



**AUDIT OF THE
GOLDEN GATE REGIONAL CENTER
FOR FISCAL YEARS 2006-07, 2007-08, and 2008-09**

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. 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: Targeted Case Management (TCM) Rate and Time Study

A. Recording of Attendance

The review of the Targeted Case Management (TCM) time study revealed that for two of the 15 sampled employees, vacation and sick leave hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM time study forms (DS 1916).

B. Salary Expenses did not Match to the General Ledger

The review of GGRC's TCM rate study worksheets for May 2007 revealed a discrepancy of \$17,074 between the total salary expenses reported on the worksheet and GGRC's General Ledger.

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

Finding 2: Improperly Deducted Vacation Hours

The review of GGRC's payroll area revealed one instance where an employee's timesheet did not reconcile to the payroll register. It was found that 40 vacation hours reported on the timesheet were not deducted from the employee's accumulated vacation hours, but rather from another employee's accumulated

vacation hours. This was due to the two employees having similar last names

which resulted in the payroll staff incorrectly deducting vacation hours from the wrong employee.

GGRC has taken corrective action in resolving this issue by adjusting the two employees' vacation hours.

Finding 3: Medi-Cal Provider Agreement Forms

The file review of 74 Day Program, Transportation, and Residential services revealed that Medi-Cal Provider Agreement forms for 16 of the vendors were found to be improperly completed by GGRC. The forms were either missing the service code and/or vendor number, or had multiple vendor numbers and service codes. This is not in compliance with Title 17, Section 54326 (a)(16).

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

BACKGROUND

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

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

In addition to the fiscal compliance audit, each regional center will also be reviewed by DDS' Federal Programs Operations Section 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 October 19, 2009, through November 10, 2009, 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, Provision Number Three 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, 2006, through June 30, 2009, 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 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):

- FY 2006-07, issued February 19, 2008
- FY 2007-08, issued January 6, 2009

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 consumer account balances were not over the \$2,000 resource limit as required by the Social Security Administration (SSA). In addition, we determined if any retroactive Social Security benefit payments received were not held longer than nine months. We also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures were 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 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 were properly completed on a monthly basis.

II. Regional Center Operations

We audited GGRC's 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 being 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 supporting 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 upon the study:

- Reviewed applicable TCM records and verified the information submitted by GGRC to calculate the TCM rate can be traced to the general ledgers and payroll registers.
- Reviewed GGRC's Case Management Time Study. We selected a sample of payroll time sheets for this review and compared to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Study

Under the W&I Code Section 4640.6, regional centers are required to provide service coordinator caseload data to DDS annually. Prior to January 1, 2004, the survey required regional centers to have service coordinator-to-consumer ratio of 1:62 for all consumers who had not moved from developmental centers to the community since April 14, 1993,

and a ratio of 1:45 for all consumers who had moved from developmental centers to the community since April 14, 1993. However, commencing January 1, 2004, the following service coordinator-to-consumer ratios apply:

- A. For all consumers that are three years of age and younger and for consumers that are enrolled on the HCBS Waiver, the required average ratio shall be 1:62.
- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived in the community continuously for at least 12 months, the required average ratio shall be 1:62.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66.

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

VI. Family Cost Participation Program

The Family Cost Participation Program (FCPP) was created for the purpose of assessing 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 GGRC 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 GGRC 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:

- Family Resource Center Program.
- Start Up Programs.
- Wellness Grants.
- 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 were reported to GGRC and reviewed supporting documentation to determine the degree and completeness of GGRC's implementation of corrective action taken.

CONCLUSIONS

Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, GGRC was in substantial compliance to applicable sections of Title 17, the HCBS waiver, and the terms of GGRC's contract with DDS for the audit period July 1, 2006, through June 30, 2009.

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

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

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on April 28, 2010. The findings in the report were discussed at an exit conference with GGRC on May 19, 2010. 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.

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: Targeted Case Management (TCM) Rate and Time Study

A. Recording of Attendance

The review of the Targeted Case Management (TCM) time study revealed that for two of the 15 sampled employees, vacation and sick leave hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM time study forms (DS 1916). The difference between the employee timesheets and the TCM study forms was 32 hours. Though the difference did not have a significant impact on the TCM rate, hours recorded incorrectly in the TCM study can affect the TCM rate billed to the Federal Government.

For good business and internal control practices, time taken for vacation and sick leave should be recorded correctly on the TCM study forms (DS 1916). Time recorded incorrectly may result in an incorrect calculation of the TCM rate, which could result in the requirement to return overpayments of the TCM rate to the Federal Government.

Recommendation:

GGRC should implement policies and procedures to ensure all employee timesheets are in agreement with the TCM study forms (DS 1916).

B. Salary Expenses did not Match to the General Ledger

The review of GGRC's TCM rate study worksheets for May 2007 revealed a discrepancy of \$17,074 between the total salary expenses reported on the worksheet and GGRC's year end General Ledger. Though the difference did not have a significant impact on the TCM rate, amounts recorded incorrectly in the TCM study can affect the TCM rate billed to the Federal Government.

For good business and internal control practices, salary expenses reported for the TCM Rate Study calculation should match to the general ledger.

Expenses recorded incorrectly may result in an incorrect calculation of the

TCM rate, which could result in the requirement to return overpayments of the TCM rate to the Federal Government.

Recommendation:

GGRC should ensure that salary expenses reported on the rate study worksheets are accurate and match to the year end General Ledger amount.

