



**AUDIT OF THE  
REDWOOD COAST REGIONAL CENTER  
FOR FISCAL YEARS 2009-10 AND 2010-11**

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**Department of Developmental Services**

This report was prepared by the  
California Department of Developmental Services  
1600 Ninth Street  
Sacramento, CA 95814

Karyn Meyreles, Deputy Director, Administration Division  
Edward Yan, Manager, Audit Branch  
Luciah Ellen Nzima, Chief of Regional Center Audits, Audit Branch  
Oscar Perez, Supervisor, Audit Branch

Audit Staff: Abel Chappell, Grace Gwarada, and Nathan Oates

For more information, please call: (916) 654-3695

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# EXECUTIVE SUMMARY

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The Department of Developmental Services' (DDS) fiscal compliance audit of Redwood Coast Regional Center (RCRC) was conducted to ensure 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, RCRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where RCRC's administrative, operational controls could be strengthened but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding RCRC's operations.

## **Findings that need to be addressed**

### **Finding 1: Negotiated Rate Above the Statewide Median Rate**

The review of 30 sampled Purchase of Service (POS) vendor contracts finalized after June 30, 2008, revealed one vendor, [REDACTED], vendor number HR0398, service code 851, that was contracted above the Statewide median rate requirement implemented on July 1, 2008. This resulted in an overpayment totaling \$3,392.17. This is not in compliance with W&I Code, section 4691.9(a) and (b).

### **Finding 2: Equipment Inventory**

#### **A. Missing Equipment**

The review of 56 sampled equipment inventory items revealed 13 items that could not be located. This is not in compliance with Article IV, section 4(a) of the contract with DDS.

#### **B. Equipment Acquisitions and Survey Forms**

The review of 56 sampled equipment inventory items revealed that RCRC has not been completing the required Equipment Acquired Under Contract form (DS 2130) for newly acquired equipment and the Property Survey Report (STD.152) for the surveying of equipment. This is not in compliance with section III(B) and (E) of the State's Equipment Management System Guidelines issued by DDS.

### **Finding 3: Targeted Case Management (TCM) Time and Rate Study**

#### **A. Recording of Attendance (Repeat)**

The review of the TCM Time Study revealed that 8 of the 22 sampled

employees' timesheets had vacation and sick hours recorded that did not reconcile with the hours recorded on the TCM Time Study forms (DS1916). This has been identified in the prior audit report.

**B. Salary Expenses Did Not Match to the General Ledger**

The review of RCRC's TCM Rate Study worksheets for May 2010 revealed a discrepancy of \$57,000.48, between the total salary expenses reported on the TCM Rate Study worksheet and RCRC's General Ledger. This is not in compliance with the Department of Developmental Services Administrative Rate Study Instructions for Federal Programs.

**Finding 4: Missing "Hold Harmless" Clause (Repeat)**

The review of RCRC's lease agreement for its Eureka office revealed RCRC continues to not have a "Hold Harmless" clause. This is not in compliance with Article VII, section 1 of DDS' contract with RCRC. This issue has been identified in the two previous audit reports.

## BACKGROUND

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

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's HCBS Waiver Program are provided, and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each regional center no less than every two years, and completes follow-up reviews in alternate years. 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 monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review will have its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on regional center's fiscal, administrative and program operations.

DDS and Redwood Coast Developmental Services Corporation, entered into a contract, HD099013, effective July 1, 2009, through June 30, 2014. This contract specifies that Redwood Coast Developmental Services Corporation will operate an agency known as the Redwood Coast Regional Center (RCRC) to provide services to persons with DD and their families in the Del Norte, Humboldt, Mendocino and Lake Counties. The contract is funded by State and Federal funds that are dependent upon the RCRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at RCRC from February 21, 2012, through March 23, 2012, and was conducted by the DDS' Audit Branch.

## **AUTHORITY**

The audit was conducted under the authority of the W&I Code, section 4780.5, and Article IV, section 3 of the State Contract.

