



**AUDIT OF THE  
REDWOOD COAST REGIONAL CENTER  
FOR FISCAL YEARS 2006-07, 2007-08 AND 2008-09**

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**Department of Developmental Services**

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# EXECUTIVE SUMMARY

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The fiscal compliance audit of Redwood Coast Regional Center (RCRC) revealed that RCRC was in 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 Department of Developmental Services. The audit indicated that, overall, RCRC maintains accounting records and supporting documentation for transactions in an organized manner. However, this report identifies some areas where RCRC's administrative, and operational controls could be strengthened. In addition, the report indicates RCRC has not taken action to resolve several repeat findings identified from prior year DDS audits. The repeat nature of these findings is quite concerning to DDS. RCRC must immediately resolve these finding and provide DDS with supporting documentation by September 30, 2011 indicating that these findings have been resolved.

## I. Findings that need to be addressed.

### **Finding 1: Lack of Written Policies and Procedures (Repeat)**

The review of the bank reconciliations, consultant contracts, operational expenses, contract payments, Self Determination expenditures, State claims, Early Start expenditures, petty cash, and rental/lease agreements revealed that RCRC still does not have any formal written policies and procedures in place for each of these areas. This finding was reported in the prior DDS audit report.

### **Finding 2: Petty Cash Monthly Reconciliation (Repeat)**

The review of the petty cash receipts revealed that the RCRC offices located at Ukiah, Lakeport, Fort Bragg, Eureka, and Crescent City are still not completing monthly reconciliations. Reconciliations are only performed when a request is submitted for replenishment. This finding was reported in the two prior DDS audit reports.

### **Finding 3: Missing "Hold Harmless" Clause (Repeat)**

A review of RCRC's lease agreements for real property revealed that the rental leases for the Fort Bragg and Lakeport offices, and parking spaces in the City of Eureka did not include the "Hold Harmless" clause. This is not in compliance with Article VII, Section 1 of the DDS contract with RCRC. This finding was reported in the two prior DDS audit reports.

### **Finding 4: Improper Accounting of Security Deposits (Repeat)**

The review of RCRC's rental lease agreements revealed three security deposits totaling \$24,435 were not properly reflected in the General Ledger's prepaid lease account, but were recorded as an expense in the facility rent account. This finding was reported in the prior audit report.

**Finding 5: Equipment Inventory**

The review of RCRC's inventory policy and procedures revealed that RCRC failed to complete a comprehensive physical inventory of equipment once every three years at three of its offices. This is not in compliance with the State's Equipment Management System Guidelines issued by DDS.

**Finding 6: Targeted Case Management Time Study - Recording of Attendance**

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

**Finding 7: Family Cost Participation Program (FCPP)**

**A. Missing Income Verification Documentation**

The review of the FCPP consumer eligibility and family share of cost revealed that seven of eight consumer files lacked income verification documents. This is not in compliance with CCR, title 17, section 50262(a).

**B. Late Notification Letters**

The sample review of the eight FCPP files revealed that four notification letters sent to inform parents of their assessed share of cost were not sent within 10 working days of receipt of the income documentation. This is not in compliance with the W&I Code, section 4783(g)(3).

**Finding 8: Medi-Cal Provider Agreement Forms**

The review of 39 Day and Residential program vendor files revealed 10 instances in which Medi-Cal Agreement forms were improperly completed. These forms were either missing vendor numbers or had multiple service codes. This is not in compliance with CCR, title 17, section 54326(a)(16).

## **BACKGROUND**

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

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

In addition to the fiscal compliance audit, each regional center will also be reviewed by DDS Federal Programs Operations Section staff to assess overall programmatic compliance with HCBS Waiver requirements. 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 the Regional Center's fiscal, administrative and program operations.

DDS and Redwood Coast Development Services Corporation, Inc. entered into a contract, HD049014, effective July 1, 2004, through June 30, 2009. This contract specifies that Redwood Coast Development Services Corporation, Inc. 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 February 22, 2010, through March 18, 2010, and was conducted by DDS's Audit Branch.

