AUDIT OF THE FRANK D. LANTERMAN REGIONAL CENTER FOR FISCAL YEARS 2007-08, 2008-09, AND 2009-10 WITH FOLLOW-UP REVIEW OF THE OIG - ARRA AUDIT DATED AUGUST 26, 2010

Department of Developmental Services

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

The DDS fiscal compliance audit of the Frank D. Lanterman Regional Center (FDLRC) revealed that FDLRC was in substantial compliance with the requirements set forth in the California Code of Regulations (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 Department of Developmental Services. The audit indicated that, overall, FDLRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where FDLRC'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 FDLRC's operations. A follow-up review will be performed to ensure that FDLRC has taken corrective action to resolve the findings identified by the DDS Audit and the Office of the Inspector General's (OIG) American Recovery and Reinvestment Act (ARRA) Audit.

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

I. The following findings need to be addressed.

Finding 1: **<u>Over-Stated Claims</u>**

The review of FDLRC's Operational Indicator reports, Residential and Early Start Programs revealed 25 instances in which FDLRC over claimed expenses to the State. The total overstated claim was $58,429.00. This is not in compliance with CCR, title 17, section 56902(d) and the State Contract, article II, section 3(d)(2).

Finding 2: **<u>Supporting Documentation for Caseload Ratios Not Retained</u>**

The review of the Service Coordinator Caseload Ratios revealed that FDLRC did not retain supporting documentation to verify compliance with the caseload ratios requirements for February 2009. This is not in compliance with W&I Code, section 4640.6(i)(2).

Finding 3: **<u>Deceased Consumers - Missing Consumer Records</u>**

The review of 20 deceased consumers' files revealed one instance in which a consumer file is missing and three instances in which consumers do not have a death certificate on file. This is not in compliance with the State Contract, article IV, section 3(a) & (b).

II. The following finding has been addressed and corrected by FDLRC.

Finding 4: **Deceased Consumers - Multiple Dates of Death (Repeat)**

The review of the Uniform Fiscal System (UFS) Death Report identified one consumer that had two dates of death recorded. However, further review revealed that no payments were made beyond the actual date of death for this consumer. This issue was also identified in the prior DDS audit report. This is not in compliance with the State Contract, article IV, section 1(c)(1).

FDLRC has taken corrective action to resolve this issue by providing supporting documentation showing that the correct date of death has been updated in the 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 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's 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 is reviewed by DDS Federal Programs Operations Section staff to assess overall programmatic compliance with HCBS Waiver requirements. HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on the Regional Center's fiscal, administrative and program operations.

DDS and Los Angeles County Developmental Services Foundation, Inc., entered into contract HD049006, (State Contract) effective July 1, 2004 through June 30, 2009, and contract HD099010, effective July 1, 2009 through June 30, 2014. The contracts specify that Los Angeles County Developmental Services Foundation, Inc. will operate an agency known as the Frank D. Lanterman Regional Center (FDLRC) to provide services to persons with DD and their families in the Central, Glendale, Hollywood-Wilshire, and Pasadena areas. The contracts are funded by State and federal funds that are dependent upon FDLRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at FDLRC from October 25, 2010 through December 16, 2010, by the DDS Audit Branch.

AUTHORITY

The audit was conducted under the authority of the Welfare and Institutions (W&I) Code, Section 4780.5, and Article IV, Section 3 of the State Contracts.

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"
- Title 17 of the California Code of Regulations
- Federal Office of Management Budget (OMB) Circular A-133
- State Contracts

AUDIT PERIOD

The audit period was from July 1, 2007 through June 30, 2010, 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 Lanterman Act
- To determine compliance with Title 17, of the California Code of Regulations (CCR, title 17),
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine that costs claimed were in compliance with the provisions of the State Contracts.

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

DDS's review of the FDLRC'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 reports that were conducted by an independent accounting firm for fiscal years 2007-08 and 2008-09, issued on February 10, 2009 and January 12, 2010, respectively. In addition, DDS noted there were management letters issued for FDLRC.

The audit procedures performed included the following:

I. Purchase of Service

DDS selected a sample of Purchase of Service (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 the FDLRC. 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.

- 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 FDLRC staff revealed that FDLRC 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 Uniform Fiscal Systems (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 FDLRC'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 the FDLRC operations and conducted tests to determine compliance with State Contracts. The tests included various expenditures claimed for administration to ensure that FDLRC's accounting staff is properly inputting data; that transactions were recorded on a timely basis; and 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 with CCR, title 17 and State Contracts.

