



**AUDIT OF THE
FAR NORTHEN REGIONAL CENTER
FOR FISCAL YEARS 2008-09 AND 2009-10 WITH
FOLLOW-UP REVIEW OF THE BSA AUDIT DATED
AUGUST 24, 2010**

Department of Developmental Services

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EXECUTIVE SUMMARY

The DDS fiscal compliance audit of Far Northern Regional Center (FNRC) was conducted to ensure FNRC's 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, FNRC maintains accounting records and supporting documentation for transactions in an organized manner. However, this report identifies some areas where FNRC's administrative, operational controls could be strengthened. A follow-up review was performed to ensure FNRC has taken corrective action to resolve the findings identified by the current DDS and BSA Audits.

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 Freeze

A review of 77 sampled vendor files from various service codes revealed FNRC issued rate increases to four vendors after the July 1, 2008 rate freeze was in effect. This resulted in a total overpayment of \$58,210.36. This is not in compliance with W&I Code, section 4648.4(b).

Finding 2: Negotiated Rate Above the Statewide Median Rate

A review of 45 sampled vendor contracts finalized after June 30, 2008 revealed that one vendor, [REDACTED] vendor number PF3077, service code 605, was contracted above the Statewide/FNRC Median Rate, resulting in a total overpayment of \$4,335.04. This is not in compliance with W&I Code, section 4691.9(a) and (b).

Finding 3: Family Cost Participation Program (FCPP) -Missing Individual Program Plan (IPP)

The sample review of 16 FCPP files revealed two instances where consumers were assessed a share of cost, but did not have an Individual Program Plan (IPP) on file as verification that the consumers were eligible to be funded for services consistent with the FCPP. This is not in compliance with CCR, title 17, section 50261(b).

II. Findings that have been addressed and corrected by FNRC.

Finding 4: Over-Stated Claims-FCPP

The review of the FCPP revealed that FNRC has been paying more than its assessed share of cost for two of the 16 sampled consumers participating in this program. The total amount of overpayments identified was \$418.80. This is not in compliance with CCR, title 17, section 50255(a).

FNRC has taken corrective action by adjusting the billings for the overpayments.

Finding 5: Deceased Consumers

A. Multiple Dates of Death

The review of the Uniform Fiscal System (UFS) Death Report identified four out of seven sampled consumers with multiple dates of death recorded. In all four instances there were two different dates of death entered into the system. This is not in compliance with State Contract, article IV, section 1(c)(1). However, further review found that no payments for services were made beyond the actual date of death of the consumers.

FNRC corrected the issue of the multiple dates of death by updating its records to reflect each consumer's actual date of death.

B. Remaining Trust Balances

The review of 20 sampled deceased consumer trust accounts revealed four consumer accounts that had balances totaling \$1,031.71 that have been outstanding for more than three years after the death of the consumer. This is not in compliance with the California Code of Civil Procedures (CCP), article 2, section 1518(a) and FNRC's Policy Number 1308.

FNRC corrected the issue by forwarding the remaining balances to the respective beneficiaries.

Finding 6: Home and Community-Based Services Waiver Provider Agreement Forms

The review of 110 sampled vendor files revealed that 10 Home and Community-Based Services Waiver Provider Agreement forms were not properly completed by FNRC. The forms were either missing the service code, vendor number, or had multiple vendor numbers and service codes. This is not in compliance with CCR, title 17, section 54326(a)(16).

FNRC has taken corrective action to resolve the issue by providing DDS with the properly completed Home and Community-Based Services Waiver Provider Agreement forms.

BACKGROUND

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

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's Home and Community-Based Services (HCBS) Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each regional center no less than every two years, and completes follow-up reviews in alternate years. 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 Far Northern Coordinating Council on Developmental Disabilities (FNCC), entered into contract HD049005, (State Contract) effective July 1, 2004, through June 30, 2009 and contract HD099005, effective July 1, 2009 through June 30, 2014. The contracts specify that FNCC will operate an agency known as the Far Northern Regional Center (FNRC) to provide services to persons with DD and their families in the Butte, Glenn Lassen, Modoc, Plumas, Shasta, Siskiyou, Tehama and Trinity Counties. The contracts are funded by State and federal funds that are dependent upon FNRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at FNRC from November 1, 2010 through December 10, 2010 and was conducted by 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 (Title 17)
- Federal Office of Management Budget (OMB) Circular A-133
- State Contracts

AUDIT PERIOD

The audit period was July 1, 2008 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 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 FNRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that the FNRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether the FNRC was in compliance with the Lanterman Act, CCR, title 17, the HCBS Waiver for the Developmentally Disabled, and the State Contracts.