## **AUTHORITY**

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

## **CRITERIA**

The following criteria were used for this audit:

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

## **AUDIT PERIOD**

The audit period was July 1, 2006, through June 30, 2009, 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 Welfare and Institution (W&I) Code ( or the Lanterman Act)
- To determine compliance to Title 17, California Code of Regulations (CCR, title 17),
- To determine compliance to the provisions of HCBS Waiver for the developmentally disabled, and
- To determine that costs claimed were in compliance to the provisions of the RCRC's contract with DDS.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of RCRC's financial statements. DDS limited our 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 CCR, title 17, HCBS Waiver for the developmentally disabled, and the contract with DDS.

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

DDS reviewed the annual audit reports that were conducted by an independent accounting firm and the associated management letters for the following Fiscal Years (FYs):

- 2006-07, issued January 7, 2008
- 2007-08, issued January 21, 2009

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 Purchase of Service (POS) claimed and billed to DDS. The sample included consumer services, vendor rates, and consumer trust accounts. The sample also included consumers who were eligible for HCBS Waiver. For POS 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 individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17.
- DDS analyzed all of RCRC bank accounts to determine if DDS had signatory authority as required by the contract with DDS.
- DDS selected a sample of bank reconciliations for Operations bank accounts to determine if the reconciliations are properly completed on a monthly basis.

**II. Regional Center Operations**

DDS audited RCRC's operations and conducted tests to determine compliance to the contract with DDS. The tests included various expenditures claimed for administration to ensure that accounting staff was properly inputting data, transactions were recorded on a timely basis, and 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 were selected to determine if there were any overpayments or errors in the payroll or 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 to CCR, title 17 and the contract with DDS.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the contract with DDS.

- DDS reviewed RCRC's policies and procedures for compliance to the CCR, title 17 Conflict of Interest requirements and selected a sample of personnel files to determine if the policies and procedures were followed.

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

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

- Reviewed applicable TCM records and verified the information submitted by RCRC in order to calculate whether the TCM rate could be traced to the General Ledger and Payroll Register.
- 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 the W&I Code, section 4640.6(e), regional centers are required to provide service coordinator caseload data to DDS annually for each fiscal year. Prior to January 1, 2004, the survey required regional centers to have an average service coordinator-to-consumer ratio of 1:62 for all consumers who have not moved from developmental centers to the community since April 14, 1993, and an average ratio of 1:45 ratio for all consumers who have moved from developmental centers to the community since April 14, 1993.

Commencing January 1, 2004, the following average service coordinator-to-consumer ratios apply:

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

However, commencing February 1, 2009, to June 30, 2010, under W&I Code, section 4640.6(i), regional centers are no longer required to provide service coordinator caseload data to DDS on an annual basis. Instead, regional centers are to retain service

coordinator caseload data on file for the auditors' review in order to maintain compliance with the service coordinator-to-consumer ratio requirements.

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

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

For the Early Intervention Program, there are several sections contained in the Early Start Plan. However, Part C was the only section applicable for this review. For this program, we reviewed the Early Intervention Program, including Early Start Plan and Federal Part C funding to determine if the funds were properly accounted for in RCRC's accounting records.

**VI. Family Cost Participation Program**

The Family Cost Participation Program (FCPP) was created for the purpose of assessing cost participation to parents based on income level and dependents. The Family Cost Participation assessments are only applied to respite, day care, and camping services that are included in the child's Individual Program Plan (IPP). To determine whether RCRC is in compliance with CCR, title 17 and the W&I Code, DDS performed the following procedures during our 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 Family Cost Participation.
- 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 RCRC is paying for only its assessed share of cost.

**VII. Other Sources of Funding**

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

- Medicare Part D Program
- Family Resource Center Program
- Self Determination Program
- Start-Up Program

### **VIII. Follow-up Review on Prior DDS's Audit Findings**

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit 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. However, it was found that RCRC has not taken corrective action to resolve several prior audit findings as indicated in their prior audit responses.

## 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 the W&I Code, CCR, title 17, the HCBS waiver, and the terms of State Contract with DDS for the audit period July 1, 2006, through June 30, 2009.

