



**AUDIT OF THE
REDWOOD COAST REGIONAL CENTER
FOR FISCAL YEARS 2011-12 AND 2012-13**

Department of Developmental Services

This Audit Report was Prepared by the
California Department of Developmental Services
1600 Ninth Street
Sacramento, CA 95814

Jean Johnson, Deputy Director, Administration Division
Edward Yan, Manager, Audit Branch
Luciah Ellen Nzima, Chief of Regional Center Audits, Audit Branch
Soi Ly, Supervisor, Audit Branch
Oscar Perez, Supervisor, Audit Branch

Audit Staff: Nestor Tuazon, Fahm Saelee, Nury Enciso, Dio Agustin and Martin
Mustafa.

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

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	1
BACKGROUND	4
Authority	5
Criteria	5
Audit Period	5
OBJECTIVES, SCOPE, AND METHODOLOGY	6
I. Purchase of Service.....	7
II. Regional Center Operations.....	7
III. Targeted Case Management and Regional Center Rate Study	8
IV. Service Coordinator Caseload Survey	8
V. Early Intervention Program	9
VI. Family Cost Participation Program.....	9
VII. Annual Family Program Fee.....	9
VIII. Procurement	10
IX. Statewide/Regional Center Median Rates	11
X. Other Sources of Funding from DDS	12
XI. Follow-up Review on Prior DDS Audit Findings.....	12
CONCLUSIONS.....	13
VIEWS OF RESPONSIBLE OFFICIALS	14
RESTRICTED USE.....	15
FINDINGS AND RECOMMENDATIONS.....	16
EVALUATION OF RESPONSE	24
ATTACHMENTS.....	A-G
REGIONAL CENTER'S RESPONSE.....	Appendix A

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of Redwood Coast Regional Center (RCRC) to ensure RCRC is compliant with the requirements set forth in the California Code of Regulations, Title 17 (CCR, Title 17), the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. Overall, the Audit Report indicated that RCRC maintains accounting records and supporting documentation for transactions in an organized manner. This Audit 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. A follow-up review was performed to ensure RCRC has taken corrective action to resolve the findings identified in the prior DDS Audit Report.

Findings That Need to be Addressed:

Finding 1: Overstated Claims

The review of 30 sampled Purchase of Services (POS) vendor invoices revealed that RCRC reimbursed J&B Residential, Vendor Number HF0478, Service Code 915, \$2,117.55 instead of \$1,217.55. This resulted in an overpayment of \$900 for services provided to consumer, Unique Client Identification (UCI) Number [REDACTED], in January 2013. RCRC stated that the overpayment occurred when an incorrect rate was entered into the Uniform Fiscal System (UFS). This is not in compliance with CCR, Title 17, Section 54326(a)(10).

Finding 2: Equipment Inventory

A. Missing Equipment (Repeat)

Seven out of 70 sampled items from RCRC's Equipment Inventory listing could not be located. In addition, three items did not have the required state tags. This issue was reported in a prior Audit Report and continues to not be in compliance with the State Contract, Article IV, Section 4(a), and the State's Equipment Management System Guidelines, Section III(c).

B. Equipment Acquisition and Survey Forms (Repeat)

The review of RCRC's Equipment Inventory revealed that RCRC continues to not complete 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. The review found that

\$307,969.38 worth of equipment was surveyed without the use of STD. 152 forms and Department of General Services' (DGS) approval. RCRC indicated the failure to adequately document the acquisition and disposal of equipment occurred under the supervision of previous property custodians. This issue was reported in a prior audit report. This is not in compliance with the State's Equipment Management System Guidelines.

Finding 3: Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number

The review of the Operational Indicator Reports revealed two vendors, Albert Kastl, Vendor Number P02650, Service Code 785, and Richard Goldwasser M.D., Vendor Number P19170, Service Code 780, were paid under a contract UCI number for services provided to consumers, for a total of \$43,328.59. It was found that the vendors provided services under the HCBS Waiver billable Service Code; however, RCRC did not tie the POS expenses to individual consumers. This is not in compliance with CCR, Title 17, Section 50604(d)(1).

Finding 4: Services Provided Before Contract Approval

The review of three sampled operational vendor contracts revealed, Thomas Lefebvre, Vendor Number 1348, provided services prior to RCRC's approval of the contracts. Thomas Lefebvre's contracts with RCRC revealed starting dates of July 1, 2011, and July 1, 2012, for Fiscal Years (FY) 2011-12, and 2012-13. However, the contracts were not signed until August 29, 2011, and August 20, 2012, respectively, after services were provided. This is not in compliance with RCRC's Management and Operations Manual, Policy Statement.

Finding 5: Annual Family Program Fee – Reduced Fees Not Supported

The review of 15 sampled Annual Family Program Fee (AFPF) consumer files revealed that RCRC was unable to provide income documentation to support the reduced assessment fees for two consumers. This resulted in underpayments to DDS totaling \$100 for the reduced assessments. This is not in compliance with the State Contract, Article IV, Section 3(a) and (b) and the DDS Annual Family Program Fee Procedures.

Finding 6: Family Cost Participation Program

A. Overstated Share of Cost

The review of 15 sampled Family Cost Participation Program (FCPP) consumer files revealed RCRC has been paying for the cost of services, which is the responsibility of the families under the requirements of the FCPP, for

one family participating in the program. RCRC reimbursed Premier Healthcare Services, Vendor Number HD0173, Service Code 862, for the total authorized number of units after the parents had been assessed a 13.5 percent share of cost. RCRC indicated it was not aware that it was paying for units that were the responsibility of the parents. This resulted in overpayments totaling \$715.68. This is not in compliance with CCR, Title 17, Section 50255(a).

B. Late Assessments

The review of 15 sampled FCPP consumer files revealed seven instances where RCRC did not assess the parents' share of cost participation as part of the consumer's Individual Program Plan (IPP). The assessments were completed more than a month after signing of the IPP. This is not in compliance with W&I Code, Section 4783(g)(1).

C. Late Notification

The review of 15 sampled FCPP consumer files revealed two instances where RCRC did not notify the parents of their assessed share of cost within 10 working days of receipt of the parent's income documentation. The notification letters were sent more than 20 days after income documentation was received. This is not in compliance with W&I Code, Section 4783(g)(3).

Finding 7: Policies and Procedures for Vendor Audits and Reviews

The review of the list of SDRC vendors required to contract with an independent accounting firm for an audit or review of its financial statements revealed 136 out of 179 vendors did not submit an audit or review. It was found that SDRC has no procedures in place to follow-up with vendors who are required to, but have not yet, submitted audit reports or reviews. This is not in compliance with W&I Code, Section 4652.5(a)(1) and (b).

Finding 8: Segregation of Duties

The review of the internal controls over the operational expenses process revealed a lack of separation of duties. The Senior Fiscal Clerk has the ability to create vendor profiles in the UFS, delete vendor's files, print vendor invoices, and issue checks. In addition, the Senior Fiscal Clerk has full access to all AS400 files and is responsible for troubleshooting all IT related issues. This weakness in RCRC's control increases the risk of fraud and decreases chances of detecting errors.

BACKGROUND

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 (RC). The RCs 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 RC no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires RCs 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 RC 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 has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on RCs fiscal, administrative and program operations.

DDS and Redwood Coast Developmental Services Corporation, entered into a contract, HD099013, effective July 1, 2009, through June 30, 2016. 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 RCRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This Audit was conducted at RCRC from November 4, 2013, through December 13, 2013, and was conducted by the Audit Branch of DDS.

