49.50
				Aug-10	\$45.25	\$0.00	\$45.25
				Sep-10	\$0.79	\$0.00	\$0.79
Totals for Vendor HC0612					\$95.54	\$0.00	\$95.54
12	██████████	HC0653	920	Jul-10	\$139.84	\$0.00	\$139.84
				Aug-10	\$143.35	\$0.00	\$143.35
				Sep-10	\$187.81	\$0.00	\$187.81

**Central Valley Regional Center
Rate Reduction
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
	██████████ (Continued)	HC0653	920	Oct-10	\$40.84	\$0.00	\$40.84
Totals for Vendor HC0653					\$511.84	\$0.00	\$511.84
13	██████████	HC0800	113	Jul-10	\$351.95	\$351.95	\$0.00
				Aug-10	\$351.95	\$351.95	\$0.00
				Sep-10	\$351.95	\$351.95	\$0.00
				Oct-10	\$351.95	\$351.95	\$0.00
				Nov-10	\$351.95	\$351.95	\$0.00
				Dec-10	\$351.95	\$351.95	\$0.00
				Jan-11	\$351.95	\$351.95	\$0.00
				Feb-11	\$351.95	\$351.95	\$0.00
				Mar-11	\$351.95	\$351.95	\$0.00
				Apr-11	\$351.95	\$351.95	\$0.00
				May-11	\$351.95	\$351.95	\$0.00
				Jun-11	\$351.95	\$351.95	\$0.00
				Jul-11	\$351.95	\$351.95	\$0.00
				Aug-11	\$351.95	\$351.95	\$0.00
Sep-11	\$351.95	\$351.95	\$0.00				
Oct-11	\$351.95	\$351.95	\$0.00				
Totals for Vendor HC0800					\$5,631.20	\$5,631.20	\$0.00
14	██████████	HC0424	520	Jul-10	\$305.62	\$305.62	\$0.00
				Aug-10	\$312.84	\$312.84	\$0.00
				Sep-10	\$241.61	\$241.61	\$0.00
Totals for Vendor HC0424					\$860.07	\$860.07	\$0.00
15	Alternative Ways-ILP	H90308	520	Jul-10	\$359.75	\$359.75	\$0.00

**Central Valley Regional Center
Rate Reduction
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
	Alternative Ways-ILP (Continued)	H90308	520	Aug-10	\$364.71	\$364.71	\$0.00
				Sep-10	\$350.48	\$350.48	\$0.00
Totals for Vendor H90308					\$1,074.94	\$1,074.94	\$0.00
16	Community Vocational Services	HC0859	510	Jul-10	\$12.41	\$12.41	\$0.00
				Aug-10	\$68.62	\$68.62	\$0.00
				Sep-10	\$73.73	\$73.73	\$0.00
Totals for Vendor HC0859					\$154.76	\$154.76	\$0.00
17	[REDACTED]	HC0499	896	Jul-10	\$122.54	\$122.54	\$0.00
				Aug-10	\$122.54	\$122.54	\$0.00
				Sep-10	\$122.54	\$122.54	\$0.00
Totals for Vendor HC0499					\$367.61	\$367.61	\$0.00
18	Providential Healthcare	HC0805	935	Jul-10	\$77.30	\$77.30	\$0.00
Totals for Vendor HC0805					\$77.30	\$77.30	\$0.00
19	[REDACTED]	PC0104	775	Aug-09	\$105.00	\$105.00	\$0.00
				Sep-09	\$420.00	\$420.00	\$0.00
				Feb-10	\$210.00	\$210.00	\$0.00
				Mar-10	\$210.00	\$210.00	\$0.00
				Jun-10	\$105.00	\$105.00	\$0.00
				Sep-10	\$105.00	\$105.00	\$0.00
Totals for Vendor PC0104					\$1,155.00	\$1,155.00	\$0.00
20	Central California Medical Group	HC0550	760	Jul-09	\$43.50	\$43.50	\$0.00
				Aug-09	\$31.50	\$31.50	\$0.00
				Sep-09	\$55.50	\$55.50	\$0.00