DDS' review of the FNRC'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 years:

- FY 2007-08, issued on October 28, 2008
- FY 2008-09, issued on November 30, 2009

No management letters were issued for FNRC for the fiscal years listed above.

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

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

III. Targeted Case Management and Regional Center Rate Study

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

- Reviewed applicable TCM records and verified the information submitted by FNRC was correct and traceable to the general ledgers and payroll registers.
- Reviewed FNRC'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 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.

However, commencing February 1, 2009, to June 30, 2010, under W&I Code, section 4640.6(i), regional centers were no longer required to provide service coordinator caseload data to DDS on an annual basis. Instead, regional centers were to maintain service coordinator caseload data on file to document compliance with the service coordinator-to-consumer ratio requirements.

Therefore, DDS reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratios to determine reasonableness and verified that supporting documentation is maintained as required by W&I Code, section 4640.6(e) and (i).

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 FNRC 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 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 FNRC 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 FNRC was working towards implementing the required RFP process by January 1, 2011, DDS performed the following procedures during our audit review:

- Reviewed the FNRC 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 FNRC. 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 FNRC notified the vendor community and the public of contracting opportunities available. DDS reviewed the contracts to ensure that FNRC 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 FNRC 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 above was conducted in order to assess FNRC's current RFP process as well as to determine whether the process in place satisfies the W&I Code and FNRC'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 it's necessary for the health and safety of the consumers.

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

- Reviewed sample vendor files to determine whether FNRC is using appropriately vendorized service providers and correct service codes, that FNRC is paying authorized contract rates and complying with the requirements of the W&I Code, section 4691.9.
- Reviewed vendor contracts to verify that FNRC is reimbursing vendors using authorized contract median rates, verifying that rates paid represented the lower of the statewide or regional center median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008 did not receive any unauthorized rate increases, except in situations where health and safety exemptions were granted by DDS.

IX. Other Sources of Funding from DDS

Regional centers may receive many other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure FNRC'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 from DDS identified in this audit are:

- Start-Up Funds.

- Prevention Program.
- Family Resource Center Program.
- American Recovery and Reinvestment Act (ARRA) Funds.

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

XI. Follow-Up Review on the Bureau of State Audits (BSA) Findings

This audit also included a follow-up review of issues identified in the BSA audit report, dated August 24, 2010. The objective of the follow-up review was to determine whether FNRC has instituted its corrective action plan to resolve findings noted in the BSA report and determine if any repayment is appropriate.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations Section, FNRC was in compliance with applicable sections of the CCR, title 17, the HCBS waiver, and the State Contracts with DDS for the audit period, July 1, 2008, through June 30, 2010.

Except as described in the Findings and Recommendations Section, the costs claimed during the audit period were for program purposes and adequately supported.

From the review of prior audit issues, it was determined that FNRC took appropriate actions to resolve all prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on August 22, 2011. The findings in the report were discussed at an exit conference with FNRC on September 6, 2011. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, Centers for Medicare and Medicaid Services, and Far Northern Regional Center. 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 Freeze

A review of 77 sampled vendor files from various service codes revealed FNRC issued rate increases to four vendors after the July 1, 2008 rate freeze was in effect. FNRC stated that two of these contracts were negotiated before the rate freeze took effect and did not consider this as a violation of the law. The remaining two vendor rate increases were reportedly an oversight by FNRC and should not have been granted since it was after the rate freeze was in effect. This resulted in a total overpayment of \$58,210.36 from July 2008 through December 2010. (See Attachment A.)

W&I Code, section 4648.4(b) states:

“(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...”

Recommendation:

FNRC shall remit to DDS, the overpayment amount of \$58,210.36 paid to the four vendors. In addition, FNRC shall develop and implement proper controls that ensure negotiated compensation rates for vendors are appropriately warranted, justifiable and in compliance with W&I Code, section 4648.4(b).