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, 2011, through June 30, 2013, 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 RCs' 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 regulations
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled
- To determine that costs claimed were in compliance with the provisions of the State 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 the 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, the HCBS Waiver for the Developmentally Disabled, and the 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 FY 2011-12, issued on May 10, 2013. DDS also reviewed the associated management letter issued by the independent accounting firm for FY 2011-12. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, 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 and vendor rates. 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 the W&I Code of Regulations.
- DDS analyzed all of RCRC's bank accounts to determine whether DDS had signatory authority as required by the contracts with DDS.
- DDS selected a sample of bank reconciliations for Operations 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, that transactions are recorded on a timely basis, and to ensure that expenditures charged to various operating areas are valid and reasonable. These tests included the following:

- A sample of the personnel files, timesheets, payroll ledgers and other support documents were 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 Targeted Case Management (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 June 2011 and 2012 and traced the reported information to source documents.
- Reviewed RCRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared it to the DS 1916 forms to ensure that they 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 operations reduction to regional centers as required per W&I Code, Section 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2013 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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).

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 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 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 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 years 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 FCPP Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' income documentation.
- Reviewed vendor payments to verify that RCRC is paying for only its assessed share of cost.

VII. Annual Family Program Fee

The AFPP was created for the purpose of assessing an annual fee of up to \$200 based on income level of families of children between the ages of 0 through 17 receiving qualifying services through a regional center. The AFPP fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the regional center, and a cost for participation is assessed to the parents under FCPP. To determine whether RCRC is in compliance with the W&I Code, DDS requested a list of AFPP assessments and verified the following:

- The adjusted gross family income is at or above 400 percent of the Federal poverty level based upon family size.

- The child has a developmental disability or is eligible for services under the California Early Intervention Services Act.
- The child is less than 18 years of age and lives with his or her parent.
- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.
- The child does not receive services through the Medi-Cal program.
- Documentation was maintained by the regional center to support reduced assessments.

VIII. 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 needs. 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 our audit review:

- Reviewed RCRC's 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 include applicable dollar thresholds, and comply 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 communicates 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 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 were 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 is 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.

IX. Statewide/Regional Center Median Rates

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, 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 of 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 were granted by DDS.

X. 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 Placement Plan Program
- Prevention Program
- Self Determination

XI. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to RCRC and reviewed supporting documentation to determine the degree and completeness of RCRC's implementation of corrective actions.

CONCLUSIONS

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, 2011 through June 30, 2013.

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 not taken appropriate actions to resolve two prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a Draft Report on November 6, 2014. The findings in the Report were discussed at a formal exit conference with RCRC on November 13, 2014. The views of the responsible officials are included in the Final Audit Report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings That Need to be Addressed:

Finding 1: Overstated Claims

The review of 30 sampled POS vendor invoices revealed RCRC reimbursed J&B Residential, Vendor Number HF0478, Service Code 915, \$2,117.55 instead of \$1,217.55. This resulted in an overpayment of \$900 for services provided to one consumer, UCI number [REDACTED], in January 2013. RCRC stated that the overpayment occurred when an incorrect rate was entered into the UFS.

CCR, Title 17, Section 54326 (a)(10) states in part:

“(a) All Vendors shall:

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center . . .”

Recommendation:

RCRC must reimburse to DDS \$900 for the overpayments made to the vendors. In addition, RCRC should review vendor payment invoices to ensure any payment errors that may have occurred in the course of doing business are identified and corrected in a timely manner.

Finding 2: Equipment Inventory

A. Missing Equipment (Repeat)

Seven out of 70 sampled items from RCRC’s Equipment Inventory listing could not be located. In addition, three items did not have the required State tags. RCRC indicated this issue occurred under supervision of the previous property custodian who conducted the last physical inventory in September 2011. This issue was also reported in the prior audit report and in its response, RCRC stated that it worked with DGS to formally survey out the missing items identified in the prior audit report. Also, RCRC stated that it had reviewed its procedure with the current Property Custodian, who was hired in April 2012, to ensure compliance with the State’s Equipment Management System Guidelines. (See Attachment A.)

State Contract, Article IV, Section 4(a) 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.”

State's Equipment Management System Guidelines, Section III (c) states:

“All State-owned equipment must be promptly and clearly tagged as State of California, DDS' property. The RC Property Custodian will order supplies of appropriate tags as described below by the Customer Support Section (CSS).”

Recommendation:

RCRC must ensure it adheres to all of the requirements set forth in the State's Equipment Management System Guidelines and the State Contract regarding the safeguarding of State property.

B. Equipment Acquisition and Survey Forms (Repeat)

The review of RCRC's inventory listing revealed RCRC continues to not complete 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. The review identified 164 items worth a total of \$307,969.38 which RCRC indicated were either missing or improperly surveyed by the prior custodians without the use of the STD. 152 form. RCRC's stated it had reported the missing items to the California Highway Patrol as required by the State Administrative Manual and that adjustments were made to the General Ledger to accurately reflect the cost of its assets. This failure to complete the required DS 2130 and the STD. 152 forms were also reported in the prior audit report. In its response, RCRC stated that it had reviewed its procedure with the current Property Custodian, who was hired in April 2012, to ensure compliance with the State's Equipment Management System Guidelines. (See Attachment B.)

State's Equipment Management System Guidelines, Section III (B) states:

“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.”

State’s Equipment Management System Guidelines Section III (E) states:

“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’s Equipment Management System Guidelines, Section III (B) and (E), to ensure equipment acquired is properly reported and dispositions are properly surveyed and approved by DGS.

Finding 3: Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number

The review of the Operational Indicator Reports revealed two vendors, Albert Kastl, Vendor Number P02650, Service Code 785, and Richard Goldwasser M.D., Vendor Number P19170, Service Code 780, that were paid under a contract UCI number for services provided to consumers. The total payment to the vendors was \$43,328.59. It was found that the vendors provided services under the HCBS Waiver billable Service Code, but RCRC did not tie the POS expenses to individual consumers and UCI numbers. (See Attachment C.)

CCR, Title 17, Section 50604(d)(1) states in part:

“(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program Service records used to support service providers’ billing/invoicing shall include, but not be limited to:

- (1) Information identifying each regional center consumer including the Unique Consumer Identifier and consumer name.”

Recommendation:

RCRC must reclassify the \$43,328.59 in POS expenditures to ensure that services are identified to individual consumers. This will ensure all POS payments are accurately accounted for and that invoices are correctly billed to the HCBS Waiver.

Finding 4: Services Provided Before Contract Approval

The review of three Operational vendor contracts revealed one consultant, Thomas Lefebvre, Vendor Number 1348, provided services prior to RCRC's approval of his contracts for FYs 2011-12 and 2012-13. Thomas Lefebvre's contracts had starting dates of July 1, 2011 and July 1, 2012, however, the contracts were signed on August 29, 2011, and August 20, 2012, respectively.

RCRC's Management and Operations Manual, Policy Statement states in part:

“. . . Contracts should also be written in clear language, provide specific descriptions for each element of the contract include start and end dates for the terms of the contract, and must be signed and dated in order to become valid and operational . . .”

Recommendation:

RCRC must ensure consultants have fully executed contracts prior to the performing of any service. This will ensure terms of service, contract periods and compensation for service have been agreed upon by both parties.

Finding 5: Annual Family Program Fee – Reduced Fees Not Supported

The review of 15 sampled AFPF consumer files revealed RCRC was unable to provide documentation to support the reduced assessment fees for two families. The families paid a reduced share of cost of \$150 each, when the maximum share of cost is \$200 per consumer. The reduced fees are applicable if the family can demonstrate that the family income is less than 800 percent of the Federal Poverty Level (FPL). This resulted in underpayments to the State totaling \$100 for the reduced AFPF fees. This occurred because RCRC does not have procedures in place to ensure that parents' income documentation is retained in the consumer file to support the reduced fees. (See Attachment D.)