**Central Valley Regional Center
Rate Reduction
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
	Central California Medical Group (Continued)	HC0550	760	Oct-09	\$13.50	\$13.50	\$0.00
				Nov-09	\$22.50	\$22.50	\$0.00
				Dec-09	\$30.00	\$30.00	\$0.00
				Jan-10	\$4.50	\$4.50	\$0.00
				Feb-10	\$10.50	\$10.50	\$0.00
				Mar-10	\$49.50	\$49.50	\$0.00
				Apr-10	\$43.50	\$43.50	\$0.00
				May-10	\$31.50	\$31.50	\$0.00
				Jun-10	\$34.50	\$34.50	\$0.00
				Jul-10	\$38.25	\$38.25	\$0.00
				Aug-10	\$57.38	\$57.38	\$0.00
				Sep-10	\$29.75	\$29.75	\$0.00
				Oct-10	\$57.38	\$57.38	\$0.00
				Nov-10	\$63.75	\$63.75	\$0.00
				Dec-10	\$31.88	\$31.88	\$0.00
				Jan-11	\$57.38	\$57.38	\$0.00
				Feb-11	\$31.88	\$31.88	\$0.00
				Mar-11	\$53.13	\$53.13	\$0.00
				Apr-11	\$46.75	\$46.75	\$0.00
				May-11	\$31.88	\$31.88	\$0.00
	Jun-11	\$46.75	\$46.75	\$0.00			
	Sep-11	\$21.25	\$21.25	\$0.00			
	Oct-11	\$70.13	\$70.13	\$0.00			

**Central Valley Regional Center
Rate Reduction
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
	Central California Medical Group (Continued)	HC0550	760	Nov-11	\$38.25	\$38.25	\$0.00
				Dec-11	\$31.88	\$31.88	\$0.00
				Jan-12	\$17.00	\$17.00	\$0.00
Totals for Vendor HC0550					\$1,095.13	\$1,095.13	\$0.00
21	Dynamic Kids Pediatric	PC0194	772	Aug-09	\$3.54	\$3.54	\$0.00
				Sep-09	\$3.54	\$3.54	\$0.00
				Jan-10	\$7.08	\$7.08	\$0.00
				May-10	\$3.54	\$3.54	\$0.00
				Jun-10	\$7.08	\$7.08	\$0.00
				Aug-10	\$5.02	\$5.02	\$0.00
				Nov-10	\$5.02	\$5.02	\$0.00
				Mar-11	\$15.06	\$15.06	\$0.00
				Dec-11	\$2.51	\$2.51	\$0.00
Totals for Vendor PC0194					\$52.40	\$52.40	\$0.00
22	Kings View Work	H02148	880	Sep-10	\$274.29	\$274.29	\$0.00
Totals for Vendor H02148					\$274.29	\$274.29	\$0.00
23	Alleluia - Agape Trans	HC0699	880	Jul-10	\$6.24	\$6.24	\$0.00
				Aug-10	\$3.84	\$3.84	\$0.00
				Sep-10	\$3.04	\$3.04	\$0.00
Totals for Vendor HC0699					\$13.12	\$13.12	\$0.00
24	First Transit Inc.	HC0813	875	Jul-10	\$290.00	\$290.00	\$0.00
				Aug-10	\$306.75	\$306.75	\$0.00