Finding 2: Negotiated Rate Above the Statewide Median Rate

A review of 45 sampled vendor contracts finalized after June 30, 2008 revealed one vendor, [REDACTED] vendor number PF3077, service code 605, that did not adhere to the Statewide/FNRC median rate requirements implemented as of July 1, 2008. It was found that FNRC reimbursed the vendor at a rate of \$60 per hour when the Statewide median rate was at \$47.66 per hour. FNRC entered into a contract with the vendor in September 2008, which was after the median rate requirement was in effect and did not set the rate within the median rate requirement. This resulted in an overpayment of \$4,335.04 to the vendor. (See Attachment B.)

W&I Code, section 4691.9(a) and (b) provide in relevant part:

“Notwithstanding any other provision of the law or regulation, commencing July 1, 2008:

- (a) No regional center shall pay an existing service provider, for services where rates are determined through a negotiation between the regional center and the provider, a rate higher than the rate in effect on 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 and safety and the department has granted prior written authorization..
- (b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center’s median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower...”

Recommendation:

FNRC shall remit DDS the \$4,335.04 overpayment amount paid to the vendor. FNRC shall also immediately renegotiate the rate for consistency with the Statewide/FNRC median rate and provide DDS with written confirmation of the rate change. In addition, FNRC must comply with the W&I code, section 4691.9 and ensure that all rates negotiated after June 30, 2008 are either equal to or below the Statewide or FNRC median rate, whichever is lower.

Finding 3: Family Cost Participation Program (FCPP) - Missing Individual Program Plan (IPP)

The sample review of 16 FCPP consumer files revealed two instances in which consumers were assessed a share of cost, but did not have IPPs on file as proof that the consumers were eligible to be funded for the services provided. (See Attachment C.)

CCR, title 17, section 50261(b) states:

- “(b) The Individual Program Plan signature page shall include a statement indicating that the regional center shall fund respite, day care, and camping services consistent with the Family Cost Participation Program, if applicable.”

Recommendation:

FNRC shall comply with CCR, title 17, section 50261(b) which requires that a signed copy of each consumer’s IPP is on file as verification of the consumer’s

eligibility for services provided. This will ensure that the authorized services can be traced to the initial IPP and verify that billed services were approved by FNRC.

II. Findings that have been addressed and corrected by FNRC.

Finding 4: Over-Stated Claims - FCPP

The sample review of the FCPP revealed that FNRC has been paying for the cost of services that are the responsibility of the families under the requirements of the FCPP for two of the 16 sampled consumers participating in the program. As a result, payments totaling \$418.80 were paid by FNRC, which were the responsibility of the families.

CCR, title 17, section 50255(a) states in part:

“(a) The parents of a child who meets the definition under Section 4783(a)(1) of the Welfare and Institutions Code shall be jointly and severally responsible for the assessed amount of family cost participation...”

FNRC has taken corrective action to resolve this issue by recovering the billings for the overpayments.

Recommendation:

FNRC shall ensure that all consumers receiving services subject to the FCPP are correctly assessed and that only the costs FNRC is responsible for are entered into the UFS to prevent the possibility of any overpayments.

Finding 5: Deceased Consumers

A. Multiple Dates of Death

The review of the Uniform Fiscal System (UFS) Death Report identified four consumers with two different dates of death recorded. Further review found that no payments were made beyond the actual date of death for the four consumers.

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 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, FNRC should ensure the actual date of death is accurately recorded in UFS to avoid any potential payments after the date of death.

FNRC has taken corrective action to resolve the issue by ensuring that all dates of death are accurately recorded in the UFS.

Recommendation:

FNRC shall ensure its staff is provided with written policies and procedures, and training on the recording of deceased consumers in the UFS. Staff should continue to review all files of deceased consumers to ensure that only the actual date of death is recorded in the UFS.

B. Remaining Trust Balances

The review of FNRC’s deceased consumer trust balances revealed four of the 20 consumer accounts that had a total remaining balance of \$1,031.71. These account balances have been outstanding for more than three years after the death of the consumers.