State Contract, Article IV, Section 3(a) and (b) states:

“. . . Contractor shall keep records, as follows:

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract . . .
- b. The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by

an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program . . .”

Also, the DDS Annual Family Program Fee Procedures, Section C states in part:

“Regional centers shall verify the annual income of the family by way of an administrative review of the current payroll and/or income tax records of the parents to determine parents' gross income. In instances in which the parents' income is determined to be below 800 percent of the current year FPL, the regional center shall adjust the annual family fee to \$150.00. In any instance in which the parents' adjusted gross family income is below 400 percent of the current year FPL, that family shall be deemed ineligible for participation in the AFPF.”

Recommendation:

RCRC must reimburse to DDS \$100 for the reduced assessment fees, and ensure it retains records to support all reduced AFPF assessment fees by developing and implementing procedures to ensure that parents' income documentation is retained in the consumer file to support the reduced fees.

Finding 6: Family Cost Participation Program

A. Overstated Share of Cost

The review of 15 sampled FCPP consumer files revealed RCRC has been paying one family's share of cost. RCRC reimbursed Premier Healthcare Services, Vendor Number HD0173, Service Code 862, for the total authorized number of units after the parents had been assessed a 13.5 percent share of cost. RCRC indicated it was not aware that it was paying for units that were the responsibility of the parents. This resulted in overpayments totaling \$715.68. (See Attachment E.)

CCR, Title 17, Section 50255(a), states:

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

Recommendation:

RCRC must reimburse to DDS the \$715.68 that resulted from incorrectly paying for the family's share of cost. In addition, RCRC should ensure that only the costs RCRC is responsible for is entered into UFS to prevent the possibility of overstating the regional center's share of cost.

B. Late Assessments

The review of 15 sampled FCPP consumer files revealed seven instances where RCRC did not assess the parents' share of cost participation as part of the consumer's IPP review. The eight assessments were completed more than a month after signing the IPP. RCRC indicated that this occurred due to a delay in notifying the FCPP Unit Assistant that a FCPP assessment was required based on the consumer's IPP. (See Attachment F.)

W&I Code, Section 4783(g)(1) states in relevant part:

“(g) Family cost participation assessments or reassessments shall be conducted as follows:

- (1)(A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this Section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.
- (B) A regional center shall assess the cost participation for parents of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.
- (C) Reassessments for cost participation shall be conducted as part of the individual program plan or the individual family service plan review . . .”

Recommendation:

RCRC must inform responsible staff that FCPP assessments are to be completed as part of the consumers' IPP review. In addition, RCRC must ensure that completed IPPs are submitted to the FCPP Unit Assistant timely for processing of the FCPP assessments. This will ensure compliance with the W&I Code, Section 4873(g)(1).

C. Late Notification

The review of 15 sampled FCPP consumer files revealed two instances where RCRC did not notify the parents of their assessed share of cost within 10 working days of receipt of the parent's income documentation. The notification letters were sent more than 20 days after income documentation was received. RCRC indicated that when income documentation is initially received by RCRC, the documentation is not immediately given to the FCPP Unit Assistant, causing the delay in notification. (See Attachment G.)

W&I Code, Section 4783(g)(3) states:

“The regional center shall notify parents of the parents’ assessed cost participation within 10 working days of receipt of the parents’ complete income documentation.”

Recommendation:

RCRC must ensure that the staff receiving the income documentation notifies the FCPP Unit Assistant timely for the completion of the FCPP assessment and corresponding notification letters. RCRC staff must also be made aware that notification letters detailing the parents’ assessed share of cost are to be sent within 10 working days of receipt of the income documentation as required by W&I Code, Section 4783(g)(3).

Finding 7: Policies and Procedures for Vendor Audits and Reviews

The review of the list of RCRC vendors required to contract with an independent accounting firm for an audit or review of its financial statements revealed 37 out of 66 vendors did not submit an audit or review as required. It was found that RCRC has no procedures in place to follow-up with the vendors who are required to, but have not yet, submitted audit reports or reviews.

W&I Code Section 4652.5(a)(1) and (b) states in part:

“(a)(1) An entity receiving payments from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements subject to all of the following:

(A) When the amount received from the regional center or regional centers during the entity's fiscal year is more than or equal to two hundred fifty thousand dollars (\$250,000) but less than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit or independent review report of its financial statements for the period.

(B) When the amount received from the regional center or regional centers during the entity's fiscal year is equal to or more than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit of its financial statements for the period.

(b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within 30 days after completion of the audit or review.”

Recommendation:

RCRC must develop policies and procedures to ensure it is properly tracking and following-up with vendors who are required to, but have not yet, submitted audit reports or reviews. Failure to receive these reports limits RCRC's ability to detect vendor issues that may adversely affect regional center services.

Finding 8: Segregation of Duties

The review of the internal controls over the operational expenses process revealed a lack of separation of duties. The Senior Fiscal Clerk has the ability to create vendor profiles in UFS, delete vendor's files, print vendor invoices, and issue checks. In addition, the Senior Fiscal Clerk has full access to all AS400 files and is responsible for troubleshooting all IT related issues. This weakness in RCRC's control increases the risk of fraud and decreases chances of detecting errors.

Good business practice requires that RCRC maintain adequate internal controls over the operational functions of the organization. The ability to add and delete vendors should not be performed by an individual who has the ability to create and print checks.

Recommendation:

RCRC must review the current responsibilities of the Senior Fiscal Clerk and limit or reassign the employee job duties to ensure that proper separation of duties exists.

EVALUATION OF RESPONSE

As part of the audit report process, RCRC has been provided with a Draft Audit Report and was requested to provide a response to each finding. RCRC's response dated December 15, 2014, 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 the issues. DDS' Audit Branch will confirm RCRC's corrective actions identified in the response during the follow-up review of the next scheduled Audit.

Finding 1: Overstated Claims

RCRC agreed with the finding, however, it could not recover the overpayment from the vendor because the vendor is no longer in business. As such, RCRC has reimbursed DDS the \$900. RCRC provided a copy of the cancelled check in the amount of \$1,715.68 which resolved Findings 1, 5, and 6A.

Finding 2: Equipment Inventory

A. Missing Equipment (Repeat)

RCRC agreed with the finding and indicated it has worked with DGS to formally survey out the missing items; however, no documentation was provided with the response indicating the seven items were surveyed. In addition, RCRC did not address the issue regarding the three items with missing State tags.

RCRC also created an Equipment Management Procedures for recording, tracking and disposing of equipment; and included a copy of the procedures with its response to the Draft Report. In addition, RCRC conducted training with all staff involved in the acquisition, maintenance, or disposal of equipment on January 29, 2015, and provided a copy of the training notes. Furthermore, RCRC stated it will conduct a physical inventory in FY 2014-15 to ensure it is in compliance with the State's Equipment Management System Guidelines.

DDS will follow up during the next scheduled audit to ensure that the seven missing items have been surveyed and that the State tags have been placed on the three items with missing State tags. DDS will also follow up to ensure that RCRC has conducted a physical inventory in FY 2014-15 and that it is adhering to the requirements of the State's Equipment Management System Guidelines.