II. The following findings were identified during the audit, but have since been addressed and corrected by GGRC.

Finding 2: Improperly Deducted Vacation Hours

The review of GGRC's payroll area revealed one instance where an employee's timesheet did not reconcile to the payroll register. It was found that 40 vacation hours reported on the timesheet were not deducted from the employee's accumulated vacation hours, but rather from another employee's accumulated vacation hours. This was due to the two employees having similar last names which resulted in the payroll staff incorrectly deducting vacation hours from the wrong employee.

For good business and internal control practices, vacation hours should be recorded correctly on the attendance payroll system. Incorrectly recorded vacation hours may result in over or under recorded vacation balances for the employees.

GGRC has taken corrective action in resolving this issue by adjusting the vacation hours for the two employees.

Recommendation:

GGRC should continue to reinforce its payroll policies and procedures to ensure that employee timesheets are properly reviewed and reconcile to the payroll register.

Finding 3: Medi-Cal Provider Agreement Forms

The file review of 74 Day, Transportation, and Residential program vendor files revealed that 16 Medi-Cal Provider Agreement forms were not properly completed by GGRC. The forms were either missing the service code, vendor number, or had multiple vendor numbers and/or multiple service codes.

Title 17, Section 54326(a)(16) states:

“All vendors shall...

(16) Sign the Home and Community Based Service provider Agreement (6/99), if applicable pursuant to Section 54310(a)(10)(I), (d).”

In addition, for good internal practices, all required forms shall be properly completed and retained on file.

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

Recommendation:

GGRC should continue to reinforce its procedures to ensure there is a properly completed Medi-Cal Provider Agreement form on file for every vendor providing services to consumers.

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 May 19, 2010, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section and a summary of the findings in the Executive Summary section.

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

Finding 1: Targeted Case Management (TCM) Rate and Time Study

A. Recording of Attendance

GGRC states the TCM attendance reporting discrepancies for two individuals have already been addressed and that policies and procedures have been revised to meet future federal requirements.

DDS will conduct a review of the next TCM Time Study to ensure GGRC has implemented policies and procedures and also ensure all employee timesheets match the TCM study forms (DS 1916).

B. Salary Expenses did not Match to the General Ledger

GGRC states that the difference noted between the Salary Expenses and the General Ledger is not a "discrepancy", but a result of a reporting error that occurred due to the timing and treatment of Domestic Partner Benefits and retroactive tenure pay increases for the employees. GGRC states appropriate adjustments will be made when reporting the next TCM Rate Study.

DDS will conduct a review of the Rate Study during the next audit to ensure that salary expenses reported to DDS are accurate.

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: May 19, 2010
To: Edward Yan
Manager DDS Audit Branch
From: Chris Rognier
Chief, Administration & Finance
Subject: Audit of GGRC – FY 2006/07, 2007/08 & 2008/09

Reference is made to our joint Audit Exit conference call on May 19, 2010 and your letter dated 4/28/10 which transmitted a copy of the DDS Audit Branch draft report regarding the audit of GGRC's Fiscal Years 2006/07, 2007/08 and 2008/09.

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

- Finding 1: Targeted Case Management (TCM) Rate and Time Study
- Finding 2: Improperly Deducted Vacation Hours
- Finding 3: Medi-Cal Provider Agreement Forms

Finding 1

This items noted TCM attendance reporting discrepancies for two individuals and a discrepancy between TCM salary expenses and GGRC's corresponding General Ledger amounts. As stated in the draft audit document these issues have already been addressed by GGRC and no further action is required. However, we offer the following additional comments:

1. It is important to note that the TCM is not an annual report nor an ongoing component of normal regional center operations. DDS requires regional centers to conduct such a study every three (3) years – and related instructions, policies and procedures are often revised to meet current federal needs.
2. The differences noted between the salary Expenses and General Ledger are not "discrepancies". They are the result of TCM reporting criteria. The difference of \$17,074 is due to the timing and treatment of Domestic Partner Benefits (Income) and retroactive tenure pay increases. An appropriate adjustment will be made when reporting these items during the next TCM study.

Finding 2

We acknowledge that in a single instance forty (40) vacation hours were in fact improperly accounted for/reconciled between two staff with identical last names. As stated in the draft audit document the issue has already been addressed by GGRC and no further action is required. However, we note that 1) the Payroll person responsible for this error is no longer employed by GGRC, 2) the responsibility for all payroll functions has been transferred from Human Resources to Administration & Finance to provide additional accounting

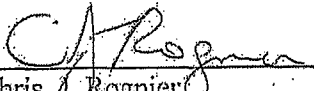
oversight of PR transactions and 3) GGRC has changed its PR service contractor from Ceridian to ADP to provide enhanced processing/reporting capabilities.

Finding 3

We acknowledge that the DDS audit did find 16 Medi-Cal Provider Agreement Forms with the noted discrepancies. However, we note that those forms date back over 10+ years and do not reflect GGRC's current policies and processing procedures regarding such forms. Although we lack the manpower to initiate a dedicated effort to re-examine each and every vendor file to locate any similar discrepancies, we note that GGRC's current vendorization policy requires this form be reviewed each time a vendor file is pulled so that such any such issues can be addressed at that time. That being said, future audits may in fact similar issues if a specific vendor file has not be used in the last 10 to 15 years.

In conclusion, while we openly acknowledge the errors noted in the audit report, these items are not material deficiencies and in no way affect the integrity of GGRC's financial policies, procedures and operations.

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.


Chris J. Rognier
Chief, Administration & Finance