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

- DDS reviewed the FDLRC's polices and procedures for compliance with the CCR, title 17 Conflict of Interest requirements and DDS selected a sample of personnel files to determine if the polices 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 verified that the information submitted by FDLRC was correct and traceable to the general ledgers and payroll registers.

- Reviewed FDLRC'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. For the period commencing January 1, 2004 through June 30, 2007, inclusive, the following average service coordinator-to-consumer ratios apply:

A. For all consumers that are three years of age and younger and for consumers enrolled in 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 continuously in the community 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.

DDS also reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratios to determine reasonableness, and to verify 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, DDS 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 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 Individual Program Plan (IPP). To determine whether FDLRC is in compliance with CCR, title 17 and the W&I Code, DDS performed the following procedures during the 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 that the parents were notified of their assessed cost participation within 10 working days.

- Reviewed vendor payments to verify that FDLRC 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 or uniform procurement process for all negotiated service codes by requiring an RFP. 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 FDLRC is working towards implementing the required RFP process by January 1, 2011, DDS performed the following procedures during our audit review:

- Reviewed the FDLRC contracting process to ensure the existence of a Board approved procurement policy, and to verify that the RFP process ensures competitive bidding as required per the W&I Code, section 4648(a)(6)(D), and Article II of the State Contract as amended.

- Reviewed the RFP contracting guidelines to determine whether the protocols in place include reasonable dollar thresholds based on the average dollar amount of all negotiated contracts.

- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicates to all vendors. All submitted proposals will be evaluated by a team of individuals, to determine whether proposals are properly documented, recorded and authorized by appropriate officials at FDLRC. 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 will be retained for the selection process and in instances which a vendor with a higher bid is selected there will be written documentation retained as justification for such a selection.

- Selected a sample of Operational, Start-Up and negotiated Purchase of Service (POS) contracts subject to competitive bidding to ensure FDLRC notified the vendor community and the public of contracting opportunities available. DDS reviewed the contracts to ensure that FDLRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and that contracts are properly signed and executed by both parties to the contract.

- Reviewed FDLRC board approved POS, Start-Up and Operational vendor contracts, and disbursement policies and procedures to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. DDS verified that the funds provided are 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 was conducted in order to assess FDLRC's current RFP process as well as to determine whether the process in place satisfies the W&I Code and FDLRC's State Contract requirements as amended.

VIII. Statewide/Regional Center Median Rates

The Statewide or Regional Center Median Rates were implemented on July 1, 2008 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 a Health and Safety Waiver from DDS for circumstances in which regional centers demonstrate that it is necessary for the health and safety of the consumers.

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

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

- Reviewed vendor contracts to verify that FDLRC is reimbursing vendors using authorized contract median rates, and 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.

IX. Other Sources of Funding

Regional centers may receive many other sources of funding. DDS performed sample tests on the other identified sources of FDLRC funding to ensure FDLRC'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 other sources of funding identified for this audit are:

- Start-Up Programs.

- Prevention Program.

- Family Resource Center Program.

- American Recovery and Reinvestment Act (ARRA) Funds.

X. 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. DDS identified prior audit findings that were reported to FDLRC and reviewed supporting documentation to determine the degree and completeness of FDLRC's implementation of corrective actions.

XI. Follow-Up Review on the Office of the Inspector General (OIG) American Recovery and Reinvestment Act (ARRA) Audit Findings

This audit included a follow-up review of issues identified in the OIG audit report dated August 26, 2010. The objective of the follow-up review was to determine whether FDLRC has instituted a corrective action plan to resolve findings noted in the OIG report. The follow-up review found that FDLRC has taken corrective action to resolve the issues identified in the OIG report.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that FDLRC was in substantial compliance with applicable sections of the CCR, title 17, the HCBS waiver, and the State Contracts with DDS for the audit period of July 1, 2007 through June 30, 2010.

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 the prior DDS audit report and the OIG audit report issued August 26, 2010, it has been determined that the FDLRC has taken appropriate corrective actions to resolve all issues identified in the above mentioned reports.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on June 30, 2011. The findings in the report were discussed at a formal exit conference with FDLRC on July 12, 2011. At the exit conference, DDS stated it would incorporate the views of responsible officials in the final report.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, Centers for Medicare and Medicaid Services, and FDLRC. 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 findings need to be addressed.