**Central Valley Regional Center
Rate Reduction
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
	First Transit Inc. (Continued)	HC0813	875	Sep-10	\$318.50	\$318.50	\$0.00
Totals for Vendor HC0813					\$915.25	\$915.25	\$0.00
25	California Psychiatric	H28033	114	Jul-09	\$1,628.46	\$1,628.46	\$0.00
				Aug-09	\$1,628.46	\$1,628.46	\$0.00
				Sep-09	\$3,519.96	\$3,519.96	\$0.00
				Oct-09	\$1,628.46	\$1,628.46	\$0.00
				Nov-09	\$3,519.96	\$3,519.96	\$0.00
				Dec-09	\$1,628.46	\$1,628.46	\$0.00
				Jan-10	\$1,586.46	\$1,586.46	\$0.00
				Feb-10	\$1,187.79	\$1,187.79	\$0.00
				Mar-10	\$1,331.79	\$1,331.79	\$0.00
				Jul-10	\$629.11	\$629.11	\$0.00
				Aug-10	\$629.11	\$629.11	\$0.00
				Sep-10	\$600.36	\$600.36	\$0.00
				Oct-10	\$493.48	\$493.48	\$0.00
				Nov-10	\$559.52	\$559.52	\$0.00
				Dec-10	\$499.55	\$499.55	\$0.00
				Jan-11	\$493.48	\$493.48	\$0.00
				Feb-11	\$342.32	\$342.32	\$0.00
				Mar-11	\$434.82	\$434.82	\$0.00
				Apr-11	\$413.88	\$413.88	\$0.00
May-11	\$296.12	\$296.12	\$0.00				
Jun-11	\$226.01	\$226.01	\$0.00				

**Central Valley Regional Center
Rate Reduction
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance	
	California Psychiatric (Continued)	H28033	14	Nov-11	\$42.68	\$42.68	\$0.00	
			117		Jul-10	\$135.24	\$135.24	\$0.00
					Aug-10	\$135.24	\$135.24	\$0.00
					Sep-10	\$130.88	\$130.88	\$0.00
					Oct-10	\$191.04	\$191.04	\$0.00
					Nov-10	\$184.88	\$184.88	\$0.00
					Dec-10	\$191.04	\$191.04	\$0.00
					Jan-11	\$191.04	\$191.04	\$0.00
					Feb-11	\$172.55	\$172.55	\$0.00
					Mar-11	\$191.04	\$191.04	\$0.00
					Apr-11	\$184.88	\$184.88	\$0.00
					May-11	\$191.04	\$191.04	\$0.00
					Jun-11	\$130.88	\$130.88	\$0.00
Total for Vendor H28033					\$25,349.97	\$25,349.97	\$0.00	
Grand Totals					\$41,558.50	\$39,436.05	\$2,122.45	

**Central Valley Regional Center
Over/Understated Claims
Fiscal Years 2009-10 and 2010-11**

Vendor Name	Vendor Number	Service Code	Sub Code	Service Period	Overpayments	Corrected Amount	Outstanding Balance
Overstated Claims for Vendor HC0699							
1 Alleluia Agape Transportation	HC0699	880	02SRM	Sep-09	\$291.60	\$291.60	\$0.00
			02SRM	Oct-09	\$291.60	\$291.60	\$0.00
			1SRMO	Nov-09	\$415.87	\$415.87	\$0.00
			02SRM	Nov-09	\$291.60	\$291.60	\$0.00
			02SRM	Dec-09	\$291.60	\$291.60	\$0.00
			02SRM	Jan-10	\$291.60	\$291.60	\$0.00
			1SRMO	Jan-10	\$166.07	\$166.07	\$0.00
			02SRM	Feb-10	\$291.60	\$291.60	\$0.00
			1SRMO	Feb-10	\$128.60	\$128.60	\$0.00
			02SRM	Mar-10	\$291.60	\$291.60	\$0.00
			02SRM	Apr-10	\$291.60	\$291.60	\$0.00
			02SRM	May-10	\$291.60	\$291.60	\$0.00
			02SRM	Jun-10	\$291.60	\$291.60	\$0.00
			02SRM	Jul-10	\$291.60	\$291.60	\$0.00
			02SRM	Aug-10	\$291.60	\$291.60	\$0.00
			02SRM	Sep-10	\$291.60	\$291.60	\$0.00
			02SRM	Oct-10	\$291.60	\$291.60	\$0.00
			02SRM	Nov-10	\$291.60	\$291.60	\$0.00
			1SRMO	Nov-10	\$138.33	\$138.33	\$0.00
			02SRM	Dec-10	\$291.60	\$291.60	\$0.00
			1SRMO	Dec-10	\$64.35	\$64.35	\$0.00
			02SRM	Jan-11	\$291.60	\$291.60	\$0.00
			02SRM	Feb-11	\$291.60	\$291.60	\$0.00
1SRMO	Feb-11	\$101.34	\$101.34	\$0.00			
02SRM	Mar-11	\$291.60	\$291.60	\$0.00			
02SRM	Apr-11	\$199.26	\$199.26	\$0.00			