B. Equipment Acquisition and Survey Forms (Repeat)

RCRC agreed with the finding and conducted training with all staff involved in the acquisition, maintenance, or disposal of equipment on January 29, 2015. RCRC provided a copy of the training notes. DDS will also follow up during the next scheduled audit to ensure that RCRC is adhering to the requirements of the State's Equipment Management System Guidelines.

Finding 3: Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number

RCRC agreed with the finding and resolved this issue by providing documentation indicating that it had allocated the POS expenditures to each individual consumer.

Finding 4: Services Provided Before Contract Approval

RCRC agreed with the finding and provided a copy of the letter sent to its contractors on May 15, 2014, indicating contracts must be signed before providing services. RCRC also provided a copy of its contract renewal log which is used to track and ensure timely contracts signing. DDS will follow-up during the next scheduled audit to ensure consultants have fully executed contracts prior to performing any service.

Finding 5: Annual Family Program Fee – Reduced Fees Not Supported

RCRC agreed with the finding and has reimbursed DDS the \$100 for the unsupported fee reduction. RCRC provided a copy of the cancelled check in the amount of \$1,715.68 which resolved Findings 1, 5, and 6A. In addition, RCRC provided a copy of its amended AFPF procedure.

Finding 6: Family Cost Participation Program

A. Overstated Share of Cost

RCRC agreed with the finding and reimbursed DDS for the \$715.68 overpayments. RCRC provided a copy of the cancelled check in the amount of \$1,715.68 which resolved Findings 1, 5, and 6A.

B. Late Assessments

RCRC disagrees with three of the seven late assessments. RCRC provided the IPPs for three consumers with its response to the Audit Report, which indicated that RCRC determined that these consumers were not eligible for FCPP during the IPP meetings. No additional information was provided for the remaining four consumers with late assessments.

RCRC agreed with DDS' recommendation and stated that it conducted FCPP trainings on January 14, 20, and 30, 2015 with the FCPP staff to ensure assessments and notifications of assessments are completed in a timely manner. Copies of the notes from the training were provided with RCRC's response. DDS will conduct a follow-up review during the next scheduled audit to ensure FCPP assessments are completed timely.

C. Late Notification

RCRC agreed with DDS' recommendation and stated that it conducted FCPP trainings on January 14, 20, and 30, 2015 with the FCPP staff to ensure assessments and notifications of assessments are completed in a timely manner. Copies of the notes from the training were provided with RCRC's response. DDS will conduct a follow-up review during the next scheduled audit to ensure FCPP notifications are completed timely.

Finding 7: Policies and Procedures for Vendor Audits and Reviews

RCRC agreed with DDS' recommendation and provided a copy of its newly developed procedures to track and follow-up with vendors who are required to perform an annual audit or review. RCRC stated that its Controller/Fiscal Monitor will be responsible for monitoring audit reports and reviews. DDS will conduct a follow-up review during the next scheduled audit to ensure the vendor audits/review procedures are being followed.

Finding 8: Segregation of Duties

RCRC agreed with the finding and has given the responsibility for adding and deleting vendors to a position outside of the fiscal department. In addition, RCRC will generate a monthly report that will identify all vendor additions or deletions in UFS. The Controller will review the report monthly to ensure all activities were authorized. DDS will follow up during the next scheduled audit to ensure that RCRC has reassigned responsibility for adding and deleting vendors in UFS and it has implemented its new review process.

**Redwood Coast Regional Center
Equipment Inventory-Missing Equipment
Fiscal Years 2011-12 and 2012-13**

	Item Description	Serial Number	State Tag Number	Comments
1	Fax Machine	6120163	344630	Missing
2	Examination Kit		344486	Missing
3	ViewSonic Monitor	PPJ062052860	344589	Missing
4	Video Conference Receiver	8073314720	352934	Missing
5	Printer/Fax	J1078202620	None	Missing
6	Sony Monitor	9260939	342449	Missing
7	Intel Pentium		352998	Missing
8	Cisco Router		352984	Missing State Tag
9	ViewSonic Monitor	PPJ062052856	344591	Missing State Tag
10	Cisco Router	FTX1248Y0D1	352925	Missing State Tag

**Redwood Coast Regional Center
Equipment Inventory-Survey Forms Not Completed
Fiscal Years 2011-12 and 2012-13**

	Item Description	Serial Number	State Tag Number	Purchase Date	Purchase Price
1	TV	CTH1911	302414	2/2/1987	\$271.59
2	TV	AM61490393	302535	2/2/1987	\$287.89
3	VCR	61361715	302415	2/2/1987	\$291.56
4	Phone	U2418LW91295	220975	5/1/1991	\$1,021.19
5	Printer	1QY1068851	307695	6/24/1994	\$261.87
6	Printer	IQY1119558	309005	8/8/1995	\$252.04
7	Laptop	04529595	308988	8/8/1995	\$1,889.98
8	Laptop	4529602	308992	8/8/1995	\$1,889.98
9	Notebook	04529581	311089	4/4/1996	\$1,961.60
10	Monitor	4142518	320709	5/30/1998	\$287.28
11	Insta Theatre		320730	6/24/1998	\$351.79
12	Insta Theatre		320729	6/24/1998	\$351.79
13	Wireless System	F982138	320728	6/24/1998	\$535.25
14	Projector	807319037	320726	6/24/1998	\$6,145.30
15	Cart		342473	06/30/98	\$100.00
16	Cart		342456	06/30/98	\$100.00
17	Cart		342457	06/30/98	\$100.00
18	Cart		342472	06/30/98	\$100.00
19	Cart		320763	06/30/98	\$107.70
20	Cart		320772	06/30/98	\$107.70
21	Fax Phone	UWZ191645	320721	6/30/1998	\$268.11
22	Scanner	MX83Z12FG4	320718	6/30/1998	\$321.74
23	Netwk Terminal Unit	0ZY0C83086V	342483	06/30/98	\$330.00
24	Netwk Terminal Unit	0ZY0C83086Z	342467	06/30/98	\$330.00
25	Remote	PCS-R510 (SONY)	342481	06/30/98	\$399.00
26	VCR	220904	342461	06/30/98	\$450.00
27	VCR	186853	342477	06/30/98	\$450.00
28	VCR		320759	06/30/98	\$484.65
29	Monitor		320762	06/30/98	\$1,083.19
30	Monitor		320771	06/30/98	\$1,083.19
31	Audio Unit	13020	342475	06/30/98	\$1,399.00
32	Audio Unit	13007	342463	06/30/98	\$1,399.00
33	Monitor	8006191 (SONY)	342470	06/30/98	\$1,450.00
34	Monitor	8006175 (SONY-TV)	342471	06/30/98	\$1,450.00
35	Monitor (T.V.)	8006271	342455	06/30/98	\$1,450.00
36	Audio Unit		320761	06/30/98	\$1,506.72
37	Scanner		320758	06/30/98	\$3,364.80
38	Scanner	SG8BL1104Z	342478	06/30/98	\$3,911.00
39	Converter	3JA98052668	342479	06/30/98	\$4,011.00
40	Camera		320757	06/30/98	\$4,872.60