California Code of Civil Procedures (CCP), article 2, section 1518(a) states:

“...all intangible personal property, and the income or increment on such tangible and intangible property, held in fiduciary capacity for the benefit of another person escheats to this state if after it becomes payable or distributable, the owners has not, within a period of three years, increased or decreased the principal, accepted payment of principle or income, corresponded in writing concerning the property, or otherwise indicated an interest as evidenced by a memorandum or other record on file with the fiduciary...”

FNRC’s Policy Number 1308 – “Representative Payee Accounts for Consumers Who Expire” states:

“In order to transfer the funds to legal representatives of the estate, a Declaration under California Probate Code Sections 13100-13115, Form No. 014 (Single Claimant) or form No. 015 (Multiple Claimants) must be completed after 40 days have elapsed since the death of the consumer/decedent. A certified copy of the death certificate must be attached to the Form. The original copies of the form and certificate

should be retained in the Case Management and Trust consumer files respectively.”

FNRC corrected the issue by forwarding the balances to their respective beneficiaries.

Recommendation:

FNRC shall ensure deceased consumers’ trust accounts with any remaining funds in their accounts be remitted to their respective beneficiaries.

Finding 6: Home and Community-Based Services Waiver Provider Agreement Forms

The review of 110 vendor files revealed that 10 Home and Community-Based Services Waiver Provider Agreement forms were not properly completed by FNRC. The forms were either missing the service code, vendor number, or had multiple vendor numbers and service codes.

CCR, title 17, section 54326(a)(16) states in part:

“(a) All vendors shall...

- (16) Sign the Home and Community-Based Services Provider Agreement (6/99), if applicable pursuant to section 54310(a)(10)(I), (d) and (e)...

FNRC has taken corrective steps to comply with CCR, title 17, section 54326(a)(16) by providing DDS with the properly completed Home and Community-Based Services Waiver Provider Agreement forms.

Recommendation:

FNRC shall continue to reinforce its procedures to ensure that there is a properly completed Home and Community-Based Services Waiver Provider Agreement form on file for every vendor providing services to consumers.

EVALUATION OF RESPONSE

As part of the audit report process, FNRC has been provided with a draft report and was requested to provide a response to each finding. FNRC's response dated September 28, 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.

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

Finding 1: Rate Increase After the Freeze

FNRC recalculated the total overpayment of \$58,210.36 identified in the DDS audit report and provided supporting documentation to show that only \$55,439.11 was overpaid to the vendors. DDS reviewed the supporting documentation provided and agrees with FNRC's recalculation of the overpayments. FNRC stated that \$8,670.45 of this amount will be collected from vendors PF1762, PF2323, and P20322. For the remaining \$46,768.63 overpayment made to vendor P95420, FNRC assumed that a Health and Safety Exemption requesting a rate increase for this vendor had been filed. FNRC further stated that the vendor is unable to pay this amount due to an illness which caused the vendor financial difficulty. However, no documentation was provided to show that a Health and Safety Exemption had been filed, nor proof that the vendor is in financial difficulty; therefore, this finding remains unchanged.

FNRC must seek recovery from the vendors and reimburse DDS the \$55,439.11 overpaid to the vendors due to the rate increase it granted after the rate freeze was in effect. In addition, FNRC must ensure that the vendors' rates have been adjusted to comply with W&I Code, section 4648.4(b). Also, if vendor P95420 is unable to pay the \$46,768.66 as stated in FNRC's response, FNRC must provide documentation verifying that the vendor is in financial difficulty. DDS will then consider deducting the \$46,768.66 overpayment from FNRC's current operations budget.

Finding 2: Negotiated Rate Above the Statewide Median Rate

FNRC stated that the vendor's rate was discussed and approved by its vendorization committee before the June 30, 2008 Statewide Median Rate was in effect, but the rate was not finalized until after that date. FNRC indicated that when it received the Regional Center and Statewide Median rates listing, it found that the rate set for this vendor was above the Median rate set for service code 605. FNRC indicated that adjustments to this rate were not applied for more than eight

months due to an oversight on its part resulting in an overpayment totaling \$4,335.00. In addition, FNRC also stated that during this period the vendor terminated its business making it difficult to collect the \$4,335.00 overpayment. In its response, FNRC stated that collecting this amount is not cost effective on its part and requests that DDS reduce its operations budget for Fiscal Year 2009-10 to resolve this issue. However, DDS recommends that FNRC send a letter to the vendor requesting this overpayment. If the vendor fails to pay this amount, FNRC must provide supporting documentation to DDS verifying that it failed to collect payment from the vendor. DDS will then consider deducting the \$4,335.00 overpayment from FNRC's current operations budget.