Finding 1: __Over-Stated Claims__

The review of FDLRC's Operational Indicator reports, Residential and Early Start Programs revealed 25 instances in which FDLRC over claimed expenses to the State. These over-stated claims occurred when FDLRC paid two Residential vendors, under Service Code 915, rates higher than the Alternative Residential Model (ARM) rate.

In addition, FDLRC continued to provide Early Start services to consumers over three years of age, under Service Code 116 which is designated for consumers, birth through 2 years of age. Rather, FDLRC should have used Service Code 115-Specialized Therapeutic Services for services provided to consumers over three years of age. The Early Start over-stated expenses were paid using both federal and State funds that were allocated for infants, birth through two years of age. As a result, the total over-stated claims amounted to $58,429.00. (See Attachment A.)

CCR, title 17, section 56902(d) states:

> "Once the vendor has received notice of the maximum rate established by the Department for the facility's approved service level, each regional center, or its designee, which has placed consumers in the facility, may negotiate with the vendor a level of payment for its consumer(s) that is lower than the rate established by the Department."

Also, State Contract, article II, section 3(d)(2) states:

> "The Contractor shall use federal funds provided under Part C of the Individuals with Disabilities Education Act only to supplement and increase services and operations obligations and will in no way be used to supplant state or local funds allocated for infants birth through two years of age."

Recommendation:

FDLRC should reimburse a total of $58,429.00 in over-stated claims to DDS. In addition, FDLRC should ensure that the Residential vendors are reimbursed at a rate equal to or below the authorized ARM rate. Furthermore, FDLRC should ensure that all expenses billed and claimed under the Early Start Program are for services provided to children with developmental disabilities from birth through two years of age. All expenses billed under Service Code 116 for consumers over three years of age should be revised and allocated to Service Code 115.

Finding 2: **Supporting Documentation for Caseload Ratios Not Retained**

The review of the Service Coordinator Caseload Ratios revealed that FDLRC did not retain supporting documentation for the February 2009 caseload ratios. Although the caseload ratios for February 2009 were not required to be submitted to DDS, FDLRC was required to retain this data to document compliance with the current services coordinator to consumer ratio requirements.

W&I Code, section 4640.6(i)(2) states:

"(i) From February 1, 2009, to June 30, 2010, inclusive, the following shall not apply:

(2) The requirements of subdivision (e), the regional centers shall, instead, maintain sufficient service coordinator caseload data to document compliance with the service coordinator-to-consumer ratio requirements in effect pursuant to this section."

Recommendation:

FDLRC should retain service coordinator caseload data to document compliance with the service coordinator-to-consumer ratio requirements as stated in the W&I Code.

Finding 3: **Deceased Consumers - Missing Consumer Records**

The review of 20 deceased consumers' files revealed one instance in which a consumer file is missing and three instances in which consumers did not have a death certificate on file. (See Attachment B.)

The State Contract, article IV, section 3(a) & (b) states in relevant part:

"…Contractor shall keep records, as follows:

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

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

Recommendation:

FDLRC should ensure that all consumer files and death certificates are retained, properly safeguarded and are readily available to the State for audit review.

II. The following finding has been addressed and corrected by FDLRC.

Finding 4: **<u>Deceased Consumers - Multiple Dates of Death</u> (Repeat)**

The review of the UFS Death Report identified one consumer that had two dates of death recorded. Further review revealed that no payments were made beyond the actual date of death for this consumer. This issue was also identified in the prior DDS audit report, but was an oversight by FDLRC for not identifying the multiple dates of death for this consumer.

However, after the end of the audit, FDLRC took corrective action to resolve this issue by providing supporting documentation showing that the correct date of death has been updated in the UFS.

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

"Contractor shall make available accurate and complete UFS and/or CADDIS 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 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, FDLRC should ensure that the actual date of death is accurately recorded in the UFS to avoid any potential payments after the date of death.

Recommendation:

FDLRC should ensure that staff continues to follow the written procedures on the proper process of recording dates of death in the UFS. In addition, FDLRC should continue to review all files of recently deceased consumers to ensure that only one date of death is recorded in the UFS.

EVALUATION OF RESPONSE

As part of the audit report process, FDLRC has been provided with a draft report and was requested to provide a response to each finding. FDLRC's response dated September 8, 2011, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section as well as a summary of the findings in the Executive Summary section.