**Redwood Coast Regional Center
Equipment Inventory-Survey Forms Not Completed
Fiscal Years 2011-12 and 2012-13**

	Item Description	Serial Number	State Tag Number	Purchase Date	Purchase Price
41	Scanner		320760	06/30/98	\$4,972.50
42	Video Presentation Stnd	73773 (SONY)	342476	06/30/98	\$5,311.00
43	Video Presentation Stnd	73493	342466	06/30/98	\$5,311.00
44	Monitor		320764	06/30/98	\$6,695.70
45	Monitor	8026388	320815	6/30/1998	\$12,598.67
46	Rollabout Processor	20641 (SONY)	342480	06/30/98	\$27,410.00
47	Rollabout Processor	20503	342458	06/30/98	\$27,410.00
48	Monitor		320756	06/30/98	\$33,533.61
49	Fax Machine	87354513	320737	7/21/1998	\$214.48
50	Modem		324346	8/6/1998	\$189.07
51	Modem	00-00-0217	320850	8/6/1998	\$211.01
52	3 Com Port	KTSS27AE300	324330	8/6/1998	\$1,457.37
53	Router		324341	8/6/1998	\$14,047.91
54	PC	D833BWP20172	324337	8/6/1998	\$16,087.91
55	Printer	CN7BJ1124M	320735	9/1/1998	\$160.86
56	Printer	USEF183840	320766	10/23/1998	\$1,814.77
57	Printer	MX8B5ITO8G	320744	1/7/1999	\$337.82
58	Monitor	6933CL9Q0003	324358	6/30/1999	\$1,071.43
59	Panel		324381	9/14/1999	\$803.84
60	Printer		328206	09/25/99	\$2,189.63
61	Telicam Elite	ND910010	328201	9/25/1999	\$2,189.64
62	Telicam Elite		328203	9/25/1999	\$2,189.64
63	Printer	90604597	328204	09/25/99	\$2,189.64
64	Router	JAB03328INA	324387	10/15/1999	\$1,426.43
65	Zip Drive	PMAJ4731YT	328085	12/1/1999	\$193.03
66	Printer	MY9BK150FZ	324394	2/3/2000	\$187.63
67	Camera		328207	5/5/2000	\$686.91
68	Camera		328231	5/5/2000	\$686.92
69	Printer	MY04N140CH	328109	6/28/2000	\$208.82
70	Printer	MY04N140F2	328107	6/28/2000	\$208.82
71	Print/Scan	XDL53981	328106	6/28/2000	\$208.83
72	TV/VCR	D0AC21794	328151	6/28/2000	\$299.23
73	Palm Organizer	ABEEB52900944	328095	6/29/2000	\$268.10
74	Monitor	6028DV96E134	328129	6/30/2000	\$1,152.94
75	Laptop	40584991U	328119	6/30/2000	\$1,986.28
76	Laptop	40584944U	328113	6/30/2000	\$1,986.29
77	Laptop	50636705U	328112	6/30/2000	\$2,109.85
78	Laptop	60688966U-1	328120	6/30/2000	\$2,109.85
79	Laptop	60688957U	328116	6/30/2000	\$2,109.85
80	Laptop	60688982U	328117	6/30/2000	\$2,109.85

**Redwood Coast Regional Center
Equipment Inventory-Survey Forms Not Completed
Fiscal Years 2011-12 and 2012-13**

	Item Description	Serial Number	State Tag Number	Purchase Date	Purchase Price
81	Phone	FROM UK-ANNEX	328194	6/30/2000	\$24,123.01
82	HP Cd Writer 8210e	SG023642ES	328155	8/2/2000	\$268.10
83	Laptop	162-139-60	328176	9/14/2000	\$12.35
84	Phone	99SP50424095	328172	1/9/2001	\$239.50
85	Printer	CN1141S238	328192	6/27/2001	\$160.48
86	Printer	MY0CB161DS	328179	6/29/2001	\$213.98
87	Printer	MY11U150WP	328182	6/29/2001	\$213.98
88	Computer	ABAED08108274	328187	6/29/2001	\$213.98
89	Pc	3D13JCD2F0LZ	328189	6/29/2001	\$1,722.65
90	Phone	99SP34538450	328223	8/2/2001	\$215.00
91	Phone	96SP63265550	328220	8/24/2001	\$173.66
92	Phone	99SP43695248	328221	8/24/2001	\$173.67
93	Printer	CN18T1N0G6	328233	2/11/2002	\$108.24
94	Fax	17200680	328237	6/27/2002	\$128.68
95	Printer	CN2391B1S9	328238	7/9/2002	\$129.53
96	PC	00317	328248	10/4/2002	\$850.00
97	PC	00321	328246	10/4/2002	\$850.00
98	Laptop	S13037501P	328254	1/15/2003	\$1,442.54
99	PC	00342	328265	3/10/2003	\$911.63
100	PC	00345	328270	3/13/2003	\$911.61
101	PC	00351	328269	3/13/2003	\$911.62
102	PC	00357	328255	3/13/2003	\$911.63
103	PC	00449	342410	4/8/2003	\$911.62
104	PC	00371	342313	4/8/2003	\$911.63
105	PC	00459	342328	4/8/2003	\$911.63
106	Scanner	303B001453D1	342428	5/27/2003	\$160.85
107	Scanner		342429	5/27/2003	\$160.86
108	Camcorder	S010398429L	342427	7/2/2003	\$643.75
109	Copier	IR2200-U CANON	342431	7/16/2003	\$11,216.80
110	PC	00471	342374	8/12/2003	\$858.00
111	PC	380	342400	8/12/2003	\$858.00
112	PC	00387	342357	8/12/2003	\$858.00
113	PC	00479	342378	8/12/2003	\$858.00
114	Monitor	15CSXUSPA3700812	342303	10/6/2003	\$287.77
115	Monitor	15CSXUSPA370077	342438	10/6/2003	\$287.78
116	PC	00362	342448	11/6/2003	\$858.00
117	PC	00433	342383	11/6/2003	\$858.00
118	Laptop	S53021362SU	342381	11/7/2003	\$1,149.77
119	Laptop	S83016499SU	342415	11/7/2003	\$1,149.77
120	Laptop	S83016493SU	342441	11/7/2003	\$1,149.77

**Redwood Coast Regional Center
Equipment Inventory-Survey Forms Not Completed
Fiscal Years 2011-12 and 2012-13**

	Item Description	Serial Number	State Tag Number	Purchase Date	Purchase Price
121	Laptop	S53021377SU	342368	11/7/2003	\$1,149.77
122	Webcam	961310-0403	342408	2/6/2004	\$123.99
123	Webcam	961310-0403	342409	2/6/2004	\$124.00
124	Monitor	WCCF0904869	342486	4/8/2005	\$272.87
125	Cell Phone	043/04002274	342484	4/23/2005	\$171.59
126	PDA	PN20U575V4PN	344494	8/5/2005	\$267.04
127	PDA	PN20U4N5V3A6	344584	8/5/2005	\$267.04
128	Fax Machine	U61327D5J898129	342488	9/9/2005	\$214.48
129	PDA	PN20U5B6R40C	344454	10/7/2005	\$267.06
130	PC		344469	11/1/2005	\$2,681.25
131	Laptop	T375901006600	344482	11/4/2005	\$643.44
132	Monitor	P37053020902	344483	11/6/2005	\$303.34
133	Printer	JPGAB11161	344467	12/12/2005	\$2,466.73
134	Scale	05030569	344461	2/24/2006	\$342.19
135	PDA	PN20UCP5V32J	344470	2/28/2006	\$229.87
136	PDA	PN20U5Y6R10N	344474	2/28/2006	\$229.87
137	Monitor	PPJ054102799	344477	2/28/2006	\$321.74
138	Fax Machine	5010084	344484	4/10/2006	\$509.93
139	Monitor	Q4A062305707	344548	6/28/2006	\$206.02
140	Monitor	Q4A062305681	344549	6/28/2006	\$206.02
141	Monitor	PT3055022280	344499	6/28/2006	\$206.03
142	Monitor	PT3054300648	344569	6/28/2006	\$206.03
143	Monitor	PT3060321126	344573	6/28/2006	\$206.03
144	Monitor	Q4A062305664	344534	6/28/2006	\$206.03
145	Monitor	Q4A062305691	344509	6/28/2006	\$206.03
146	Monitor	Q4A062305690	344550	6/28/2006	\$206.03
147	Monitor	Q4A062305693	344512	6/28/2006	\$206.03
148	Monitor	Q4A062305678	344506	6/28/2006	\$206.03
149	Monitor	Q4A062305676	344501	6/28/2006	\$206.03
150	Monitor	Q4A062305662	344531	6/28/2006	\$206.03
151	Monitor	Q4A062305684	344527	6/28/2006	\$206.03
152	Monitor	Q4A062305661	344510	6/28/2006	\$206.03
153	Monitor	Q4A062305685	344520	6/28/2006	\$206.03
154	Monitor	Q4A062307064	344529	6/28/2006	\$206.03
155	Monitor	Q4A062305692	344537	6/28/2006	\$206.03
156	Monitor	Q4A062305706	344516	6/28/2006	\$206.03
157	Monitor	Q4A062305669	344503	6/28/2006	\$206.03
158	Monitor	PPJ062052890	344594	8/15/2006	\$230.15
159	Fax Machine	5070970	344597	8/28/2006	\$525.39
160	Printer	KCNFH622D0795	344604	11/27/2006	\$161.60