Finding 3: Family Cost Participation (FCPP) - Missing Individual Program Plan (IPP)

FNRC stated that the two consumers identified in the audit report now have an IPP on file; however, supporting documentation showing that this issue has been resolved was not provided to DDS. In addition, FNRC stated that the FCPP documentation procedures are being updated to include a requirement that all files be reviewed to determine whether an IPP is present. FNRC stated that the updates will be completed by November 30, 2011. Therefore, FNRC must provide supporting documentation to DDS showing that the two IPPs are on file and that procedures have been updated within 60 days after receipt of this report.

**Far Northern Regional Center
Summary of Overpayments
Fiscal Years 2008-09, 2009-10 and 2010-11**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Adjusted Amount
Overpayments Due to Rate Increase After the Rate Freeze						
1	PF1762		113	Jul-08	\$260.40	\$260.40
2	PF1762		113	Aug-08	\$260.40	\$260.40
3	PF1762		113	Sep-08	\$252.00	\$252.00
4	PF1762		113	Oct-08	\$260.40	\$260.40
5	PF1762		113	Nov-08	\$252.00	\$252.00
6	PF1762		113	Dec-08	\$260.40	\$260.40
7	PF1762		113	Jan-09	\$250.62	\$257.60
8	PF1762		113	Feb-09	\$257.60	\$190.40
9	PF1762		113	Mar-09	\$356.50	\$210.80
10	PF1762		113	Apr-09	\$351.90	\$208.08
11	PF1762		113	May-09	\$427.80	\$252.96
12	PF1762		113	Jun-09	\$414.00	\$244.80
13	PF1762		113	Jul-09	\$427.80	\$252.96
14	PF1762		113	Aug-09	\$427.80	\$252.96
15	PF1762		113	Sep-09	\$414.00	\$244.80
16	PF1762		113	Oct-09	\$427.80	\$252.96
17	PF1762		113	Nov-09	\$414.00	\$244.80
18	PF1762		113	Dec-09	\$427.80	\$252.96
19	PF1762		113	Jan-10	\$381.80	\$225.76
20	PF1762		113	Feb-10	\$322.00	\$190.40
21	PF1762		113	Mar-10	\$356.50	\$210.80
22	PF1762		113	Apr-10	\$285.21	\$168.64
23	PF1762		113	May-10	\$382.25	\$220.32
24	PF1762		113	Jun-10	\$414.00	\$244.80
25	PF1762		113	Jul-10	\$427.80	\$249.24
26	PF2323		113	Jul-08	\$100.00	\$100.00
27	PF2323		113	Aug-08	\$100.00	\$100.00

**Far Northern Regional Center
Summary of Overpayments
Fiscal Years 2008-09, 2009-10 and 2010-11**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Adjusted Amount
28	PF2323		113	Sep-08	\$100.00	\$100.00
29	PF2323		113	Oct-08	\$100.00	\$100.00
30	PF2323		113	Nov-08	\$100.00	\$100.00
31	PF2323		113	Dec-08	\$100.00	\$100.00
32	PF2323		113	Jan-09	\$100.00	\$100.00
33	PF2323		113	Feb-09	\$97.00	\$97.00
34	PF2323		113	Mar-09	\$97.00	\$97.00
35	PF2323		113	Apr-09	\$97.00	\$97.00
36	PF2323		113	May-09	\$97.00	\$97.00
37	PF2323		113	Jun-09	\$97.00	\$97.00
38	PF2323		113	Jul-09	\$97.00	\$97.00
39	PF2323		113	Aug-09	\$97.00	\$97.00
40	PF2323		113	Sep-09	\$97.00	\$97.00
41	PF2323		113	Oct-09	\$97.00	\$97.00
42	PF2323		113	Nov-09	\$97.00	\$97.00
43	PF2323		113	Dec-09	\$97.00	\$97.00
44	PF2323		113	Jan-10	\$97.00	\$97.00
45	PF2323		113	Feb-10	\$97.00	\$97.00
46	PF2323		113	Mar-10	\$97.00	\$97.00
47	PF2323		113	Apr-10	\$97.00	\$97.00
48	PF2323		113	May-10	\$97.00	\$97.00
49	PF2323		113	Jun-10	\$48.50	\$81.89
50	PF2323		113	Jul-10	\$48.50	\$47.88
51	P20322		103	Jul-08	\$12.98	\$12.98
52	P20322		103	Aug-08	\$12.98	\$12.98
53	P20322		103	Sep-08	\$12.98	\$12.98
54	P20322		103	Oct-08	\$12.98	\$12.98
55	P20322		103	Nov-08	\$12.98	\$12.98