DDS's Audit Branch has evaluated FDLRC's response. Except as noted below, FDLRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve these issues. During the follow-up review of the next scheduled audit, the DDS Audit Branch will confirm that FDLRC has implemented corrective actions as identified in their response to the draft audit report.

Finding 1: **Over-Stated Claims**

In the DDS audit report it was noted that FDLRC paid two Residential vendors under service code 915, using rates higher than the Alternative Residential Model (ARM) rate. FDLRC stated in its response that overpayments to vendor number H25289, were for a consumer with significant behavioral issues; therefore, instead of having the consumer share a room with another consumer, FDLRC decided to pay for two beds so the consumer could stay in their own home. FDLRC stated that they conducted an analysis and compared different options and determined that leaving the consumer in their own home and not having to share a room with another consumer was more cost effective than moving the consumer to a College Hospital DDMI wing, College Hospital Inpatient Psychiatric or Level 4I placement. This is not in compliance with CCR, title 17, section 56902(d), as FDLRC is continuing to pay a higher rate than the ARM rate set for an L4G service level.

For vendor number H28033, FDLRC stated that the two payments made to the vendor are correct reimbursements for services provided. FDLRC also stated that it was using Central Valley Regional Center's (CVRC) contract rate under an incorrect service code and has since vendored this program under service code 114, a specialized residential facility code. However, further review of the Uniform Fiscal System (UFS) payments made to the vendor for the month of August 2011 revealed that FDLRC is still reimbursing the vendor under service code 915. FDLRC must ensure that the vendor service code has been changed and that the consumer is receiving specialized services. In addition, FDLRC must provide DDS with supporting documentation within 30 days from the receipt of this report showing that corrective action has been taken to resolved this issue.

For the Early Start over-stated expenses FDLRC states that these expenses should not be considered issues since these payments were made within 60 and 90 days of the consumer's third birthday. However, it is important for FDLRC to understand that these services cannot be continued under service code 116, since expenses billed to this service code are reimbursed using federal dollars specifically meant for infants, birth through two years of age. This is not in compliance with the State Contract, article II, section 3(d)(2).

As a result, these issues remain unresolved. FDLRC must reimburse DDS the over-stated expenses totaling $58,429.00 for overpayments made to the two residential facilities and overpayments made to consumers over three years of age.

Finding 2: **Supporting Documentation for Caseload Ratios Not Retained**

FDLRC concurs with the finding and stated that it will maintain the supporting documentation to ensure compliance with the W&I Code, section 4640.6(i)(2). DDS will conduct a follow-up review during the next scheduled audit to ensure this issue has been resolved.

Finding 3: **Deceased Consumers - Missing Consumer Records**

FDLRC concurs with the finding and provided copies of the missing death certificates as supporting documentation to ensure compliance with the State Contract, article IV, section 3(a) and (b). DDS will conduct a follow-up review during the next scheduled audit to ensure that all consumer files and death certificates are retained, properly safeguarded and are readily available to DDS for audit review.

Finding 4: **Deceased Consumers - Multiple Dates of Death (Repeat)**

FDLRC stated that it performs regular training for its service coordinators regarding deceased consumer reports. In addition, FDLRC stated that it reviews monthly termination and completion reports on deceased consumers to ensure payments are not made to vendors after the date of death. DDS will conduct a follow-up review during the next scheduled audit to ensure that staff continues to follow the written procedures on the proper process of recording dates of death in the UFS.