**Redwood Coast Regional Center
Equipment Inventory-Survey Forms Not Completed
Fiscal Years 2011-12 and 2012-13**

	Item Description	Serial Number	State Tag Number	Purchase Date	Purchase Price
161	Camera	KCGGH64420108	344601	11/27/2006	\$215.48
162	PDA	PN70UB37V0HN	352904	1/14/2008	\$283.85
163	Monitor	1305809085	352987	7/13/2010	\$155.34
164	Monitor	1305815285	352989	7/13/2010	\$155.34
Total Equipment Not Surveyed					\$307,969.38

Redwood Coast Regional Center
Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	Vendor Number	Vendor Name	Payment Period	Service Code	Authorization Number	Amount Paid
1	CONTRACT	P02650	Albert Kastl	Jul-11	785	[REDACTED]	\$992.64
2				Aug-11			\$691.84
3				Sep-11			\$1,052.80
4				Oct-11			\$842.24
5				Nov-11			\$360.96
6				Dec-11			\$872.32
7				Jan-12			\$872.32
8				Feb-12			\$1,353.60
9				Mar-12			\$1,654.40
10				Apr-12			\$992.64
11				May-12			\$812.16
12				Jun-12		\$1,178.76	
13				Jul-12		\$558.36	
14				Aug-12		\$682.44	
15				Sep-12		\$868.56	
16				Oct-12		\$434.28	
17				Nov-12		\$1,613.04	
18				Dec-12		\$1,675.08	
19				Jan-13		\$1,613.04	
20				Feb-13		\$124.08	
21				Mar-13		\$1,240.80	
22				Apr-13		\$1,178.76	
23				May-13		\$1,116.72	
24				Jun-13		\$1,822.07	
25				Jul-13		\$1,507.92	

Redwood Coast Regional Center
Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	Vendor Number	Vendor Name	Payment Period	Service Code	Authorization Number	Amount Paid
26	CONTRACT	P19170	Richard Goldwasser, MD	Aug-11	780	[REDACTED]	\$64.80
27				Sep-11			\$433.00
28				Oct-11			\$357.68
29				Nov-11			\$385.88
30				Dec-11			\$427.55
31				Jan-12			\$317.20
32				Feb-12			\$452.76
33				Mar-12			\$1,136.12
34				Apr-12			\$305.18
35				May-12			\$305.06
36				Jun-12			\$565.30
37				Jul-12			\$564.20
38				Aug-12			\$305.88
39				Sep-12		\$2,343.44	
40				Oct-12		\$305.94	
41				Nov-12		\$1,171.72	
42				Dec-12		\$324.24	
43				Jan-13		\$577.05	
44				Feb-13		\$314.06	
45				Mar-13		\$421.09	
46				Apr-13		\$520.35	
47				May-13		\$731.10	
48				Jun-13		\$1,171.72	
49				Jul-13		\$473.99	
50				Aug-13		\$387.40	
51				Sep-13		\$903.84	

Redwood Coast Regional Center
Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	Vendor Number	Vendor Name	Payment Period	Service Code	Authorization Number	Amount Paid
52	CONTRACT	P19170	Richard Goldwasser, MD (Continued)	Oct-13	780	██████████	\$487.04
53				Nov-13		██████████	\$715.26
54				Dec-13		██████████	\$747.91
Total Payments Not Tied to Consumer Unique Client Identification Number							\$43,328.59

Redwood Coast Regional Center
Annual Family Program Fee-Reduced Fees Not Supported
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	Assessment Date	Assessed Amount	Maximum Assessment	Unsupported Assessment
1		12/4/2012	\$150.00	\$200.00	\$50.00
2		7/1/2011	\$150.00	\$200.00	\$50.00
Total Amount of Assessments not Supported					\$100.00

Redwood Coast Regional Center
Family Cost Participation Program (FCPP)-Over-Stated Share of Cost
Fiscal Years 20011-12 and 2012-13

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
1	[REDACTED]	HD0173	Premier Healthcare Services	862	[REDACTED]	Jul-13	\$59.64
2						Aug-13	\$59.64
3						Sep-13	\$59.64
4						Oct-13	\$59.64
5						Nov-13	\$59.64
6						Dec-13	\$59.64
7						Jan-14	\$29.82
8						Feb-14	\$89.46
9						Mar-14	\$59.64
10						Apr-14	\$59.64
11						May-14	\$59.64
12						Jun-14	\$59.64
Total Overpayments Due to Overstated Share of Cost							\$715.68

**Redwood Coast Regional Center
Family Cost Participation Program - Late Assessments
Fiscal Years 2011-12 and 2012-13**

	Unique Client Identification Number	IPP Date	Assessment Date
1		4/4/2012	7/2/2012
2		3/21/2012	8/9/2012
3		8/3/2012	9/28/2012
4		3/9/2011	9/19/2011
5		8/3/2011	9/26/2011
6		7/12/2012	10/2/2012
7		4/12/2013	7/25/2013

**Redwood Coast Regional Center
Family Cost Participation Program - Late Notification
Fiscal Years 2011-12 and 2012-13**

	Unique Client Identification Number	IPP Date	Income Received	Notification Date
1		8/3/2012	9/6/2012	9/28/2012
2		8/3/2011	8/21/2011	9/27/2011

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

December 15, 2014

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 November 6, 2014 in which you provided a draft copy of the audit report of your findings from the audit your staff performed addressing the operations of the Redwood Coast Regional Center for fiscal years 2011-2012 and 2012-2013. As provided in your correspondence, I would like to take this opportunity to formally respond in writing to the draft audit report and provide you an update on our actions to date, to address the noted findings.

Finding 1: Overstated Claims

The review of 30 sampled POS vendor invoices revealed RCRC reimbursed one vendor (vendor # HF0478) \$2,117.55 instead of \$1,217.55. This resulted in an overpayment of \$900 for services provided to one client. RCRC stated that the overpayment occurred when an incorrect rate was entered into the UFS.

Recommendation:

RCRC must reimburse to DDS \$900 for the overpayment made to the vendor. In addition, RCRC should review vendor payment invoices to ensure any payment errors that may have occurred in the course of doing business are identified and corrected in a timely manner.

