



**AUDIT OF THE
REGIONAL CENTER OF THE EAST BAY
FOR FISCAL YEARS 2009-10 AND 2010-11**

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of the Regional Center of the East Bay (RCEB) was conducted to ensure RCEB's compliance 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 contracts with DDS. The audit indicated that, overall, RCEB maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where RCEB's administrative, operational controls could be strengthened. A follow-up review was performed to ensure RCEB has taken corrective action to resolve the findings identified in the prior DDS audit report.

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

I. Findings that need to be addressed.

Finding 1: Payment Reduction

A review of 135 sampled Purchase of Service (POS) vendor files from various service codes and the review of the Uniform Fiscal Systems (UFS) Operational Indicator reports revealed RCEB did not correctly apply the 3 and 4.25 percent payment reduction to 22 vendors. This resulted in over and understated claims totaling \$4,637.80 and \$9,998.33, respectively. This is not in compliance with Assembly Bill 104, chapter 37, section 24, section 10(a) and (b)(3), and CCR, title 17, section 54326(a)(12).

RCEB has taken corrective action to resolve \$1,478.51 of the overstated amount and \$185.93 of the understated amount. RCEB remains with \$3,159.29 in overstated and \$9,812.40 in understated claims still outstanding.

Finding 2: Family Cost Participation Program - Late Assessments

A sample review of 30 Family Cost Participation Program (FCPP) files revealed five instances where RCEB did not assess parents' share of cost at the maximum amount when parents did not provide income documentation within 10 working days from the date of the parents' signatures on the Individual Program Plan (IPP). Assessments of these consumers were completed up to three months after the parents submitted their income documentation. This is not in compliance with W&I Code, section 4783(g)(4) and CCR, title 17, section 50261(a).

Finding 3: Targeted Case Management Time Study – Recording of Attendance (Repeat)

The review of the Targeted Case Management (TCM) time study revealed that for seven of the 20 sampled employees, vacation and sick hours recorded on the timesheets did not properly reflect what was recorded on the TCM Study Forms (DS 1916). This issue was also identified in the prior DDS audit report.

II. Findings that have been addressed and corrected by RCEB.

Finding 4: Overstated Claims

A review of the UFS Operational Indicator reports revealed 24 instances in which RCEB overstated expenses to the State totaling \$11,299.12. The overpayments were due to either duplicate payments or overlapping authorizations. This is not in compliance with CCR, title 17, section 54326(a)(10).

RCEB has taken corrective action by recovering the overpayments from the respective vendors.

Finding 5: Deceased Consumers – Multiple Dates of Death

The review of the UFS Death Report identified five consumers with multiple dates of death recorded. This is not in compliance with the State Contract, article IV, section 1(c)(1).

RCEB has taken corrective action in resolving this issue by researching the correct date of death for each consumer and updating all five consumers' actual date of death in the UFS.

Finding 6: Improper Allocation of Community Placement Plan Funds

A sample review of 20 Community Placement Plan (CPP) consumers' expenses revealed RCEB improperly allocated CPP funds. RCEB reimbursed two vendors, using CPP funds for two consumers that had not moved from the developmental center to the community. This resulted in overstated CPP claims totaling \$66,241.28. This is not in compliance with the W&I Code, section 4418.25(b) and (d).

RCEB has taken corrective action by adjusting the overstated CPP claims for the two consumers that were paid using CPP funds.

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. The regional centers are responsible under State law to help ensure that such persons receive access to the programs and services that are best suited to them throughout their lifetime.

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

In addition to the fiscal compliance audit, each regional center will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review 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 regional centers' fiscal, administrative and program operations.

DDS and Regional Center of the East Bay, Inc. entered into a contract, HD099015, effective July 1, 2009, through June 30, 2016. This contract specifies that Regional Center of the East Bay, Inc. will operate an agency known as the Regional Center of the East Bay (RCEB) to provide services to persons with DD and their families in Alameda and Contra Costa Counties. The contract is funded by State and Federal funds that are dependent upon the RCEB performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at RCEB from April 16, 2012, through May 18, 2012, and was conducted by the DDS Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

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

OBJECTIVES, SCOPE, AND METHODOLOGY

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

- To determine compliance with the W&I Code (or the Lanterman Act),
- To determine compliance with CCR, title 17,
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled, and
- 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 RCEB's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that RCEB was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether RCEB was in compliance with the Lanterman Act, CCR, title 17, HCBS Waiver for the Developmentally Disabled, and State Contract.