**Far Northern Regional Center
Summary of Overpayments
Fiscal Years 2008-09, 2009-10 and 2010-11**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Adjusted Amount
56	P20322		103	Dec-08	\$12.98	\$12.98
57	P20322		103	Jan-09	\$12.98	\$12.98
58	P20322		103	Feb-09	\$12.59	\$12.59
59	P20322		103	Mar-09	\$12.59	\$12.59
60	P20322		103	Apr-09	\$12.59	\$12.59
61	P20322		103	May-09	\$12.59	\$12.59
62	P20322		103	Jun-09	\$12.59	\$12.59
63	P20322		103	Jul-09	\$12.59	\$12.59
64	P20322		103	Aug-09	\$12.59	\$12.59
65	P20322		103	Sep-09	\$12.59	\$12.59
66	P20322		103	Oct-09	\$12.59	\$12.59
67	P20322		103	Nov-09	\$12.59	\$12.59
68	P20322		103	Dec-09	\$12.59	\$12.59
69	P20322		103	Jan-10	\$12.59	\$12.59
70	P20322		103	Feb-10	\$12.59	\$12.59
71	P20322		103	Mar-10	\$12.59	\$12.59
72	P20322		103	Apr-10	\$12.59	\$12.59
73	P20322		103	May-10	\$12.59	\$12.59
74	P20322		103	Jun-10	\$12.59	\$12.59
75	P20322		103	Jul-10	\$12.59	\$12.43
76	P20322		103	Aug-10	\$12.59	\$12.43
77	P20322		103	Nov-10	\$12.59	\$12.43
78	P20322		103	Oct-10	\$12.43	\$12.43
79	P20322		103	Nov-10	\$12.43	\$12.43
80	P20322		103	Dec-10	\$12.43	\$0.00
Total Overpayments Due to Rate Increase After the Rate Freeze					\$11,441.73	\$8,670.45

**Far Northern Regional Center
Summary of Overpayments
Fiscal Years 2008-09, 2009-10 and 2010-11**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Adjusted Amount
Overpayments Due to Rate Increase After the Rate Freeze						
1	P95420		605	Jul-08	\$7,249.94	\$7,249.94
2	P95420		605	Aug-08	\$2,954.83	\$2,954.83
3	P95420		605	Sep-08	\$1,715.52	\$1,715.52
4	P95420		605	Oct-08	\$138.59	\$138.59
5	P95420		605	Nov-08	\$1,296.67	\$1,296.67
6	P95420		605	Dec-08	\$1,827.12	\$1,827.12
7	P95420		605	Jan-09	\$3,439.08	\$3,439.08
8	P95420		605	Feb-09	\$1,997.33	\$1,997.33
9	P95420		605	Mar-09	\$176.13	\$176.13
10	P95420		605	Apr-09	\$344.77	\$344.77
11	P95420		605	May-09	\$1,045.55	\$1,045.55
12	P95420		605	Jun-09	\$498.42	\$498.42
13	P95420		605	Jul-09	\$1,742.59	\$1,742.59
14	P95420		605	Aug-09	\$1,712.61	\$1,712.61
15	P95420		605	Sep-09	\$1,855.01	\$1,855.01
16	P95420		605	Oct-09	\$1,821.29	\$1,821.29
17	P95420		605	Nov-09	\$1,667.64	\$1,667.64
18	P95420		605	Dec-09	\$1,585.19	\$1,585.19
19	P95420		605	Jan-10	\$1,825.03	\$1,825.03
20	P95420		605	Feb-10	\$1,731.35	\$1,731.35
21	P95420		605	Mar-10	\$1,720.10	\$1,720.10
22	P95420		605	Apr-10	\$1,633.91	\$1,633.91
23	P95420		605	May-10	\$1,326.62	\$1,326.62
24	P95420		605	Jun-10	\$1,187.96	\$1,187.96
25	P95420		605	Jul-10	\$637.08	\$637.08
26	P95420		605	Aug-10	\$841.19	\$841.19
27	P95420		605	Sep-10	\$790.09	\$790.09