RCRC Response:

1. After the death of the owner of the vendor agency, the vendor closed operations. We are unable to locate any responsible party to request a refund from. As such, RCRC will reimburse DDS \$900 for the overpayment by February 1, 2015.

Corporate Offices 525 - 2nd 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 Northwest Dr., Crescent City, CA 95531 707-464-7488 † □ 180 Third Street, Lakeport, CA 95453 707-262-0470

2. The statement, "RCRC stated that the overpayment occurred when an incorrect rate was entered into the Uniform Fiscal System (UFS)..." is not correct. The rate was entered into UFS correctly but payment had to be calculated manually (pro-rata) for this specific client only. In so doing, two digits were erroneously transposed resulting in the overpayment.

Finding 2.A: Equipment Inventory – Missing Equipment

Seven out of 70 sampled items from RCRC's Equipment Inventory listing could not be located. In addition, three items did not have the required State tags. RCRC indicated this issue occurred under supervision of the previous property custodian who conducted the last physical inventory in September 2011.

Recommendation:

RCRC must ensure it adheres to all the requirements set forth in the State's Equipment Management System Guidelines and the State Contract regarding the safeguarding of State property.

RCRC Response:

As noted above, this issue occurred under supervision of the previous property custodian. We have done the following four things to address this Finding:

1. We have worked with DGS to formally survey out missing items.
2. Inventory protocols have been created and are included as Attachment A.
3. All staff involved in the acquisition, maintenance or disposal of equipment will receive an inservice on such by February 1, 2015. Documentation of such inservice will be provided to DDS.
4. An all-agency physical inventory will take place this FY under the oversight of our Controller/Fiscal Monitor, who is also the designated Property Custodian for RCRC. All identified tagging and survey errors will be corrected at that time.

Finding 2.B: Equipment Inventory – Equipment Acquisition and Survey Forms

The review of RCRC's inventory listing revealed RCRC continues to not complete the required Equipment Acquired Under Contract form (DS2.130) for newly acquired equipment and the Property Survey Report (STD152) for the surveying of equipment. The review identified 164 items worth a total of \$307,969 which RCRC indicated were either missing or improperly surveyed by the prior custodian without the use of the STD152 form. RCRC stated it had reported the missing items to the California Highway Patrol as required by the State Administrative

Manual and the adjustments were made to the General Ledger to accurately reflect the cost of its assets.

Recommendation:

RCRC should follow the State's Equipment Management System Guidelines, sections III(B) and (C) to ensure equipment acquired is properly reported and dispositions are properly surveyed and approved by DGS.

RCRC Response:

As noted above, this issue occurred under supervision of the previous property custodian. All staff involved in the acquisition, maintenance or disposal of equipment will receive an inservice on such by February 1, 2015. Documentation of such inservice will be provided to DDS.

Finding 3: Purchase of Services Expenses Not Tied to Client Unique Client Identification (UCI) Number

The review of the Operational Indicator Reports revealed that two vendors (vendor #s PO2650 and P19170) were paid under a contract UCI number for services provided to clients. The total payment to the vendors was \$43,328. It was found that the vendors provided services under the HCBS Waiver billable service code, but RCRC did not tie the POS expenses to individual clients and UCI numbers.

Recommendation:

RCRC must reclassify the \$43,328 in POS expenditures to ensure that services are identified to individual clients. This will ensure all POS payments are accurately accounted for and that invoices are correctly billed to the HCBS Waiver.

RCRC Response:

RCRC has reclassified all the claims for both noted vendors for FY 2012-13. Per Mr. Ly's correspondence of 12/9/14, and since it is not possible to reclassify the POS expenditures for FY 2011-12 in UFS because the fiscal year is closed, included as **Attachment B** is a list of clients who received services from the two vendors, along with the cost allocated to each client for the FY 2011-12.

Finding 4: Services Provided Before Contract Approval

The review of three Operational vendor contracts revealed that one consultant (vendor # 1348) provided services prior to RCRC's approval of his contracts for FYs 2011-12 and 2012-13. The contracts have starting dates of July 1, 2011 and July 1, 2012, however, the contracts were signed on August 29, 2011 and August 20, 2012, respectively.

Recommendation:

RCRC must ensure consultants have fully executed contracts prior to the performance of any service. This will ensure that terms of service, contract periods and compensation for service have been agreed upon by both parties.

RCRC Response:

Being aware of this concern, RCRC informed contractors of this (Attachment C) and utilized a contract renewal log (Attachment D) to track and ensure timely contract signing for the 2014-15 FY contract renewals. This process is now in place for use in future years.

Finding 5: Annual Family Program Fee – Reduced Fees Not Supported

The review of 15 sampled AFPF client files revealed RCRC was unable to provide income documentation to support the reduced assessment fees for two families. The families paid a reduced share of cost of \$150 each, when the maximum share of cost is \$200 per client. The reduced fees are applicable if the family can demonstrate that the family income is less than 800 percent of the Federal Poverty Level. This resulted in underpayments to the State totaling \$100 for the reduced AFPF fees. This occurred because RCRC does not have procedures in place to ensure that parents' income documentation is retained in the client file to support the reduced fees.

Recommendation:

RCRC must reimburse to DDS \$100 for the reduced assessment fees, and ensure it retains records to support all reduced AFPF assessment fees by developing and implementing procedures to ensure that parent's income documentation is retained in the client file to support the reduced fees.

RCRC Response:

1. RCRC will refund DDS the \$100.00 by February 1, 2015.
2. AAFP protocols which address this issue are provided as Attachment E.

Finding 6.A.: Family Cost Participation Program – Overstated Share of Cost

The review of 15 sampled FCPP client files revealed RCRC has been paying one family's share of cost. RCRC reimbursed one service provider (vendor # HD0173) for the total authorized number of units after the parents had been assessed a 13.5 percent share of cost. RCRC indicated it was not aware that it was paying for units that were the responsibility of the parents. This resulted in overpayments totaling \$715.68.

Recommendation:

RCRC must reimburse to DDS the \$715.68 that resulted from incorrectly paying for the family's share of cost. In addition, RCRC should ensure that only the costs RCRC is responsible for are entered into UFS to prevent the possibility of overstating the regional center's share of cost.

RCRC Response:

RCRC will reimburse DDS for the \$715.68 overpayment by February 1, 2015.

Finding 6.B.: Family Cost Participation Program – Late Assessments

The review of 15 sampled FCPP client files revealed eight instances where RCRC did not assess the parents' share of cost participation as part of the client's IPP review. The eight assessments were completed more than a month after signing the IPP. RCRC indicated that this occurred due to a delay in notifying the FCPP Unit Assistant that a FCPP assessment was required based on the client's IPP.

Recommendation:

RCRC must inform responsible staff that FCPP assessments are to be completed as part of the client's IPP review. In addition, RCRC must ensure that completed IPPs are submitted to the FCPP Unit Assistant timely for processing of the FCPP assessments. This will ensure compliance with the W&I Code, section 4873(g)(1).

RCRC Response:

1. The IPPs of three of the eight clients' IPP documents noted above as not addressing the FCPP at the time of the IPP review do actually note that the assessment was reviewed at the clients' IPP and a determination of "not eligible" for FCPP share of cost was made. Copies of the pertinent parts of these three clients' IPPs are included as Attachment F [REDACTED] [REDACTED]
2. RCRC will review all mandated maximum time frames for action with staff that administer the FCPP by February 1, 2015.

Finding 6.C.: Family Cost Participation Program – Late Notification

The review of 15 sampled FCPP client files revealed two instances where RCRC did not notify the parents of their assessed share of cost within 10 working days of receipt of the parent's income documentation. The notification letters were sent more than 20 days after income documentation was received. RCRC indicated that when income documentation is initially received by RCRC, the documentation is not immediately given to the FCPP Unit Assistant, causing the delay in notification.