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

DDS reviewed the annual audit report that was conducted by an independent accounting firm for:

- Fiscal year 2009-10, issued on November 22, 2010
- Fiscal year 2010-11, issued on November 28, 2011

It was noted that no management letter was issued for RCEB. 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, vendor rates, and consumer trust accounts. The sample also included consumers who were eligible for the HCBS Waiver Program. For POS claims, the following procedures were performed:

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by the RCEB. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17 and W&I Code of regulations.
- DDS selected a sample of individual trust accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000 as prohibited by the Social Security Administration (SSA). In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the SSA in a timely manner. An interview with RCEB staff revealed that RCEB has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to SSA (or other source) in a timely manner.
- DDS selected a sample of UFS reconciliations to determine if any accounts were out-of-balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of RCEB's bank accounts to determine whether DDS had signatory authority as required by the contract with DDS.
- DDS selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

DDS audited RCEB's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that RCEB accounting staff is properly inputting data, 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, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, title 17 and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed RCEB's policies and procedures for compliance with the DDS Conflict of Interest regulations and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

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

- Reviewed applicable TCM records and RCEB's Rate Study. DDS examined the month of June 2010 and traced the reported information to source documents.
- Reviewed RCEB'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 the DS 1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

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

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

for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.

- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent rate reduction to regional centers as required per W&I Code, section 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2012 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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

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

V. Early Intervention Program (Part C Funding)

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

For this program, DDS reviewed the Early Intervention Program, including 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 RCEB is in compliance with CCR, title 17 and the W&I Code, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care and camping services, for ages 0 through 17 who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents' income documentation to verify their level of participation based on the 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' complete income documentation.
- Reviewed vendor payments to verify that RCEB is paying for only its assessed share of cost.

VII. Procurement

The Request for Proposal (RFP) process was implemented to ensure regional centers outline the vendor selection process when using the RFP process to address consumer service need. As of January 1, 2011, DDS requires regional centers to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, regional centers will ensure that the most cost effective service providers, amongst comparable service providers, are selected as required by the Lanterman Act and the State Contract as amended.

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

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

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

- Selected a sample of Operational, Start-Up and negotiated POS contracts subject to competitive bidding to ensure RCEB notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that RCEB has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and those contracts are properly signed and executed by both parties to the contract.

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

- Reviewed to ensure RCEB 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 RCEB Board approved POS, Start-Up and Operational vendor contracts over \$250,000 to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. Verified that the funds provided were specifically used to establish new or additional services to consumers and that the usage of funds are of direct benefit to consumers, and that contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess RCEB'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 RCEB's State Contract requirements as amended.

VIII. 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 RCEB was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether RCEB is using appropriately vendorized service providers, has correct service codes, and that RCEB is paying authorized contract rates and complying with the medium rate requirements of the W&I Code, section 4691.9.
- Reviewed vendor contracts to verify that RCEB 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.

IX. Other Sources of Funding from DDS

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

- Start-Up Funds, Community and Placement Program.
- Prevention Program.
- Family Resource Center (FRC).
- American Recovery and Reinvestment Act (ARRA) Funds.

X. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to RCEB and reviewed supporting documentation to determine the degree and completeness of RCEB'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, RCEB was in compliance with applicable sections of the CCR, title 17, the HCBS waiver, and the State Contract with DDS for the audit period, July 1, 2009, through June 30, 2011.

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

From the review of prior audit issues, it has been determined that RCEB has not taken appropriate actions to resolve one prior audit issue.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on April 10, 2013. The findings in the report were discussed at a formal exit conference with RCEB on April 23, 2013. At the exit conference, DDS stated it would incorporate the views of responsible officials in the final report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

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

I. Findings that need to be addressed.

Finding 1: Payment Reduction

A review of 135 sampled POS vendor files from various service codes and the review of the UFS Operational Indicator reports revealed RCEB incorrectly applied the 3 and 4.25 percent payment reduction to 22 vendors, which resulted in over and underpayments totaling \$4,637.80 and \$9,998.33, respectively. RCEB has taken corrective action during the fieldwork to resolve \$1,478.51 of the overstated and \$185.93 of the understated amounts. RCEB remains with a total of \$3,159.29 in overstated and \$9,812.40 in understated claims.

The remaining \$3,159.29 in overstated claims were due to the calculation method utilized by RCEB in determining the payment reduction for consumers who did not receive Supplemental Security Income (SSI) benefits. Regardless if consumers were receiving SSI benefits, RCEB first deducted the monthly amount of the SSI benefit from the rate before calculating the 3 and 4.25 percent reduction. This method of calculating the payment reduction for consumers who did not receive SSI benefits resulted in an inaccurate calculation of the payment reduction. RCEB stated this method was applied to ensure vendors did not decline to provide services to consumers who did not receive SSI benefits since these payments would be less than those consumers that receive the SSI benefits after the 3 and 4.25 percent reduction have been applied. (See Attachment A.)