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

From the review of prior audit issues, it has been determined that RCRC has not taken appropriate corrective action to resolve prior audit issues. RCRC reported in its prior responses the corrective action it is taking to remediate the various audit findings; however, it was found during the DDS audit that many of the findings have not been resolved as indicated in the responses submitted to DDS. The repeat nature of these findings and the lack of corrective action taken to resolve the findings are of concern to DDS. RCRC must provide DDS with documentation by September 30, 2011 indicating that these issues have been resolved.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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DDS issued a draft report on December 28, 2010. The findings in the report were discussed at an exit conference with RCRC on January 19, 2011. 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 Department of Developmental Services, Department of Health Care Services, Centers for Medicare and Medicaid Services, and Redwood Coast Regional Center. It is not intended and should not be used by anyone other than these specified parties. This restriction does not limit distribution of this report, which is a matter of public record.

## **FINDINGS AND RECOMMENDATIONS**

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

#### **Finding 1: Lack of Written Policies and Procedures (Repeat)**

The review of the bank reconciliations, consultant contracts, operation expenses, contract payments, Self Determination expenditures, State claims, Early Start expenditures, petty cash, and rental/lease agreements revealed that RCRC still does not have any formal written policies and procedures in place for each of these areas. RCRC's Board of Directors are aware of this issue and are in the process of performing a comprehensive review of the agency's policies. This finding was reported in the prior DDS audit report.

Good internal controls and sound business practices dictate that written policies and procedures are in place to ensure the efficiency and effectiveness of the organization's operations, as well as to ensure that staff is aware of the tasks to be performed for the areas assigned.

#### **Recommendation:**

RCRC has not abided by its prior audit response which stated that they will develop and implement written policies and procedures in the above mentioned areas to ensure that staff is aware of the tasks to be performed, as well as to prevent any errors from occurring.

#### **Finding 2: Petty Cash Monthly Reconciliation (Repeat)**

The review of the petty cash receipts revealed that the RCRC offices located at Ukiah, Lakeport, Fort Bragg, Eureka, and Crescent City are still not completing monthly reconciliations. The reconciliations are only performed when a request is submitted for replenishment. This finding was reported in two prior DDS audit reports. RCRC stated in its prior responses that policies are in place and that these policies are carefully enforced; however, it was found there were no policies or procedures in place and the employees responsible for the petty cash were not aware of any procedures for petty cash reconciliations.

Good internal control and sound business practices dictate an implementation of policies and procedures that require monthly petty cash reconciliations to ensure cash receipts and disbursements are processed timely and are correctly recorded in the month in which it was incurred.



**Recommendation:**

RCRC should make certain that it has implemented policies and procedures to ensure monthly reconciliations of the petty cash account. RCRC should ensure when implemented, these procedures are communicated to all staff responsible for the petty cash reconciliations. In addition, the monthly reconciliations will help safeguard assets and ensure the timely detection of errors and irregularities.

**Finding 3: Missing “Hold Harmless” Clause (Repeat)**

The review of RCRC’s lease agreements for real property revealed that the rental leases for the Fort Bragg and Lakeport offices and parking spaces in the City of Eureka, did not include the “Hold Harmless” clause as required by the contract with DDS. This finding was reported in two prior DDS audit reports. RCRC stated that it has sought legal advice from its lawyer regarding the current language in the lease agreements and believes it sufficiently meets the clause requirement. However, per the contract with DDS, this clause needs to be included in their lease agreements. (See Attachment A.)

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.”

This clause is needed to ensure the State is held harmless for any claims and/or losses that may be associated with these leases.

**Recommendation:**

RCRC should amend the lease agreements to include the “Hold Harmless” clause. This would ensure that RCRC is in compliance with the State contract and protect the State from claims and/or losses resulting from these leases. In addition, RCRC should implement policies and procedures to ensure that any future lease agreements comply with this requirement.

**Finding 4: Improper Accounting of Security Deposits (Repeat)**

The review of RCRC’s rental leases revealed three security deposits totaling \$24,435 that were not properly reflected in the General Ledger’s prepaid lease account, but were recorded as an expense to the facility rent account. This failed to properly reflect the deposits as assets in the prepaid lease account. As a result, RCRC’s prepaid lease account is understated and the facility expenses are overstated. This finding was reported in the prior audit reports. Although RCRC agreed to correct this issue in its prior response, the accounting staff stated that RCRC Management had not given specific guidance on how to resolve this issue. (See Attachment B.)

Generally accepted accounting principles dictate that accounting transactions be properly recorded in the accounting system to ensure that the financial statements are fairly stated.