Recommendation:

RCRC must ensure that the staff receiving the income documentation notifies the FCPP Unit Assistant timely for the completion of the FCPP assessment and corresponding notification letters. RCRC staff must also be made aware that notification letters detailing the parents' assessed share of cost are to be sent within 10 working days of receipt of the income documentation as required by W&I Code, section 4783(g)(3).

RCRC Response:

RCRC will review all mandated maximum time frames for action with staff that administer the FCPP by February 1, 2015.

Finding 7: Policies and Procedures for Vendor Audits and Reviews

The review of the list of RCRC vendors required to contract with an independent accounting firm for an audit or review of its financial statements revealed 37 out of 66 vendors did not submit an audit or review as required. It was found that RCRC has no procedures in place to follow-up with the vendors who are required to, but have not yet, submitted audit reports or reviews.

Recommendation:

RCRC must develop policies and procedures to ensure it is properly tracking and following up with vendors who are required to, but have not yet, submitted audit reports or reviews. Failure to receive these reports limits RCRC's ability to detect vendor issues that may adversely affect regional center services.

RCRC Response:

RCRC has developed policies and procedures to ensure it properly tracks and initiates follow up action with vendors who are required to perform an annual audit or review. These protocols are attached as **Attachment G**. This monitoring will come under the purview of the agency's Controller/Fiscal Monitor.

Finding 8: Segregation of Duties

The review of the internal controls over the operational expenses process revealed a lack of separation of duties. The Senior Fiscal Clerk has the ability to create vendor profiles in UFS, delete vendor's files, print vendor invoices, and issue checks. In addition, the Senior Fiscal Clerk has full access to all AS400 files and is responsible for troubleshooting all IT related issues. This weakness in RCRC's control increases the risk of fraud and decreases chances of detecting errors.

Recommendation:

RCRC must review the current responsibilities of the Senior Fiscal Clerk and limit or reassign the employee job duties to ensure that proper separation of duties exists.

RCRC Response:

Based on our small staff size, one individual is both the Senior Fiscal Clerk and the System Operator. The issue of this individual's "access" is somewhat of a catch-22: Per Barbara Golterman at DDS (11/13/14), "...There is no way in (UFS) to restrict your System Operator from access to the functions you mentioned." Specifically, these functions include the addition/deletion of vendors in UFS, printing vendor invoices and issuing checks. That is because, according to Ms. Golterman, the UFS system provides "all-or-nothing" access to these functions, which are the core duties of the Systems Operator.

Ms. Golterman has suggested that someone outside of the fiscal department be responsible for adding and deleting vendors. While this will be implemented by

Edward Yan
December 15, 2014
Page 8 of 8

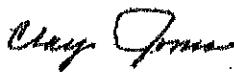
February 1, 2015, we cannot restrict the System Operator's access to these functions (because of the UFS all-or-nothing access structure).

Additionally, we are working with Ms. Golterman and her staff to create a monthly report that can be reviewed by our Controller that will ID all vendor additions/deletions, and note who processed the addition/deletion. If the addition/deletion was processed by anyone other than the one designated staff position, the transaction will be identified by the Controller for review.

Should you have any questions or require additional information regarding our above responses, please do not hesitate to contact me. I will provide you with an update by February 10, 2015 on all items noted above as requiring follow up.

We greatly appreciate the time and effort that you, your staff and the Department expend to help ensure our Regional Center is in compliance with applicable law, regulation and our service contract. We also greatly appreciate the confidence that you place in our agency, as noted by your comments in the audit that except for the findings noted above, RCRC was in compliance with the applicable sections of CCR, title 17, the HCBS Waiver and the State Contract with DDS for the audit period July 1, 2011 through June 30, 2013.

Sincerely,



Clay Jones
Executive Director

attachments

cc: Patrick Okey, RCRC
Jean Johnson, DDS
Nancy Bargmann, DDS
Brian Winfield, DDS
Luciah Ellen Nzima, DDS
Oscar Perez, DDS

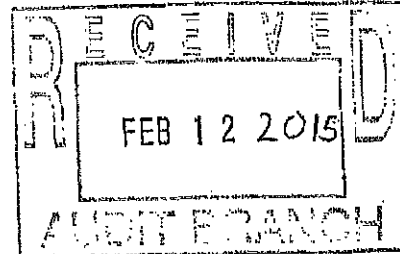


Redwood Coast Regional Center

Respecting Choice in the Redwood Community

February 10, 2015

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



Dear Mr. Yan:

The purpose of this correspondence is to provide you with an update on our audit responses that were to be completed by February 1, 2015, as noted in Mr. Jones' correspondence to you of December 15, 2014.

Finding 1: Overstated Claims

RCRC has reimbursed DDS \$900 for the noted overpayment. This repayment was included in check #319570 to DDS dated 1/6/15 in the amount of \$1,715.68 (see **Attachment 1**).

Finding 2.A: Equipment Inventory – Missing Equipment

3. All staff involved in the acquisition, maintenance or disposal of equipment received an inservice on such on Thursday, January 29, 2015. Documentation of such inservice is attached as **Attachment 2**.

Finding 2.B: Equipment Inventory – Equipment Acquisition and Survey Forms

All staff involved in the acquisition, maintenance or disposal of equipment received an inservice on such on Thursday, January 29, 2015. Documentation of such inservice is attached as **Attachment 2**.

Finding 5: Annual Family Program Fee – Reduced Fees Not Supported

RCRC has reimbursed DDS \$100 for the noted overpayment. This repayment was included in check #319570 to DDS dated 1/6/15 in the amount of \$1,715.68 (see **Attachment 1**).

Corporate Offices 525 - 2nd 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 Northeast Dr., Crescent City, CA 95531 707-464-7488 * □ 180 Third Street., Lakeport, CA 95453-707-262-0470

Finding 6.A.: Family Cost Participation Program – Overstated Share of Cost

RCRC has reimbursed DDS \$715.68 for the noted overpayment. This repayment was included in check #319570 to DDS dated 1/6/15 in the amount of \$1,715.68 (see Attachment 1).

Finding 6.B.: Family Cost Participation Program – Late Assessments

All staff involved with the FCPP program received an inservice on responsibilities and time frames by participating in one of three inservices on such, which were held on January 14, 20 & 30, 2015. Documentation of such inservice is attached as Attachment 3. See item #4.

Finding 6.C.: Family Cost Participation Program – Late Notification

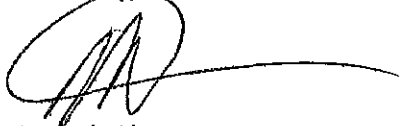
All staff involved with the FCPP program received an inservice on responsibilities and time frames by participating in one of three inservices on such, which were held on January 14, 20 & 30, 2015. Documentation of such inservice is attached as Attachment 3. See item #4.

Finding 8: Segregation of Duties

A position outside of the fiscal department has been given the responsibility for adding and deleting vendors. Additionally, Ms. Golterman and her staff has created a monthly report that can be reviewed by our Controller that will ID all vendor additions/deletions, and note who processed the addition/deletion. The Controller will be responsible for reviewing this report monthly and reviewing any unauthorized activity. A copy of the report template is attached as Attachment 4.

This should bring to closure all follow up items from the audit. Should you have any questions or require additional information regarding the above information, please do not hesitate to contact me.

Sincerely,



Patrick Okey
Director of Administration

attachments