Assembly Bill 104, chapter 37, section 24, section 10(a) and (b)(3), states:

- “(a) Notwithstanding any other provision of law, in order to implement changes in the level of funding for regional center purchase of services, regional centers shall reduce payments for services and supports provided pursuant to Title 14 (commencing with Section 95000) of the Government Code and Division 4.1 (commencing with Section 4400) and Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code. From February 1, 2009, to June 30, 2010, inclusive, regional centers shall reduce all payments for these services and supports paid from purchase of service funds for services delivered on or after February 1, 2009, by 3 percent, and from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent unless the regional center demonstrates that a nonreduced payment is necessary to protect the health and safety of the individual for whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval.

(b) Regional centers shall not reduce payments pursuant to subdivision (a) for the following:

(3) Payments to offset reductions in Supplemental Security Income/State Supplementary Payment (SSI/SSP) benefits for consumers receiving supported and independent living services.”

CCR, title 17, section 54326(a)(12) states:

“All vendors shall...

(12) Agree to accept the rate established, revised or adjusted by the Department as payment in full for all authorized services provided to consumers...”

Recommendation:

RCEB should review its vendor payment invoices and rate letters to ensure it has appropriately applied the mandated payment reduction to its vendors and any payment errors identified are corrected in a timely manner. Also, RCEB should discontinue the practice of reducing the rate by the amount of the SSI portion prior to the 3 and 4.25 percent reduction for consumers who did not receive SSI benefits. In addition, RCEB must reimburse DDS for the \$3,159.29 of overpayments made and issue payments of \$9,812.40 to the underpaid vendor.

Finding 2: Family Cost Participation Program - Late Assessments

A sampled review of 30 FCPP files revealed five instances where RCEB did not assess the parents’ share of cost at the maximum amount when parents failed to provide income documentation within 10 working days from the date of the parents’ signatures on the IPP. Assessments of these consumers were completed up to three months after the parents submitted their income documentation. This issue was due to an oversight by RCEB’s employees. (See Attachment B.)

W&I Code, section 4783(g)(4) states:

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

(4) Parents who have not provided copies of income documentation pursuant to paragraph (2) shall be assessed the maximum cost participation based on the highest income level adjusted for family size until such time as the appropriate income documentation is provided...”

CCR, title 17, section 50261(a) states:

“(a) Each parent shall provide the regional center with his or her proof of gross annual income pursuant to Section 4783(g)(2) and (i) of the Welfare and Institutions Code, within ten (10) working days from the date of the parents' signatures on the Individual Program Plan. The regional center may grant a ten (10) working day extension to provide documentation, if parents have acted in good faith. In no event shall more than one ten (10) working day extension be granted. Failure to provide the information will result in the regional center setting the cost participation at the maximum amount, pursuant to Section 4783(g)(4) of the Welfare and Institutions Code.”

Recommendation:

RCEB must ensure the parents' share of cost is assessed at maximum amount when parents have failed to provide income documentation within 10 working days from the date of the parents' signatures on the IPP.

Finding 3: Targeted Case Management Time Study – Recording of Attendance (Repeat)

The review of the TCM time study revealed that for seven of the 28 sampled employees' vacation and sick leave hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM Study Forms (DS 1916). The difference between the employee timesheets and the TCM study forms was a total of 5.5 hours. This was due to employees' errors and oversight by staff responsible for ensuring timesheets match the TCM time study forms. 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.

This issue was identified in the prior DDS audit report and it was stated by RCEB that it had established new procedures for recording attendance on the TCM Time Study forms and provided training for its supervisors in July 2011.

For good business and internal control practices, vacation and sick time should be recorded correctly on the TCM Study Forms (DS 1916). Time recorded improperly 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:

RCEB must continue to reinforce to its employees the new reviewing procedures for the DS 1916s to ensure that hours reported for the TCM Time study are accurate and reconcile to the timesheets.

II. Findings that have been corrected and addressed by RCEB.

Finding 4: Overstated Claims

A review of the UFS Operational Indicator reports revealed 24 instances in which RCEB overstated expenses to the State. The overpayments were due to either duplicate payments or overlapping authorizations. This resulted in overpayments totaling \$11,299.12.

CCR, title 17, section 54326 (a)(10) states:

“(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.”