**Recommendation:**

RCRC should abide by its prior response and record the refundable security deposits to the appropriate General Ledger prepaid rental/lease account. In addition, RCRC should implement policies and procedures to ensure that any security deposits refunded to RCRC are returned to DDS.

**Finding 5: Equipment Inventory**

The review of RCRC's inventory policy and procedures revealed that RCRC failed to complete a comprehensive physical inventory of equipment once every three years for the offices located in Crescent City, Eureka, and Fort Bragg.

State Contract, article IV, section 4(a) states in part:

“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.”

Section III(F) of the State’s Equipment Management System Guidelines, dated February 1, 2003, states in part:

“The inventory will be conducted per State Administrative Manual (SAM) Section 8652.”

State Administrative Manual (SAM), section 8652 states in part:

“Departments will make a physical inventory count of all property and reconcile the count with accounting records at least once every three years.

Departments are responsible for developing and carrying out an inventory plan which will include:

2(b) Worksheets used to take inventory will be retained for audit and will show the date of inventory and the name of the inventory taker.”

**Recommendation:**

RCRC should assume a more active role in overseeing the inventory process to ensure inventory taking is complete, timely, and complies with the State’s Equipment Management System Guidelines.

**Finding 6: Targeted Case Management Time Study – Recording of Attendance**

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

For good business and internal control practices, 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 should implement policies and procedures to ensure that all employee timesheets are in agreement with the TCM study forms. In addition, RCRC should ensure that its supervisors review the time study forms and timesheets to ensure complete and accurate data is reported to DDS.

**Finding 7: Family Cost Participation Program (FCPP)**

**A. Missing Income Verification Documentation**

The review of FCPP consumer files for eligibility revealed seven out of eight sample files were missing the parent's income verification documents to support the family's eligibility for assessed share of cost. The RCRC program staff was not aware that FCPP records are to be retained for three years. In addition, RCRC's current policy and procedures do not require parents' income verification documents be retained. (See Attachment C.)

CCR, title 17, section 50262(a) states:

“Any documentation submitted pursuant to Sections 50261, 50265, or 50257 any documents relied on by the executive director pursuant to 50265, and correspondence from the regional center, shall be retained by the regional center for 3 years.”

**Recommendation:**

RCRC should implement policies and procedures and ensure that parents' income verification documents are retained for three years per CCR, title 17 requirements.

## **B. Late Notification Letters**

The sample review of FCPP files revealed four out of eight notification letters sent to inform parents of their assessed share of cost were not sent within 10 working days of receipt of the income documentation. The staff person responsible for FCPP was not aware of the regulations in place for FCPP. (See Attachment D.)

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

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

### **Recommendation:**

RCRC should ensure that its staff responsible for FCPP is aware of the policies and procedures which state that notification letters detailing the parents’ assessed share of cost are sent to consumer parents within 10 working days of receipt of income documentation as required by the W&I code, section 4783(g)(3).

### **Finding 8: Medi-Cal Provider Agreement Forms**

The review of 39 Day and Residential program vendor files revealed that 10 Medi-Cal Provider Agreement forms were found to be improperly completed by RCRC. The forms were either missing the vendor numbers or had multiple service codes. (See Attachment E.)

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

“All vendors shall...

(16) Sign the Home and Community Based Service provider Agreement (6/99), if applicable pursuant to Section 54301(a)(10)(I)(d).”

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

### **Recommendation:**

RCRC should ensure that vendors which render multiple services have separate Medi-Cal Provider Agreement forms on file for each billing service code. In addition, RCRC should establish verification procedures to ensure forms are complete and accurate in order to maintain compliance with CCR, title 17 requirements.

## 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 March 10, 2011, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section as well as a summary of the findings in the Executive Summary section.

The DDS Audit Branch has evaluated RCRC's response and found that RCRC has numerous repeat findings that have been identified in previous audits. These findings are of serious concern to DDS. RCRC must recognize that these findings are of a serious nature and must take immediate corrective action to resolve all current and prior findings. Supporting documentation confirming that RCRC has implemented the corrective action plan, must be provided to the DDS Audit Branch by September 30, 2011.