## **CRITERIA**

The following criteria were used for this audit:

- California's W&I Code
- "Approved Application for the HCBS Waiver for the Developmentally Disabled"
- CCR, title 17
- Federal Office of Management Budget (OMB) Circular A-133
- State Contract between DDS and RCRC, effective July 1, 2009

## **AUDIT PERIOD**

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

## OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

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

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

DDS reviewed the annual audit report that was conducted by an independent accounting firm for fiscal year 2009-10, issued on March 10, 2011. In addition, DDS reviewed the associated management letter that was issued by the independent accounting firm. This review was performed to determine the impact, if any, upon the DDS audit and as necessary, to develop appropriate audit procedures.



The audit procedures performed included the following:

**I. Purchase of Service**

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

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by RCRC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17 and W&I Code of regulations.
- DDS selected a sample of 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 RCRC's bank accounts to determine whether DDS had signatory authority as required by the contract with DDS.
- DDS selected a sample of bank reconciliations for bank accounts to determine if the reconciliations were properly completed on a monthly basis.

**II. Regional Center Operations**

DDS audited RCRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that RCRC's 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 were tested to determine compliance with CCR, title 17 and the State Contract.

- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed RCRC's policies and procedures for compliance with the DDS Conflict of Interest regulations and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

### **III. Targeted Case Management and Regional Center Rate Study**

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

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

### **IV. Service Coordinator Caseload Survey**

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

- A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.
- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent rate reduction to regional centers as required per W&I Code 4640.6(i) and (j).

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

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

**V. Early Intervention Program (Part C Funding)**

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

For this program, DDS reviewed the Early Intervention Program, including the Early Start Plan and the 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 RCRC 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 RCRC is paying for only its assessed share of cost.

**VII. Procurement**

The Request for Proposal (RFP) process was implemented to ensure regional centers outline the vendor selection process when using the RFP process to address consumer service need. As of January 1, 2011, DDS requires regional centers to document their contracting practices as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, regional centers will ensure that the

most cost effective service providers amongst comparable service providers are selected as required by the Lanterman Act and the State Contract as amended.

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

- Reviewed the RCRC contracting process to ensure the existence of a Board approved procurement policy, and to verify that the RFP process ensures competitive bidding as required by Article II of the State Contract as amended.
- Reviewed the RFP contracting policy to determine whether the protocols in place included applicable dollar thresholds and complies with Article II of the State Contract as amended.
- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals, to determine whether proposals are properly documented, recorded and authorized by appropriate officials at RCRC. The process was reviewed to ensure that the vendor selection process is transparent, impartial, and avoids the appearance of favoritism. Additionally, DDS verified that supporting documentation is retained for the selection process and, in instances where a vendor with a higher bid is selected, there is written documentation retained as justification for such a selection.

DDS performed the following procedures to determine compliance with the Article II of the State Contract for new contracts in place as of January 1, 2011:

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

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

- Reviewed to ensure RCRC has a written policy requiring the board to review and approve any of its contracts of two hundred fifty thousand dollars (\$250,000) or more, before entering into a contract with the vendor.
- Reviewed RCRC's board approved POS, Start-Up and Operational vendor contracts over \$250,000 to ensure the inclusion of a provision for fair and

equitable recoupment of funds for vendors that cease to provide services to consumers. Verified that the funds provided were specifically used to establish new or additional services to consumers and that the usage of funds are of direct benefit to consumers, and that contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess RCRC's current RFP process and Board approval of contracts over \$250,000 as well as to determine whether the process in place satisfies the W&I Code and RCRC'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 health and safety exemptions where regional centers demonstrate the exemption is necessary for the health and safety of the consumers.

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

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

### **IX. Other Sources of Funding from DDS**

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure RCRC's accounting staff were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- Start-Up Funds, Community and Placement Program.
- Prevention Program.

- Early Start-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 finding was conducted. DDS identified the prior audit findings that were reported to RCRC and reviewed supporting documentation to determine the degree and completeness of RCRC's implementation of corrective action.

## CONCLUSIONS

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Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, RCRC was in compliance with applicable sections of CCR, title 17, the HCBS waiver, and the State Contract with DDS for the audit period, July 1, 2009, through June 30, 2011.

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

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

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DDS issued a draft report on September 20, 2012. The findings in the report were discussed at an exit conference with RCRC on September 28, 2012. At the exit conference, DDS stated that the final report will incorporate the views of responsible officials.