**Central Valley Regional Center
Over/Understated Claims
Fiscal Years 2009-10 and 2010-11**

	Vendor Name	Vendor Number	Service Code	Sub Code	Service Period	Overpayments	Corrected Amount	Outstanding Balance
	Alleluia Agape Transportation (Continued)	HC0699	880	02SRM	May-11	\$203.31	\$203.31	\$0.00
				02SRM	Jun-11	\$213.84	\$213.84	\$0.00
Total Overstated Claims for Vendor HC0699						\$7,171.37	\$7,171.37	\$0.00
Understated Claims for Vendor HC0699								
	Alleluia Agape Transportation (Continued)	HC0699	880	1SRMO	Sep-09	(\$296.06)	(\$296.06)	\$0.00
				1SRMO	Oct-09	(\$308.55)	(\$308.55)	\$0.00
				1SRMO	Dec-09	(\$33.77)	(\$33.77)	\$0.00
				1SRMO	Mar-10	(\$483.41)	(\$483.41)	\$0.00
				1SRMO	Apr-10	(\$346.02)	(\$346.02)	\$0.00
				1SRMO	May-10	(\$158.67)	(\$158.67)	\$0.00
				1SRMO	Jun-10	(\$520.88)	(\$520.88)	\$0.00
				1SRMO	Jul-10	(\$231.57)	(\$231.57)	\$0.00
				1SRMO	Aug-10	(\$367.20)	(\$367.20)	\$0.00
				1SRMO	Sep-10	(\$354.87)	(\$354.87)	\$0.00
				1SRMO	Oct-10	(\$169.92)	(\$169.92)	\$0.00
				1SRMO	Jan-11	(\$83.61)	(\$83.61)	\$0.00
				1SRMO	Mar-11	(\$564.48)	(\$564.48)	\$0.00
				1SRMO	Apr-11	(\$293.22)	(\$293.22)	\$0.00
				1SRMO	May-11	(\$354.87)	(\$354.87)	\$0.00
	1SRMO	Jun-11	(\$564.48)	(\$564.48)	\$0.00			
Total Understated Claims for Vendor HC0699						(\$5,131.58)	(\$5,131.58)	\$0.00
Total Net Overstated Claims for Vendor HC0699						\$2,039.79	\$2,039.79	\$0.00
Overstated Claim for Vendor H08579								
2	ARC-Fresno ADP	H08579	510	SUP	Apr-11	\$115.92	\$115.92	\$0.00
Total Overstated Claim for Vendor H08579						\$115.92	\$115.92	\$0.00
Grand Total Overstated Claims						\$2,155.71	\$2,155.71	\$0.00

**Central Valley Regional Center
Family Cost Participation Program - Late Assessments
Fiscal Years 2009-10 and 2010-11**

	Unique Client Identification Number	Date IPP Signed	Assessment Date
1	████████	09/21/09	03/16/10
2	████████	08/13/10	10/05/10
3	████████	12/31/09	04/15/10
4	████████	12/23/09	03/23/10
5	████████	10/19/10	12/27/10
6	████████	01/24/11	05/26/11
7	████████	10/28/10	12/27/10
8	████████	04/27/10	07/29/10

APPENDIX A

CENTRAL VALLEY REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**

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

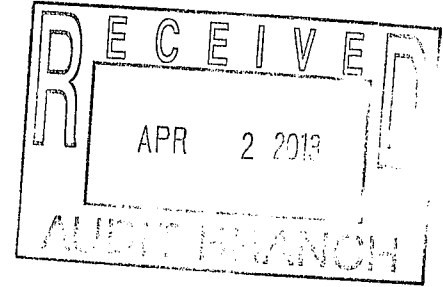
CENTRAL VALLEY REGIONAL CENTER INC.