**Finding 1: Lack of Written Policies and Procedures (Repeat)**

The review of the bank reconciliations, consultant contracts, operational expenses, contract payments, Self Determination expenditures, State claims, Early Start expenditures, petty cash, and rental/lease agreements revealed that RCRC still does not have any formal written policies and procedures in place for each of these areas. RCRC concurs with this finding and states that they will develop and implement written policies and procedures for each area mentioned in this finding by August 31, 2011. This finding was reported in the prior DDS audit report. RCRC needs to give this issue serious consideration and immediately provide a corrective action plan to DDS by September 30, 2011 showing that policies and procedures have been implemented. A follow-up review will be performed in the next scheduled audit to ensure that the newly implemented policies and procedures are being followed.

**Finding 2: Petty Cash Monthly Reconciliation (Repeat)**

The review of the petty cash receipts revealed that the RCRC offices located at Ukiah, Lakeport, Fort Bragg, Eureka, and Crescent City are still not completing monthly reconciliations. Reconciliations are only performed when a request is submitted for replenishment. RCRC concurs with this finding and plans to develop and implement procedures for the petty cash reconciliation by August 31, 2011. This finding was reported in the TWO prior DDS audit reports. RCRC needs to seriously consider this issue and immediately provide a corrective action plan along with supporting documentation verifying that reconciliations are being completed monthly. RCRC should provide supporting documentation to DDS by September 30, 2011 indicating that this issue is resolved. In addition, a

follow-up review will be performed in the next scheduled audit to determine if RCRC's Petty Cash reconciliations are completed monthly.

**Finding 3: Missing "Hold Harmless" Clause (Repeat)**

The review of RCRC's lease agreements for real property revealed that the rental leases for the Fort Bragg and Lakeport offices and parking spaces in the City of Eureka did not include the "Hold Harmless" clause as required by the contract with DDS. RCRC concurs with the finding and states that it will have this issue resolved by June 30, 2011. This finding was reported in the TWO prior DDS audit reports. RCRC needs to seriously consider this issue and should provide DDS with supporting documentation by September 30, 2011 indicating that the "Hold Harmless" clause has been included in its lease agreements.

**Finding 4: Improper Accounting of Security Deposits (Repeat)**

The review of RCRC's rental lease agreements revealed that three security deposits totaling \$24,435.00 were not properly reflected in the General Ledger's prepaid lease account, but were incorrectly recorded as an expense in the facility rent account. RCRC concurs with this finding and submitted a journal entry showing that \$22,875.00 of this amount has been moved to a Prepaid Lease/Rent account while the remaining \$1,560.00 was reimbursed to RCRC since the lease agreement with Lakeport has since expired; therefore, this issue has been resolved.

**Finding 5: Equipment Inventory**

The review of RCRC's inventory policy and procedures revealed that RCRC failed to complete a comprehensive physical inventory of equipment once every three years at three of its offices. RCRC concurs with this finding and plans to take corrective action by completing the physical inventory for Crescent City, Eureka and Fort Bragg by August 31, 2011. As stated in its response, RCRC needs to seriously consider this issue and provide a corrective action plan to DDS indicating that a comprehensive physical inventory of equipment has been conducted. RCRC should provide DDS with supporting documentation by September 30, 2011 indicating that physical inventory has been completed.

**Finding 6: Targeted Case Management Time Study – Recording of Attendance**

The review of RCRC's Targeted Case Management (TCM) Time Study revealed that four out of six (67%) of the sampled employees' time sheets did not match the (DS1960) forms. RCRC concurs with this finding and states that it has taken corrective action by providing training to its employees. In addition, RCRC states that it has updated the (TCM) Time Study procedures to resolve this issue. RCRC should provide DDS with their updated Time Study procedures indicating that the

new procedures are in place. In addition, RCRC should also provide supporting documentation showing that employees who participate in the Time Study have been trained on the new procedures. Supporting documentation should be provided to DDS by September 30, 2011 to show that this issue has been resolved.