## **RESTRICTED USE**

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

## FINDINGS AND RECOMMENDATIONS

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### Findings that need to be addressed

#### **Finding 1: Negotiated Rate Above the Statewide Median Rate**

The review of 30 sampled POS vendor contracts revealed that RCRC reimbursed one vendor, [REDACTED], vendor number HR0398, service code 851, above the Statewide median rate requirement implemented on July 1, 2008. [REDACTED] was reimbursed at a rate of \$22.34 per unit while the median rate was \$9.75 per unit, which resulted in an overpayment totaling \$3,392.17. (See Attachment A.)

W&I Code, section 4691.9 (a) and (b) states:

- “(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...
- (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:**

RCRC must reimburse to DDS the \$3,392.17 in overpayment made to [REDACTED]. RCRC shall immediately renegotiate the rate to ensure compliance with the W&I Code, section 4691.9 and ensure that all rates negotiated after June 30, 2008, are below the Statewide/RCRC median rates.

#### **Finding 2: Equipment Inventory**

##### **A. Missing Equipment**

The review of 56 sampled equipment inventory items revealed 13 items that could not be located. RCRC stated that the missing items were either lost or surveyed out, but was unable to determine the cause of the missing equipment as the prior property custodian is no longer employed by RCRC. (See Attachment B.)

Article IV, section 4(a) of the State Contract with RCRC states in part:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. Contractor shall comply with the State's Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”

**Recommendation:**

RCRC should develop and implement or revise its existing procedures to ensure compliance with the State Contract requirements regarding the safeguarding of State property.

**B. Equipment Acquisition and Survey Forms**

The review of 56 sampled equipment inventory items revealed that RCRC has not been completing the required Equipment Acquired Under Contract form (DS 2130) for newly acquired equipment and the Property Survey Report (STD. 152) for the surveying of equipment. RCRC stated that it has started using these required forms and will work with the Department of General Services (DGS) on the surveying of equipment.

Section III(B), of the State's Equipment Management Systems Guidelines, dated February 1, 2003, states in part:

“RC will provide the Department of Developmental Services' (DDS) Customer Support Section (CSS) with a list of all state-owned, nonexpendable and sensitive equipment received during each calendar quarter. This information is to be provided to CSS quarterly, utilizing the Equipment Acquired Under Contract form (DS 2130), or a suitable electronic alternative.”

Also, section III (E), of the State's Equipment Management Systems Guidelines, dated February 1, 2003, states in part:

“RCs will conform to the following guidelines for any state-owned equipment that is junked, recycled, lost, stolen, donated, destroyed, traded-in, transferred to otherwise remove from the control of the RC. RCs shall work directly with their regional Department of General Services' (DGS) office to properly dispose of State-owned equipment. RCs will complete a Property Survey Report (Std.152) for all State-owned equipment subject to disposal.”

**Recommendation:**

RCRC should follow the State Equipment Management Systems Guidelines, section III (B) and (E) to ensure equipment acquired is properly reported and dispositions are properly approved by DGS.

**Finding 3: Targeted Case Management (TCM) Time and Rate Study**

**A. Recording of Attendance (Repeat)**

The review of RCRC's TCM Time Study revealed that eight of the 22 sampled employees' timesheets did not reconcile to the TCM Time Study forms (DS 1916). The vacation and sick hours recorded on the employees' timesheets did not properly reflect what was recorded on the DS 1916 forms. The difference between the employee timesheets and the TCM Time Study forms was 19.50 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. RCRC has stated that it had taken corrective action to resolve this prior issue by updating its current procedures and providing training to its employees.

For good business and internal control practices, vacation and sick time should be recorded correctly on the TCM study forms. 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:**

RCRC must continue to reinforce to its employees the importance of recording their hours accurately on the time study worksheets and provide additional training if necessary to its employees for the procedures in place. This would ensure that the employee timesheets are in agreement with the DS 1916 forms.

**B. Salary Expenses Did Not Match to the General Ledger**

The review of RCRC's TCM Rate Study worksheets for May 2010 revealed a discrepancy of \$57,000.48, between the total salary expenses reported on the TCM Rate Study worksheet and RCRC'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.

Department of Developmental Services Administrative Rate Study  
Instructions for Federal Programs for June 2011 requires Regional Centers  
to:

“Enter employees’ salaries or wages for all employees who worked during the fiscal year ended June 30, 2010. For audit purposes, these salaries wages and fringe benefits should agree to the center’s general ledger and payroll records.”