**Far Northern Regional Center
Summary of Overpayments
Fiscal Years 2008-09, 2009-10 and 2010-11**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Adjusted Amount
28	P95420		605	Oct-10	\$436.60	\$436.60
29	P95420		605	Nov-10	\$458.45	\$458.45
30	P95420		605	Dec-10	\$1,112.00	\$1,112.00
Total Overpayments Due to Rate Increase After the Rate Freeze					\$46,768.66	\$46,768.66
Grand Total in Overpayments					\$58,210.39	\$55,439.11

**Far Northern Regional Center
Summary of Overpayments
Fiscal Years 2008-09 and 2009-10**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
Overpayments Due to Negotiated Rate Above the Statewide/Regional Center Median Rate					
1	PF3077		605	Jul-08	\$339.35
2	PF3077		605	Aug-08	\$172.76
3	PF3077		605	Sep-08	\$388.71
4	PF3077		605	Oct-08	\$660.19
5	PF3077		605	Nov-08	\$752.74
6	PF3077		605	Dec-08	\$709.55
7	PF3077		605	Jan-09	\$832.95
8	PF3077		605	Feb-09	\$478.79
Total Overpayments Due to Negotiated Rate Above the Statewide/Regional Center Median Rate					\$4,335.04

**Far Northern Regional Center
Missing Documentation
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number
1	
2	

APPENDIX A

FAR NORTHERN REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**

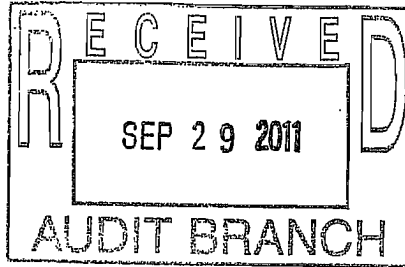
(Certain documents provided by the Far Northern Regional Center as attachments to its response are not included in this report due to the detailed and sometimes confidential nature of the information.)



Far Northern Regional Center

Providing services and supports that allow persons with developmental disabilities to live productive and valued lives

Laura Larson
Executive Director



September 28, 2011

Mr. Edward Yan, Branch Manager
State of California
Department of Developmental Services
1600 Ninth Street, Room 230, MS 2-10

Dear Ed:

Enclosed is Far Northern Regional Center's response to the Department's audit of Fiscal Years 2008-09 and 2009-10. We appreciated your staff's courtesy and suggestions to improve our processes.

If you have any questions on our responses, please call me direct at (530) 226-4081, or e-mail me at mmintline@farnorthernrc.org.

Sincerely,

Michael J. Mintline
Associate Director, Administrative Services

www.farnorthernrc.org

Far Northern Regional Center (FNRC)
Response to DDS Audit Report
Fiscal Years 2008-09 and 2009-10

Finding 1: Rate increase after the Freeze

A review of seventy-seven sampled vendor files from various service codes revealed that FNRC issued rate increases to four vendors after the July 1, 2008 rate freeze was in effect. This resulted in overpayments of \$58,210.36 from July 2008 through December 2010.

Response: Per the attached Recalculation of Overpayments per DDS Audit report, FNRC agrees that \$55,418.79 in overpayments occurred. FNRC will collect \$8,670.45 from vendors PF1762, PF2323, and P20322. With respect to the remaining \$46,748.34 paid to vendor P95420, the overpayment occurred because FNRC staff was under the impression that a Health and Safety Exemption was obtained from DDS due to a shortage of vendors providing behavior services in Butte County. Further research indicated a letter was written to DDS, but may have never been sent and was not received or approved by them. Collectability of the overpaid amount would pose extreme hardship to the provider, who reduced her service hours significantly in Fiscal 2010-11 due to poor health and is not in a position to repay the funds. As a result, the Regional Center requests that \$23,374 be taken from both its Fiscal Year 2009-10 and 2010-11 Operations allocations (total \$46,748).