Frank D. Lanterman Regional Center
Over-Stated Claims
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Service Code	Authorization Number	Payment Period	Overpayments
Overpayment Due to Rate Higher than Established ARM Rate						
1	[redacted]	H25289	915	[redacted]	Feb-2008	$2,193.00
2	[redacted]	H25289	915	[redacted]	Mar-2008	$2,193.00
3	[redacted]	H25289	915	[redacted]	April-2008	$2,193.00
4	[redacted]	H25289	915	[redacted]	May-2008	$2,193.00
5	[redacted]	H25289	915	[redacted]	Aug-2008	$2,193.00
6	[redacted]	H25289	915	[redacted]	Jul-2008	$2,193.00
7	[redacted]	H25289	915	[redacted]	Aug-2008	$2,193.00
8	[redacted]	H25289	915	[redacted]	Sept-2008	$2,193.00
9	[redacted]	H25289	915	[redacted]	Oct-2008	$2,193.00
10	[redacted]	H25289	915	[redacted]	Nov-2008	$2,193.00
11	[redacted]	H25289	915	[redacted]	Dec-2008	$2,193.00
12	[redacted]	H28033	915	[redacted]	Apr-2010	$9,957.00
13	[redacted]	H28033	915	[redacted]	May-2010	$15,549.00
Total Overpayments Due to Rate Higher than Established ARM Rate						**$49,629.00**
Overpayments Due to Incorrect Service Code Allocation						
1	[redacted]	P25108	116	[redacted]	Jul-2007	$625.00
2	[redacted]	P25108	116	[redacted]	Mar-2008	$875.00
3	[redacted]	P25108	116	[redacted]	Mar-2008	$1,000.00
4	[redacted]	P25108	116	[redacted]	Sept-2008	$1,125.00
5	[redacted]	P25108	116	[redacted]	Sept-2008	$875.00
6	[redacted]	P25108	116	[redacted]	Mar-2009	$1,000.00
7	[redacted]	P25108	116	[redacted]	Mar-2009	$1,000.00
8	[redacted]	PW2792	116	[redacted]	Mar-2009	$200.00

Frank D. Lanterman Regional Center
Over-Stated Claims
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Service Code	Authorization Number	Payment Period	Overpayments
9	[redacted]	P25108	116	[redacted]	Aug-2009	$500.00
10		P25108	116		Aug-2009	$500.00
11		PW2792	116		Aug-2009	$200.00
12		PW2792	116		Sept-2009	$900.00
Total Overpayments Due to Incorrect Service Code Allocation						**$8,800.00**
Grand Total						**$58,429.00**

Frank D. Lanterman Regional Center
Missing Consumer Records
Fiscal Years 2007-08, 2008-09, and 2009-10

	Unique Client Identificaiton Number	Records Missing
1	[redacted]	Consumer File
2		Death Certificate
3		Death Certificate
4		Death Certificate

APPENDIX A

FRANK D. LANTERMAN REGIONAL CENTER

RESPONSE TO AUDIT FINDINGS

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

FRANK D. LANTERMAN REGIONAL CENTER

RECEIVED
SEP 15 2011
AUDIT BRANCH

September 8, 2011

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

Dear Mr. Yan:

Attached please find Lanterman's written response to the Department's report issued June 30 of this year which covered the audit of fiscal years 2007-08, 2008-09, and 2009-10. As we have done in previous years, we have included the Department's findings and recommendations on the same document as our responses.

We look forward to having our response included in the final audit report. Should you or your staff have any questions, please contact Patrick Aulicino, our Associate Director of Administrative Services.

Sincerely,

Diane Anand

Diane Anand

Partners in Lifelong Support for People with Developmental Disabilities Since 1966

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FRANK D. LANTERMAN REGIONAL CENTER

RESPONSE TO DDS AUDIT OF FISCAL YEARS 07-08 THROUGH 09-10.

AUGUST, 2011

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Finding 1: **Over-stated claims**

DDS finding

The review of FDLRC's operational indicator reports, residential and early start programs revealed 25 instances in which FDLRC over claimed expenses to the State. These over stated claims occurred when FDLRC paid two residential vendors under service code 915 at rates higher than the Alternative Residential Model (ARM) rate.

In addition, FDLRC continued to provide Early Start services to consumers over three years of age, under service code 116 which is designated for consumers, birth through 2 years of age. Rather, FDLRC should have used service code 115- specialized therapeutic services for services provided to consumers over 3 years of age. The Early Start over stated expenses were paid using both federal and state funds that were allocated for infants, birth through two years of age. As a result, the total over stated claims amounted to $58,429.00

DDS recommendation

FDLRC shall reimburse a total of $58,429.00 in over stated claims to DDS. In addition, FDLRC should ensure that residential vendors are reimbursed at a rate equal to or below the authorized ARM rate. Furthermore, FDLRC should ensure that all expenses billed and claimed under the Early Start Program are for services provided to children with developmental disabilities from birth through two years of age. All expenses billed under service code 116 for consumers over three years of age should be revised and reallocated to service e code 115.