**Recommendation:**

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

**Finding 4: Missing “Hold Harmless” Clause (Repeat)**

The review of RCRC’s lease agreement for its Eureka office revealed RCRC continues to not include the “Hold Harmless” clause as required by the State Contract. The term of the lease agreement is from November 1, 2010, through October 31, 2020. This issue has been identified in the previous audit reports. RCRC stated in its prior response that it will have this issue resolved by June 30, 2011. However, this new lease agreement continues to not have the “Hold Harmless” clause included.

State Contract, Article VII, section (1) states:

“The contract shall include in all new leases or rental agreements for real property a clause that holds the State harmless for such leases.”

**Recommendation:**

RCRC must renegotiate with the landlord and have the current lease agreement amended to include the “Hold Harmless” clause as required by the State Contract and provide DDS with documentation that this has occurred. In addition, RCRC should ensure that any future lease agreements have the “Hold Harmless” clause included to comply with this contract requirement.

## EVALUATION OF RESPONSE

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As part of the audit report process, RCRC has been provided with a draft report and was requested to provide a response to each finding. RCRC's response dated October 30, 2012, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section as well as a summary of the findings in the Executive Summary section.

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

**Finding 1: Negotiated Rate Above the Statewide Median Rate**

RCRC stated that it formally suspended use of the vendor [REDACTED], vendor number HR3098, service code 851, as of March 27, 2012, due to its inability to recruit a family to serve RCRC's consumers. RCRC stated that it is renegotiating a new rate with the vendor that is within the median rate in the event that this vendor is used by RCRC in the future. In addition, RCRC has reimbursed DDS \$3,392.17 paid to the vendor above the Statewide median rate and provided a copy of the check as support that this issue has been resolved.

**Finding 2: Equipment Inventory**

**A. Missing Equipment**

RCRC concurs that all 13 items were discarded, without following State Equipment Management Systems Guidelines. RCRC stated that it has reviewed the State Equipment Management Systems Guidelines with the current Property Custodian to ensure compliance with Article IV, section 4(a) of the State Contract. In addition, RCRC is working with DGS to formally survey out the missing items from the inventory. Within 60 days of receipt of this report, RCRC must provide DDS with documentation indicating that the missing items have been surveyed.

**B. Equipment Acquisition and Survey Forms**

RCRC stated that the Property Custodian employed by RCRC during the term of the audit is no longer employed by RCRC. In addition, RCRC stated that its procedures have been reviewed with the current Property Custodian to ensure compliance with Article IV, section 4(a) of the State Contract and with the State's Equipment Management System Guidelines.

DDS will conduct a follow-up during the next scheduled audit to ensure RCRC is utilizing the Equipment Acquired Under Contract form (DS 2130), and Property Survey Report (STD. 152) for all State-owned equipment subject to disposal.

**Finding 3: Targeted Case Management (TCM) Time and Rate Study**

**A. Recording of Attendance (Repeat)**

RCRC stated that individual training was completed with all staff after the exit conference with DDS. Further, RCRC stated it has updated the TCM time study instructions to reflect deficit areas and will provide instructions to responsible staff to ensure accurate recording of vacation and sick time during the next TCM Time and Rate Study survey. Within 60 days of receipt of this report, RCRC must provide DDS with documentation indicating that staff has been trained. In addition, RCRC must provide DDS with updated TCM time study instructions provided to staff in order to ensure accurate recording of vacation and sick time taken during the time study survey.

**B. Salary Expenses Did Not Match to the General Ledger**

RCRC stated that it will verify salary expenses reported on the rate study worksheets are accurate and match the year end General Ledger amount for the identified salary expenses. Within 60 days of receipt of this report, RCRC must provide DDS with documentation indicating that these expenses have been verified and adjusted to match to the year end General Ledger.

**Finding 4: Missing “Hold Harmless” Clause (Repeat)**

RCRC stated the Eureka office has a “Hold Harmless” clause included in its lease agreement. However, it was the Crescent City office that did not include the required “Hold Harmless” clause. RCRC provided Exhibits 2 and 3 with its response as support that both offices have “Hold Harmless” clauses included in the lease agreements.