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April 2, 2013

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



Dear Mr. Yan:

We are in receipt of your draft report entitled "Audit of the Central Valley Regional Center for the Fiscal Years 2009-10 and 2010-11" dated February 13, 2013. We welcome the opportunity to respond to the issues included in the draft report.

Listed below are the findings and recommendations from the draft report in addition to our responses to the issues presented.

Finding 1: Rate Increase After the Rate Freeze

A review of 35 sampled POS vendor files revealed CVRC issued rate increases for two vendors after the July 1, 2008, rate freeze was in effect. CVRC increased the rate of reimbursement for vendor, Tulare County Office of Education, vendor number H27899, service code 083, from \$371.29 to \$440.00 per month resulting in an overpayment of \$749,205.70. For vendor, [REDACTED], vendor number PC0104, service code 775, the rate increased from \$1,750.00 to \$2,500.00 per assessment, resulting in an overpayment of \$20,609.38. This resulted in overpayments totaling \$769,815.08 for the two vendors. (See Attachment A.)

Recommendation

CVRC must reimburse to DDS the \$769,815.08 paid to the vendors. In addition, CVRC must adjust the two vendors' rates to the rates that were in place prior to the implementation of the rate freeze.

CVRC Response

Vendor 1: Tulare County Office of Education

Central Valley Regional Center is well aware of W&I Code, Section 4648.4 (b) and its requirement for regional centers to adhere to rates that were in place as of June 30, 2008. The code stipulates that any increases would require approval from the department after demonstrating that the adjustment is necessary to protect consumer's health and safety.

Tulare County Office of Education (TCOE), Vendor #H27899, Service Code 083, provides early intervention services to children under three. I'd like to give you a little background on our negotiating process during the period in question. In the spring of 2009, CVRC was aware of the potential change for eligibility criteria for early start services and the establishment of a Prevention Program.

We began talks with Julia Mullen who, at the time, was responsible for the early start program within the department. The discussion focused on the potential impact the establishment of new criteria, and the number of children served by programs within our catchment area, might be affected by a change in eligibility criteria. The majority of our early start vendors are school districts where we had Memorandums of Understanding (MOUs).

Recognizing these programs would most likely stand to lose students, we consulted with Ms. Mullen about moving from a contract amount to a per child rate. CVRC did not want to be tied down to a contract dollar amount as opposed to an individual rate. During a phone call, Ms. Mullen advised [REDACTED] liaison to TCOE and me, that as long as we were under the "contracted dollar amount" for this program, we had the flexibility to establish an individual rate of payment for each enrollee.

In addition to consultation with Ms. Mullen, I also consulted with Rita Walker on July 8, 2009. (I have documentation of my mileage reimbursement for July 2009 which shows mileage to Sacramento on July 8, 2009 and my appointment calendar noting a meeting at DDS at 10 a.m. on July 8, 2009.) During this face to face meeting held at DDS, I inquired as to whether or not we were bound to pay the contracted rate when a vendor would potentially lose a number of enrollees. Ms. Walker reiterated Ms. Mullen's position that so long as we were able to remain under the "contracted dollar amount", there would be flexibility related to the amount of payment. Neither Ms. Mullen nor Ms. Walker raised the need for a health and safety request to the department.

Knowing full well there would be an impact on early start programs, the MOU's in place for fiscal year 2008-09 were extended for the months of July and August in anticipation the new budget would have a provision of the establishment of a Prevention Program. As anticipated, regional centers, per budget language, were directed to move children who did not meet the new eligibility criteria to the Prevention Program by October 1, 2009.