**Finding 7: Family Cost Participation Program (FCPP)**

The review of the FCPP files revealed that RCRC was missing income verification documents for seven out of eight (88%) of the sampled consumers. In addition, four out of eight (50%) of the letters sent to parents informing parents of the assessed share of cost were not sent within 10 working day of receipt of income documentation. RCRC concurs with this finding and states that on February 7, 2011 it redistributed the April 2009 State of California, Department of Developmental Services, Family Cost Participation Program Guide for the retraining of service coordinators. RCRC stated that service coordinators will be retrained how to use these guidelines by the target date of June 30, 2011. DDS recommends that RCRC provide DDS with supporting documentation indicating that corrective action has been taken to resolve this issue. This documentation should be provided to DDS by September 30, 2011. A follow-up review will be performed in the next scheduled audit to determine whether services coordinators were retrained and thereby ensuring that the issue has been resolved.

**Finding 8: Medi-Cal Provider Agreement Forms**

The review of 39 Day and Residential program vendor files revealed that 10 (26%) of the sampled Medi-Cal Provider Agreement forms were improperly completed by RCRC. The forms were either missing the vendor numbers or had multiple service codes. RCRC concurs with this finding and plans to take corrective action by updating their existing vendor charts to assure that the Medi-Cal Provider Agreement forms are correctly filled out. DDS recommends that RCRC provide DDS with supporting documentation indicating that corrective action has been taken to resolve the 10 issues documented. This documentation should be provided to DDS by September 30, 2011. In addition, RCRC needs to ensure all old and new vendors have a properly filled out Medi-Cal Provider Agreement form. A follow-up will be performed in the next scheduled audit to determine whether the issue has been completely resolved.

**Redwood Coast Regional Center**  
**Summary of Leases Without the Hold Harmless Clause**  
**Fiscal Years 2006-07, 2007-08, and 2008-09**

	<b>Landlord</b>	<b>Location</b>	<b>Lease Term</b>
1		Fort Bragg, CA	4/14/2005 - 9/30/2008
2	A&K Investments, LLC.	Eureka, CA	4/2000 - 4/2010
3	Lakeport Associates	Lakeport, CA	4/2/1999 - 4/2/2007
4	Debros LLP	Lakeport, CA	2/1/2008 - 2/1/2018



**Redwood Coast Regional Center  
Security Deposits  
Fiscal Years 2006-07, 2007-08, and 2008-09**

	<b>Location</b>	<b>Landlord</b>	<b>Lease Term</b>	<b>Security Deposit</b>
1	Eureka	A & K Investments	10 Year Lease, 11/1/00-11/1/10	\$20,000
2	Fort Bragg		3 Year Lease, 4/14/05-9/30/08	\$2,875
3	Lakeport	Seagull	8 Year Lease, 10/5/01-5/5/09	\$1,560
<b>Total Security Deposits</b>				<b>\$24,435</b>

**Redwood Coast Regional Center  
FCPP Income Verification  
Fiscal Years 2006-07, 2007-08, and 2008-09**

	Unique Client Identification Number
1	
2	
3	
4	
5	
6	
7	

**Redwood Coast Regional Center  
FCPP Late Notification Letters  
Fiscal Years 2006-07, 2007-08, and 2008-09**

	<b>Unique Client Identification Number</b>
1	
2	
3	
4	

**Redwood Coast Regional Center  
Medi-Cal Provider Agreement Forms  
Fiscal Years 2006-07, 2007-08, and 2008-09**

	<b>Vendor Name</b>	<b>Vendor Number</b>	<b>Service Code</b>	<b>Comment</b>
1	Social Vocational Services	HS0294	505	1
2	Knocit Instructional Services - Lakeport	H10980	510	2
3	HCAR - Bay Center	H11386	510	2
4	Next Step	H63899	515	2
5		HR0077	905	3
6		HR0323	905	3
7	True to Life Children's Svc.	H13634	920	3
8	Turning Point Stockton	HV0011	920	3
9	Jaz Kidz, Inc.	HR0312	113	3
10	Jaz Kidz, Inc. - Nana's House	HR0348	113	4

**Legend:**

1=Missing Medi-Cal Provider Agreement Form

2=Corrected Medi-Cal Provider Agreement Form

3=Incomplete Medi-Cal Provider Agreement Form

4=Medi-Cal Provider Agreement Form with Multiple Vendor Numbers and/or Service Codes

**Redwood Coast Regional Center**  
**Missing Negotiated Contracts**  
**Fiscal Years 2006-07, 2007-08, and 2008-09**

	<b>Vendor Name</b>	<b>Vendor Number</b>	<b>Service Code</b>
1	Turning Pt. - Country Roads	HR0217	113
2	Turning Pt. - Journey On	HR0249	113