FDLRC Response

The eleven payments identified that relate to vendor number H25289 are for one particular client with significant behavioral issues. For this individual we had arranged with the facility to "buy" out the second bed in the room. This was a cost effective means to enable this client to remain in her own home during a crisis by allowing her to not have a roommate and was referenced in the client's IPP. In determining the cost-effectiveness of this approach, we reviewed the rates of alternatives:

College Hospital DDMI wing- $37,500 per month

College Hospital inpatient psychiatric unit - $8,880 per month

Level 4I placement with 1:1 10 hrs. /day M_F and 12 hrs. /day Sat-Sun) - $9,069 per month

Level 4G plus bed buyout - $6,485 per month

The latter is the approach we used. We developed a separate subcode for the service to reflect the expense. However, the authorization was initiated and paid as a part of the authorization for the basic residential service. In retrospect, this bed buyout payment should have been made under a separate authorization but the payment itself is appropriate as it was authorized. We are unable to reclassify the expense as the time period in question is off of the system.

The two payments identified that relate to vendor number H28033 are for one particular client at highly structured behavioral residential program in the Central Valley Regional Center area. The time period reviewed was for the client's stay in a more intensive aspect of the program. Since that time, the client has been moved to a less intensive portion of the program and continues to reside there. Attached to this response is a copy of the contract from Central Valley Regional Center for this provider and the program in question that supports the rate. In retrospect, it appears that we should have vendored the program under service code 114 as CVRC has done rather than 915 but the payment is correct. We will reclassify the expense.

For those twelve expenses identified as relating to the Early Start program (service code 116 - $8,800.00) in all but two client instances payments identified were within 60 days of the client's third birthday and in one instance was within 90 days. It is important to note that we are required to not only determine eligibility but also give families proper notice of the termination of services to allow them the opportunity to appeal, hence the authorizations that extend slightly over 36 months of the birth date. For the remaining client in question, services were continued as we were assisting the family to get necessary services through the school district which had denied them. We do have procedures in place and train staff relative to the determination of eligibility but issues related to timing, the requirements for giving notice, and other human factors sometimes intervene.

As a practical matter, we cannot reimburse the Department as the above payments were made to providers based on authorizations initiated by the Center.

Finding 2: **Supporting documentation for caseload ratios not maintained**

DDS Finding

The review of the Service Coordinator Caseload ratios revealed that FDLRC did not retain supporting documentation for the February 2009 caseload ratios. Although the caseload ratios for February 2009 were not required to be submitted to DDS, FDLRC was required to retain this data to document compliance with the current services coordinator to consumer ration requirements

DDS Recommendation

FDLRC should retain service coordinator caseload ratio data to document compliance with the service coordinator to consumer requirements as stated in the W & I Code.

FDLRC Response

When the law was amended to forgive the submission of the caseload ratio data in 2009 as a workload relief measure, we understood the workload relief to be time saved in calculation of the ratios themselves and not the miniscule amount of time saved in electronic transmission of the report to DDS.

FDLRC will maintain this data in the future.

Finding 3: Deceased Consumers – Missing Consumer Records

DDS Finding

The review of 20 deceased consumers' files revealed one instance in which as consumer file is missing and three instances in which consumers do not have a death certificate on file as verification of the date of death.

DDS Recommendation

FDLRC should ensure that all consumer files and death certificates are retained, properly safeguarded, and readily available to the State for audit review.

FDLRC Response

Attached are the three death certificates that were reportedly unavailable. From the date stamps it appears as if one of the three was here at the time of the audit. We do make repeated attempts to get death certificates and conduct in-house mortality meetings to ascertain that all required follow-up has been done. It is often difficult and time consuming to procure death certificates and we cannot control the responsiveness of the governmental agencies that produce them.

As of this date, we have been unable to locate the volume of the missing client file in question.

Finding 4: Deceased Consumers – Multiple Dates of Death (Repeat)

DDS Finding

The review of the UFS death report identified one consumer that had two dates of death recorded. Further review revealed that no payments were made beyond the actual date of death for this consumer. This issue was also identified in the prior DDS audit report, but was an oversight by FDLRC for not identifying the multiple dates of death for this consumer.

However, after the end of the audit, FDLRC took corrective action to resolve this issue by providing supporting documentation showing the correct date of death has been updated in the UFS.

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

DDS Recommendation

FDLRC should ensure that staff continues to follow the written procedures on the proper process of recording dates of death in the UFS. In addition, FDLRC should continue to review all files of recently deceased consumers to ensure that only one date of death is recorded in the UFS.

FDLRC Response

We perform regular training for service coordinators on the Programs and Services procedure manual which includes protocols for death reporting. In addition, we review monthly termination and completion reports on deceased clients to ensure that payments are not made to providers after the date of death.