



**AUDIT OF THE
GOLDEN GATE REGIONAL CENTER
FOR FISCAL YEARS 2004-05 and 2005-06**

Department of Developmental Services

This report was prepared by the
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EXECUTIVE SUMMARY

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

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

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

Finding 1: Client Trust Disbursements Not Supported

A review of the client trust money management disbursements revealed that GGRC did not have supporting receipts for checks issued to vendors for the spending down of consumer funds. Five out of 36 money management disbursements reviewed did not have receipts to support purchases made by the vendors for the consumers as required by the Social Security Administration.

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

Finding 2: Bank Reconciliations - Missing Reviewer and Preparer Signatures

The review of bank reconciliations revealed that GGRC's monthly Supported Living Services (SLS) Fund account reconciliations were not signed and dated by the preparer and reviewer.

For good internal controls and accounting practices, the reconciliations should be signed and dated by both the preparer and reviewer to ensure the reconciliations are completed and reviewed in a timely manner.

GGRC took corrective action by including spaces for the signature and date of the preparer and reviewer on the monthly SLS Fund account reconciliation form.

BACKGROUND

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

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's Home and Community-Based Services (HCBS) Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS'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. Also, DDS requires regional centers to contract with independent Certified Public Accountants (CPA) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

In addition to the fiscal compliance audit, each regional center will also be reviewed by DDS's Federal Programs Operations Section staff to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review will have its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on regional center fiscal, administrative, and program operations.

DDS and Golden Gate Regional Center, Inc., entered into contract HD049007, effective July 1, 2004, through June 30, 2009. This contract specifies that Golden Gate Regional Center, Inc., will operate an agency known as the Golden Gate Regional Center (GGRC) to provide services to persons with DD and their families in the Marin, San Francisco, and San Mateo Counties. The contract is funded by state and federal funds that are dependent upon GGRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at GGRC from March 12, 2007, through April 6, 2007, and was conducted by DDS's Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was from July 1, 2004, through June 30, 2006, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

- To determine compliance to Title 17, California Code of Regulations (Title 17),
- To determine compliance to the provisions of the HCBS Waiver for the Developmentally Disabled, and
- To determine that costs claimed were in compliance to the provisions of GGRC's contract with DDS.

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

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

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

- 2004-05 issued September 23, 2005
- 2005-06 issued September 20, 2006

This review was performed to determine the impact, if any, upon our audit and as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

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

- We tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- We selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by GGRC. The rates charged for the services provided to individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of Title 17.
- We selected a sample of individual trust accounts to determine if there were any unusual activities and to determine if any individual account balances were not above \$2,000 for over six months as required by the Social Security Administration (SSA). We also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and proper documentation for expenditures are maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, is not used by GGRC. An interview with GGRC staff revealed that GGRC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to SSA (or other source) in a timely manner.
- We selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding reconciling items.
- We analyzed all of GGRC's bank accounts to determine if the DDS had signatory authority as required by the contract with DDS.
- We selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations are properly completed on a monthly basis.

II. Regional Center Operations

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

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

III. Targeted Case Management and Regional Center Rate Study

The Targeted Case Management (TCM) rate study is the study that determines DDS rate of reimbursement from the Federal Government. The following procedures were performed during our prior audit review.

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

IV. Service Coordinator Caseload Study

Under the W&I code Section 4640.6, regional centers are required to provide service coordinator caseload data to DDS annually. For the period commencing January 1, 2004 to June 30, 2007, inclusive, the following service coordinator-to-consumer ratios apply:

- A. For all consumers that are three years of age and younger and for consumers that are enrolled on the HCBS Waiver, the required average ratio shall be 1:62.
- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived in the community continuously for at least 12

months, the required average ratio shall be 1:62.

- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66.

We reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratios to determine reasonableness and that supporting documentation is maintained to support the survey and the ratios as required by W&I Code Section 4640.6.

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, the following procedure was performed:

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

VI. Family Cost Participation Program

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

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

VII. Other Sources of Funding

Regional centers may receive many other sources of funding. For the other sources of

funding identified for GGRC, we performed sample tests to ensure that the accounting staff was inputting data properly and 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.
- Medicare Moderation Act (Part D Funding).

VII. 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 finding was conducted. We identified the prior audit finding that was reported to GGRC and reviewed supporting documentation to determine the degree and completeness of GGRC's implementation of corrective action.

CONCLUSIONS

Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, GGRC was in substantial compliance to applicable sections of Title 17, the HCBS waiver, and the terms of the GGRC's contract with DDS for the audit period July 1, 2004, through June 30, 2006.

The costs claimed during the audit period were for program purposes, and the costs claimed were adequately supported.

From the review of prior audit issue, it has been determined that GGRC has taken appropriate corrective action to resolve the prior audit issue.