**Redwood Coast Regional Center**  
**Negotiated Rate Above Statewide Median Rate**  
**Fiscal Years 2009-10 and 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over Payments
1		HR0398		851		Mar-10	\$412.16
2		HR0398		851		Apr-10	\$450.80
3		HR0398		851		May-10	\$334.88
4		HR0398		851		Jun-10	\$540.96
5		HR0398		851		Jul-10	\$468.34
6		HR0398		851		Aug-10	\$494.00
7		HR0398		851		Sep-10	\$351.00
8		HR0398		851		Oct-10	\$340.03
<b>Total Overpayments Due to Median Rate</b>							<b>\$3,392.17</b>



**Redwood Coast Regional Center  
Equipment Inventory- Missing Equipment  
Fiscal Years 2009-10 and 2010-11**

	<b>Item</b>	<b>Item Description</b>	<b>State Tag Number</b>
1	Monitor	Sony 3000	320815
2	Copier	Imagerunner	342431
3	3 Com Port	Com Port	324330
4	PC	ADS	342397
5	Camera	Digital Kodak	344601
6	Monitor	Compaq Deskpro	328129
7	Notebook	Toshiba	311101
8	Laptop	Toshiba	328119
9	PC	Prosignia	324337
10	Laptop	Toshiba	328117
11	PC	Super Micro	344469
12	Panel	24 Port	324353
13	Router	Cisco	324300

**APPENDIX A**

**REDWOOD COAST REGIONAL CENTER**

**RESPONSE  
TO AUDIT FINDINGS**

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

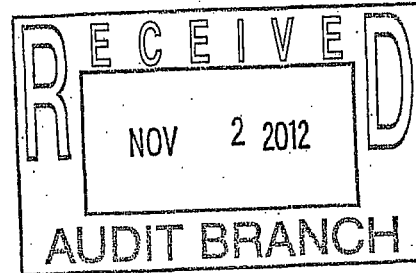


# Redwood Coast Regional Center

Respecting Choice in the Redwood Community

October 30, 2012

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



Dear Mr. Yan:

Thank you for your correspondence of September 20, 2012 in which you provided a draft copy of the Audit of the Redwood Coast Regional Center (RCRC), Fiscal Years 2009-2010 and 2010-2011. Also, thank you for the opportunity to respond in writing to the draft audit.

Please consider this correspondence and its enclosure as RCRC's response to the noted audit findings.

We would also like to thank your staff for their professionalism during the audit as well as providing an opportunity to discuss the audit and its findings at the exit conference that was held in September.

If you have any questions regarding our enclosed response, please do not hesitate to contact me at 707/462-3832, ext. 219 or Patrick Okey, Director of Administration at 707/462-3832, ext. 245.

Sincerely,

Clay Jones  
Executive Director

enclosure

cc: Patrick Okey

Corporate Offices 525 - 2<sup>nd</sup> Street, Suite 300, Eureka, CA 95501 707-445-0893

Satellite offices:

□ 1116 Airport Park Blvd., Ukiah, CA 95482 707-462-3832 \* □ 270 Chestnut St., Ste A, Ft Bragg, CA 95437 707-964-6387

□ 1301 A Northcrest Dr., Crescent City, CA 95531 707-464-7488 \* □ 180 Third Street, Lakeport, CA 95453 707-262-0470

## RCRC Response to Audit For Fiscal Years 2009-10 and 2010-11

### **Finding 1: Negotiated Rate Above the Statewide Median Rate**

RCRC reimbursed one vendor, [REDACTED], above the Statewide median rate requirement implemented on July 1, 2008, resulting in an overpayment totaling \$3,392.17.

#### **Recommendation:**

RCRC must reimburse to DDS the \$3,392.17 in overpayment made to [REDACTED]. RCRC shall immediately renegotiate the rate to ensure compliance with the W&I Code, section 4691.9 and ensure that all rates negotiated after June 30, 2008 are below the Statewide/RCRC median rates.