Through the re-evaluation process for continued early start services, enrollees who no longer qualified were moved to the Prevention Program leaving TCOE serving a reduced number of early start clients. During this period, TCOE was serving a total number 610 plus students in July and 595 plus in August. Again, these two months were paid under the previous monthly contract rate (\$2,305,000 annually or \$192,083.34 monthly).

Shortly after the passage of the budget, we negotiated with TCOE an initial rate of \$360.15 per child per month knowing we did not want to, over the course of fiscal year 2009-10, pay the previous contracted dollar amount. We began the individualized rate effective September 1, 2009 to commensurate with the shift of cases transferred to the Prevention Program. The number of students who were covered under per child per month rate were 560 plus. The information below summarizes the actual payment rates by CVRC to the vendor for the period under review.

Annual Contract FY 2008-09	\$2,305,000.00
Actual Payments FY 2008-09	\$2,276,188.00
Actual Payments (Per Child Rate) FY 2009-10	\$1,752,630.00
Difference between Actual Payments (Savings)	\$ 523,558.00

[REDACTED] the director of the program with TCOE, requested a meeting with me to say that the large number of children they lost presented a financial hardship to them and a new rate was negotiated to \$440 per child per month. This new rate, as was the previous rate of \$360.15 per child per month, was done so that we would not pay the contracted monthly rate. If we were to go back to the 2008 annual contract rate as you direct (\$2,305,000 annually or \$192,083.34 monthly), CVRC would owe the program as opposed to reimbursing DDS with the dollar amount you suggest.

We ask that you adjust your findings to reflect the fact that we saved the State of California dollars as directed by budget language for fiscal year 2009-10.

Attachments: Exhibit A

MOU for the period 7/1/08 through 6/30/09, in the amount of \$2,305,000 (\$192,083.34 monthly).

Addendum to MOU for the period of 7/1/09 through 8/31/09

MOU for the period 9/1/09 to 6/30/10

Revised MOU for the period 3/1/10 to 6/30/10

Vendor 2: [REDACTED]

Regarding the finding for [REDACTED] we do not concur with the recommendation to reimburse DDS the amount of \$20,609.38. In our opinion, [REDACTED] and the services he provides are considered usual and customary and exempt from the rate freeze. Our justification is as follows:

- 1) Title 17, section 57210 This section defines usual and customary vendors and we believe [REDACTED] meets the criteria of a usual and customary provider – he provides services for regional center consumers and non-regional center consumers, and at least 30% of the recipients of the given service are not regional center consumers.
- 2) Welfare and Institution Code 4691.9 Sections 4691.9(a) and (b) establishes the rate freeze, and section 4691.9 (c) states this section shall not apply to those services which are usual and customary.
- 3) [REDACTED] is a contract physician with CVRC. In addition to his work with CVRC, his primary medical practice includes seeing patients in his private practice along with being a staff physician with [REDACTED] in Visalia. As a full-time physician, this means at least 60% of his patients are “general public” and not developmentally disabled. This is well above the 30% threshold indicated in Title 17, section 57210. We are confident [REDACTED] meets the criteria that his services are usual and customary.

Finding 2: Rate Reduction

A review of 65 sampled POS vendor files and Uniform Fiscal System (UFS) Operational Indicator reports revealed CVRC did not correctly apply the 3 and 4.25 percent rate reduction to 26 vendors. This resulted in overpayments totaling \$52,557.36. This is not in compliance with Assembly Bill 104, chapter 37, Section 24, section 10(a). CVRC has taken corrective action to resolve \$17,477.14 of the overstated amount with \$35,080.22 still outstanding.

Recommendation

CVRC must reimburse to DDS the \$35,080.22 of the outstanding overpayment. CVRC must also review its vendor payments to ensure it has appropriately applied the mandated rate reductions to ensure compliance with Assembly Bill 104, chapter 37, section 24, section 10 (a).