**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.)**

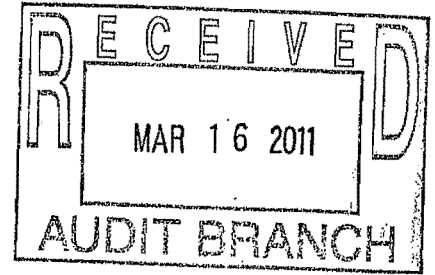


# Redwood Coast Regional Center

Respecting Choice in the Redwood Community

Redwood Coast Regional Center  
1000000000

Date: March 10, 2011  
To: Ellen Nzima  
DDS Audit Department



Subject: Audit Response – 06-07, 07-08 and 08-09

Dear Ellen,

Please find attached the Redwood Coast Regional Center's response to the findings from the DDS audit for Fiscal Years 06-07, 07-08 and 08-09. If you have any questions, please let me know.

Sincerely,

Robert Avery  
707-462-3832, ext.245

# Redwood Coast Regional Center

## Plan of Action Response to DDS Audit Findings

FY 2006-07, FY 2007-08, and FY 2008-09

**Finding 1:** Lack of Written Policies and Procedures

**Responsibility:** Director of Administration

**Corrective Action:** We will develop, document and implement written policies and procedures for each of the processes mentioned. These will be published in a binder to be housed in the Fiscal Department.

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**Target Date:** August 31, 2011

**Finding 2:** Petty Cash Monthly Reconciliation

**Responsibility:** Director of Administration

**Corrective Action:** We will develop, document, publish and implement a sound policy and associated procedure(s) for the monthly reconciliation of petty cash.

**Target Date:** May 31, 2011

**Finding 3:** Missing "Hold Harmless" Clause

**Responsibility:** Office Managers

**Corrective Action:** We will attempt to get our lessors to accept revised leases that will add this clause, without increasing our rent.

**Target Date:** June 30, 2011

**Finding 4:** Improper Accounting of Security Deposits

**Responsibility:** Director of Administration

**Corrective Action:** We immediately submitted a possible journal entry to correct this. We are awaiting a response from DDS as to the appropriateness of the entry.



**Target Date:** June 30, 2011

**Finding 5:** Equipment Inventory

**Responsibility:** Director of Administration

**Corrective Action:** We will perform the inventory as detailed in our policy and procedures by shifting responsibility for the physical inventory for Crescent City, Eureka and Fort Bragg to staff in those offices or to staff who can travel to those offices.

**Target Date:** August 31, 2011

**Finding 6:** Targeted Case Management Time Study – Recording of Attendance

**Responsibility:** Director of Consumer Services

**Corrective Action:** On January 24, 2011, a review of the Audit findings was conducted by RCRC's Consumer Services Management Team, along with a brief training of the Targeted Case Management (TCM) Time Study process and the expectation that both the employee's time record during the time study and their TCM records "mirror" each other in regards to time worked, vacation and/or sick leave taken. In addition, RCRC's internal Targeted Case Management (TCM) Time Study procedures were updated to reflect this expectation.

**Target Date:** May 31, 2011

**Finding 7:** Family Cost Participation Program (FCPP)

**Responsibility:** Director of Consumer Services

**Corrective Action:** On February 7, 2011, the FCPP Coordinator for RCRC redistributed the April 2009 *State of California – Department of Developmental Services Family Cost Participation Program Guide* to RCRC's Consumer Service's Management Team for review and retraining of his/her team of service coordinators regarding the regional center's responsibility to:

**A. Missing Income Verification Documentation**

Maintain a family's FCPP income documentation for a minimum of three (3) years; and

**B. Late Notification Letters**

Provide, within ten (10) working days of receipt of income documentation, written notification to the family detailing the parents' assessed share of cost.

**Target Date:** June 30, 2011

**Finding 8:** Medi-Cal Provider Agreement Forms

**Responsibility:** Director of Community Services

**Corrective Action:** All new vendors will have a properly filled out Medi-Cal provider agreement form. RCRC will begin to update the existing vendor charts to assure that all files have correctly filled out forms.

**Target Date:** December 31, 2011