#### **Response:**

1. On October 18, 2012, RCRC issued check #314904 in the amount of \$3,392.17 payable to the Department of Developmental Services, which was mailed to Tim Gonsalves' attention at the Department. A copy of this letter is attached as **Exhibit #1**.
2. While [REDACTED] has not been used as a service provider in over a year (based on their inability to recruit a family to serve our clients), RCRC formally suspended use of [REDACTED] as of 3/27/12, the date of the DDS audit's exit interview at which this finding became known. While RCRC staff are in the process of renegotiating rates with [REDACTED], it is possible that [REDACTED] may decide to close their vendorization with RCRC based on their continued and prolonged inability to recruit a family to serve our clients. Either way, use of improper rates will not be an issue for this service provider going forward.

### **Finding 2: Equipment Inventory**

#### **A. Missing Equipment**

The review of 56 sampled equipment inventory items revealed 13 items that could not be located.

#### **Recommendation:**

RCRC should develop and implement or revise its existing procedures to ensure compliance with the State contract requirements regarding the safeguarding of State property.

**Response:**

1. The average age of the 13 inventory items that could not be located is 11.8 years. All 13 items are electronics of one kind or another. It is assumed that these items outlived their usefulness and have been discarded, but without following State Equipment Management Systems Guidelines.
2. State Equipment Management Systems Guidelines and RCRC procedures have been reviewed with the current Property Custodian to ensure compliance with Article IV, Section 4(a) of the State Contract.
3. RCRC is working with the Department of General Services (DGS) to formally survey out the missing items from inventory.

**B. Equipment Acquisition and Survey Forms**

The review of 56 sampled equipment inventory items revealed that RCRC has not been completing the required Equipment Acquired Under Contract form (DS 2130) for newly acquired equipment and the Property Survey Report (STD 152) for the surveying of equipment.

**Recommendation:**

RCRC should follow the State Equipment Management Systems Guidelines, section III (B) and (E) to ensure equipment acquired is properly reported and dispositions are properly approved by DGS.

**Response:**

1. The Property Custodian employed by RCRC during the term of the audit is no longer employed by RCRC.
2. RCRC procedures have been reviewed with the current Property Custodian to ensure compliance with Article IV, Section 4(a) of the State Contract and with the State's Equipment Management System Guidelines.
3. RCRC is working with the Department of General Services (DGS) to formally survey out the missing items from inventory.

**Finding 3: Targeted Case Management (TCM) Time and Rate Study**

**A. Recording of Attendance (Repeat)**

The review of RCRC's TCM Time Study revealed that eight of the 22 sampled

employee timesheets did not reconcile to the TCM forms (DS 1916).

**Recommendation:**

RCRC must continue to reinforce to its employees the importance of recording their hours accurately on the time study worksheets and provide additional training if necessary to its employees for the procedures in place. This would ensure that the employee timesheets are in agreement with the DS 1916 forms.

**Response:**

Individual training was completed with all staff after 3/27/12, the date of the DDS audit's exit interview at which this finding became known. The TCM time study instructions have been updated to reflect deficit areas. Detailed instructions will be provided to staff regarding the reporting of vacation and sick time for the next TCM study to ensure accurate recording of such.

**B. Salary Expenses Did Not Match to the General Ledger**

The review of RCRC's TCM Rate Study worksheets for May 2010 revealed a discrepancy of \$57,000.48 between the total salary expenses reported on the TCM Rate Study worksheet and RCRC's year end General Ledger.

**Recommendation:**

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

**Response:**

RCRC will verify salary expenses reported on the rate study worksheets are accurate and match the year-end General Ledger amount for the noted salary expenses.

**Finding 4: Missing Hold Harmless" Clause (Repeat)**

The review of RCRC's Lease agreement for its Eureka office revealed RCRC continues to not include the "Hold Harmless" clause as required by the State contract.

**Recommendation:**

RCRC must renegotiate with the landlord and have the current lease agreement amended to include the "Hold Harmless" clause as required by the State

contract and provide DDS with documentation that this has occurred. In addition, RCRC should ensure that any future lease agreements have the "Hold Harmless" clause included to comply with this contract requirement.

**Response:**

The RCRC lease for the Eureka office does include a "Hold Harmless" clause. See **Exhibit #2** (page 28, item #20.22). It was the Crescent City office lease that did not include the required "Hold Harmless" clause at the time of the audit. A "Hold Harmless" clause has been added to the Crescent City office lease via Modification #2 To Lease Of April 27, 2001 executed on April 1, 2012. See **Exhibit #3**.