CVRC Response

Here is how we address the 26 findings totaling \$35,080.22:

1. For 10 of the findings we discovered they were out of business. As a result we sent out demand letters mailed to the homes that were out of business. We did not receive a reply or reimbursement from them. Total amount unrecovered \$2,122.45.
2. Vendor Maxim Healthcare (HC0207, Attachment B-4, #17) we established the Rate to be Usual and Customary \$10,998.87.
3. The remaining 15 findings totaling \$21,958.90 were processed via Credit invoicing and they are reflected in the UFS.

Attachments: Exhibit B

Ten demand letters mailed to closed homes.

Finding 3: Over/Understated Claims

A review of 30 sampled Transportation and Day program vendor files revealed instances in which CVRC over/understated claims to the State for two of its vendors. This resulted in overpayments totaling \$2,155.71. This is not in compliance with CCFR, title 17, section 54326(a) (10).

Recommendation

CVRC must reimburse to DDS the \$2,155.71 that was overpaid to the vendors. In addition, CVRC should continue to review vendor payment invoices to ensure any payment errors that may have occurred in the course of doing business with its vendors, are identified and corrected in a timely manner.

CVRC Response

Overpayments were deducted from Vendor #HC0699 for \$2,039.79 and H08579 for \$115.92 via Credit invoicing and they are reflected in the uniform fiscal system (UFS).

Finding 4: Family Cost Participation Program - Late Assessments

A review of 18 sampled Family Cost Participation Program (FCPP) consumer files revealed eight instances in which CVRC did not assess the parents' share of cost at the maximum amount when parents failed to provide income documentation within 10 working days from the date of the parents' signatures on the Individual Program Plan (IPP). Assessments were completed more than a month after the signing of the IPP. This is not in compliance with W&I Code, section 4783(g)(4), and CCR, title 17, section 50261(a).

Recommendation

CVRC must ensure parents who do not provide income documentation within 10 working days from the parents' signature on the IPP are assessed at the maximum amount to ensure compliance with CCR, title 17, section 50261(a).

CVRC Response

CVRC agrees with DDS's audit finding #4. Following are steps that have been implemented by both the program and accounting departments to insure the 10 day deadline in compliance with CCR title 17, section 50261(a) is met. The program department follows the steps listed below 1-7. Accounting department implemented procedure described in step 8.

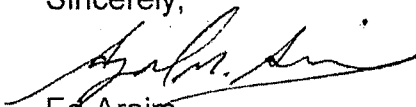
1. Program Manager (PM) receives a monthly list of "Clients Potentially Eligible for FCPP" at the beginning of the client birth month
2. PM communicates with Counselors who have clients listed as "Potentially Eligible for FCPP" and shares client names
3. Counselor makes contact with the family either by phone or in person at the annual IPP meeting to confirm insurance or Medi-Cal
 - a. If the client has Medi-Cal, Counselor confirms Medi-Cal, obtains copy of the card (if possible) and updates SANDIS
Or
 - b. If the client does not have Medi-Cal, Counselor explains that the family will be receiving a letter in the mail explaining the FCPP requirements
 - Counselor confirms insurance and obtains copy of the card (if possible)
 - Counselor explains the FCPP requirements
 - Counselor shares the Federal Poverty Level (FPL) requirements with the family
 - Counselor explains that the family will need to verify income and send copies in the addressed/stamped envelope they will receive in the mail
4. FCPP has been added to the IPP agreement form to ensure conversation occurs with family.
5. CVRC mails letters or CPC hand delivers packet to the family at time of IPP, along with the addressed/stamped envelope
6. PM or Counselor field questions as needed
7. Return of documents will be monitored
8. Accounting department is now date stamping correspondence/income verification upon receipt. (See Exhibit C)

Attachments: Exhibit C

Family Cost Participation Program Process

Thank you very much for the opportunity to respond to your draft report. I look forward to your review of our responses and the adjustments we have made to our procedures since the audit. Please feel free to contact me if you should have any questions.

Sincerely,



Ed Arajm
Director of Administrative Services

CC: Robert Riddick, CVRC
Darryll Walker, CVRC
Karen Meyreles, DDS
Jean Johnson, DDS
Nancy Bargmann, DDS
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