VIEWS OF RESPONSIBLE OFFICIAL

We issued a draft report on December 4, 2007. The findings in the report were discussed at an exit conference with GGRC on December 17, 2007. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

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

ARTHUR J. LEE, CPA
Manager
Audit Branch

FINDINGS AND RECOMMENDATIONS

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

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

Finding 1: Client Trust Disbursements Not Supported

A review of the client trust money management disbursements revealed that GGRC did not have supporting receipts for checks issued to vendors for the consumer's personal spending. The checks were disbursed when the consumer's resources were close to or over the \$2,000 resource limit. The funds disbursed to the consumers were used for the purchase of furniture, games, televisions, and personal items. However, five out of 36 money management disbursements reviewed did not have receipts to support purchases made by the vendors for the consumers. (See Attachment A.)

Without supporting receipts, there is no evidence to ensure that the disbursements from the client trust funds are appropriate. In addition, the client trust funds account for benefits received from the Social Security Administration. Social Security Handbook Chapter 16, Section 1623.1 states:

“An annual report form (Representative Payee Report) is sent to representative payees for them to explain how Social Security benefits and/or SSI payments were used during the 12-month report period. Payees should keep records throughout the year so that an accurate accounting of benefits can be provided.”

Also Social Security Handbook, Chapter 16, Section 1616 states:

“The responsibilities of a representative payee are to:

- D. Keep written records of all payments received from SSA along with receipts to show how funds were spent and/or saved on behalf of the beneficiary.”

Recommendation:

As the representative payee for its consumers, GGRC should develop and implement procedures to require supporting receipts for disbursements. This will ensure all money management checks disbursed to vendors are for an appropriate purpose and will ensure that there is an accurate accounting of Social Security benefits. The procedures should also include a requirement that GGRC maintains the supporting receipts on file.

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

corrected by GGRC.

Finding 2: Bank Reconciliations - Missing Preparer and Reviewer Signatures

The review of bank reconciliations revealed that GGRC's monthly Supported Living Services (SLS) Fund account reconciliations were not signed and dated by the preparer and reviewer.

For good internal controls and accounting practices, the reconciliations should be signed and dated by both the preparer and reviewer to ensure the reconciliations are completed and reviewed in a timely manner.

GGRC took corrective action by including spaces for the signature and date of the preparer and reviewer on the monthly SLS Fund account reconciliation form.

Recommendation:

GGRC should monitor the preparation of the monthly SLS Fund account reconciliations to ensure that the preparer and reviewer sign and date the completed reconciliations.

EVALUATION OF RESPONSE

As part of the audit report process, GGRC is provided with a draft report and is requested to provide a response to each finding. GGRC's response dated January 15, 2008 is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section and a summary of the findings in the Executive Summary section. DDS's Audit Branch has evaluated GGRC's response. GGRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. DDS's Audit Branch will confirm GGRC's corrective actions identified in the response during the follow-up review or the next scheduled audit.

**Golden Gate Regional Center
Unsupported Client Trust Disbursements
FY's 2004-05 and 2005-06**

	Unique Client Identifier (UCI)	Month of Disbursement	Amount
1		9/04	\$ 1,895.38
2		1/05	\$ 550.00
3		6/05	\$ 700.00
4		12/05	\$ 500.00
5		4/05	\$ 700.00

APPENDIX A

GOLDEN GATE REGIONAL CENTER

RESPONSE

TO AUDIT FINDINGS

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

Date: January 14, 2008
To: Edward Yan
DDS Chief of Regional Center Audits
From: Chris Rognier
Chief, Administration & Finance
Subject: Audit of GGRC – FY 2004/05 & 2005/06

Reference is made to our joint Audit Exit conference call on 12/17/07 and the letter from Art Lee dated 12/4/07 which transmitted a copy of the DDS Audit Branch draft report regarding the audit of GGRC's Fiscal Years 2004/05 and 2005/06.

In summary, the DDS audit resulted in the following two Findings and Recommendations:

- Finding 1: Client Trust Disbursements Not Supported
- Finding 2: Bank Reconciliation – Missing Prepare and Reviewer Signatures

As stated in the draft audit document Finding 2 has already been addressed by GGRC and no further action is required.

Finding 1 requires a response and corrective action on the part of GGRC. In response to this Finding, we offer the following comments and corrective action plan:

Comments

We acknowledge the importance of this finding and the necessity to provide proper substantiating written documentation for all purchases made using Representative Payee Client funds. As a point of clarification, however, we do want to note that, as stated within the report, the missing documentation concerned "one-time" client purchases rather than for repetitive/recurrent items such as rent, utilities, etc. In addition, although 5 out of the 36 audited disbursements were missing receipts, we think it is significant to note that 4 of the 5 cases involved the same provider. That is, although we accept responsibility for these deficiencies, the magnitude of the problem is less than the numbers would imply.

Corrective Action Plan

To ensure that such deficiencies do not reoccur in the future, GGRC has implemented the attached policy/procedure entitled "GGRC Representative Payee One-Time Disbursements – Policy and Procedure", effective 2/1/08.

Thank you for allowing us the opportunity to respond to the concerns raised in your report. If you have any further questions or require additional information, please contact me at your convenience.