Finding 2: Negotiated Rate above the Statewide Median Rate

A review of forty-five sampled vendor contracts finalized after June 30, 2008 revealed one vendor, PF3077, which did not adhere to the Statewide/FNRC median rate requirements implemented as of July 1, 2008. FNRC had entered into a contract with the vendor in September 2008, which was after the median rate requirement was in effect and did not set the rate within the median rate requirement. This resulted in an overpayment of \$4,335.04.

Response: The vendor's rate was discussed and approved at a Community Services Committee meeting on June 24, 2008. Due to the workload associated with fiscal year end, the rate was not processed in the Uniform Fiscal System until July 8, 2008. The rate for her services was set at a rate that was at or below FNRC's median rate for services at that time. On September 17, 2008, FNRC received a listing comparing its median rates to statewide median rates, which required a retroactive decrease in the vendor's rate as of July 1, 2008. This adjustment was not completed due to a clerical oversight. Payments were made for eight months before the vendor went to work for another business and terminated her vendorization.

Because the vendor no longer serves Regional Center consumers, and collection of the amount is not considered cost effective, the Regional Center requests that \$4,335 be taken from its Fiscal Year 2009-10 Operations allocation.

Far Northern Regional Center (FNRC)
Response to DDS Audit Report
Fiscal Years 2008-09 and 2009-10

Finding 3: Family Cost Participation (FCPP) – Missing Individual Program Plan (IPP)

The sample review of sixteen FCPP consumers revealed two instances in which consumers were assessed a share of cost, but did not have IPP forms on file as proof the consumers were eligible to be funded for the services provided.

Response: FNRC is in the process of updating its FCPP procedural documentation. Updated procedures will include a requirement that all files be reviewed to determine that the IPP or FNRC Form No. 154, IPP Plan Approval, is present. The procedures will be updated no later than November 30, 2011. The two consumers mentioned in the finding now have the required form in their files.

Finding 4: Overstated Claims - FCPP

The sample review of the FCPP revealed that FNRC has been paying for the cost of services that are the responsibility of the families under the requirements of the FCPP for two of the sixteen consumers participating in the program. As a result, payments totaling \$418.80 were paid by FNRC, which were the responsibility of the families.

Response: FNRC is in the process of updating its FCPP procedural documentation. Updated procedures will include a review of authorizations to ensure exclusion of amounts that are the responsibility of the family. The \$418.80 has been repaid to FNRC.

Finding 5: Deceased consumers- multiple dates of death, remaining trust balances

Review of the Uniform Fiscal System Death Report identified four consumers with two different dates of death recorded. Also, four consumer accounts had account balances totaling \$1,031.71 that were outstanding as much as three years after the death of the consumer.

Response: The four consumers had two dates of death on their records because one line in the record was based a date of death per Special Incident Report (SIR) and the second line in the record was based upon actual receipt of the death certificate. Death certificates are not always available at the time an SIR is filed. The existence of both records was confusing because it was not clear which record had the correct death. FNRC deleted the records with the incorrect date of death, leaving a single record with the correct date.

(Continued)

Far Northern Regional Center (FNRC)
Response to DDS Audit Report
Fiscal Years 2008-09 and 2009-10

(Continued)

With respect to the account balances, a report listing inactive or deceased consumers with balances will be developed and routed to the Client Trust Supervisor on at least a quarterly basis starting October 2011. The Client Trust Supervisor will research these balances timely and remit funds to the appropriate party. The \$1,031.71 has been remitted to appropriate parties, and the Associate Director of Administrative Services reviewed subsidiary account reports after the audit and prepared check requests to close out a small number of inactive and deceased consumer accounts.

Finding 6: Home and Community-Based Provider Agreement Forms

Review of 110 vendor files revealed that ten Home and Community-Based Service Provider Agreement forms were not properly completed by FNRC. The forms were either missing the service code, vendor number, or had multiple vendor numbers and service codes.

Response: FNRC obtained properly completed forms for the ten providers that were the subject of this finding. Forms will be resent to vendors on a prospective basis if they are missing the service code, vendor number, or have multiple vendor numbers and service codes. FNRC personnel will no longer add this information to the forms.