RCEB has taken corrective action by recovering the overpayments from the respective vendors.

Recommendation:

RCEB must review the UFS Operational Indicator reports periodically to more efficiently detect duplicate payments, overlapping authorizations, and correct any overpayments that may have occurred in the course of doing business with the vendors.

Finding 5: Deceased Consumers - Multiple Dates of Death

The review of the UFS Death Report identified five consumers with multiple dates of death recorded. RCEB was unable to determine who entered the second date of death into the UFS. Further review found that no payments were made beyond the actual date of death from the five consumers.

State Contract, article IV, section 1(c)(1) states:

“Contractor shall make available accurate and complete UFS and SANDIS information to the State. Accordingly Contractor shall:

- (1) Update changes to all mandatory items of the Client Master File at least annually except for the following elements, which must be updated within thirty (30) days of Contractor being aware of any of the following events:
 - (a) The death of a consumer;
 - (b) The change of address of a consumer; or
 - (c) The change of residence type of a consumer.”

In addition, for good internal controls and accounting practices, RCEB should ensure the actual date of death is accurately recorded in UFS to avoid any potential payments after the date of death.

RCEB has taken corrective action to resolve the issue by ensuring that all dates of death are accurately recorded in the UFS.

Recommendation:

RCEB should continue to review all current deceased consumer files to ensure that only the actual date of death is recorded in the UFS and periodically review the UFS Death Report to ensure that only one date of death is recorded in UFS.

Finding 6: Improper Allocation of Community Placement Plan Funds

A sampled review of 20 CPP claims revealed that RCEB improperly included two consumers who were not on the list of individuals that moved from a developmental center to the community. RCEB had reimbursed two vendors, using CPP funds for the two consumers. This resulted in a total of \$66,241.28 improperly claimed to CPP.

W&I Code, section 4418.25, paragraph (b) states in part:

“The community placement plan shall provide for dedicated funding for comprehensive assessments of selected developmental center residents, for identified costs of moving selected individuals from developmental centers to the community, and for deflection of selected individuals from developmental center admissions.”

W&I Code, section 4418.25, paragraph (d) states in part:

“Funds allocated by the department to a regional center for a community placement plan developed under this section should be controlled through regional center contract to ensure that funds are expended for the purposes allocated.

RCEB corrected the error during the fieldwork by reallocating the claimed amounts to regular POS funds.

Recommendation:

RCEB should ensure that funds allocated for consumers who moved from developmental centers to the community are exclusively expended for such purpose.

EVALUATION OF RESPONSE

As part of the audit report process, RCEB has been provided with a draft report and was requested to provide a response to each finding. RCEB's response dated May 23, 2013, 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 RCEB's response. Except as noted below, RCEB's response addressed the audit findings and provided reasonable assurance that corrective actions would be taken to resolve the issues. DDS' Audit Branch will confirm RCEB's corrective actions identified in the response during the follow-up review of the next scheduled audit.

Finding 1: Payment Reduction

In its response, RCEB disagreed with the \$3,159.29 overpayment identified in the DDS audit report, but did not address the \$9,812.40 understated claim to the State.

RCEB argues that the overpayments for the SSI portion of the benefits for consumers not receiving SSI were calculated based on "usual and customary" rates, which exempts the SSI portion of the benefits from the mandated 3 and 4.25 percent payment reduction. In addition, RCEB states that reducing consumer benefits by 3 and 4.25 percent would cause an inequitable difference in payments to providers who serve consumers that are not eligible for SSI benefits. This would create a two-tier payment structure which would put vendors who serve minority consumers at a disadvantage. Furthermore, RCEB also argues that service providers have not received any cost of living adjustments for many years and any rate differential would have a significant impact on providers' willingness to serve consumers that are not receiving SSI benefits from the Social Security Administration.

DDS does not dispute the fact that SSI benefits are exempt from the 3 and 4.25 percent rate reduction. However, the consumers in question did not receive any SSI benefit from the Social Security Administration. As a result, any payment made to the vendors for service provided using State funds must be subject to the 3 and 4.25 percent payment reduction, unless a Health and Safety Waiver is granted by DDS. Since no Health and Safety Waiver was requested, RCEB must apply the 3 and 4.25 percent payment reduction as mandated by Assembly Bill 104, chapter 37, section 24, section 10 (a) and (b)(3). Therefore, RCEB must reimburse to DDS the overpayment totaling \$3,159.29. In addition, RCEB must reimburse the vendors the understated amount totaling \$9,812.40 that was not addressed in its response.

Finding 2: Family Cost Participation Program - Late Assessments

RCEB concurs with the audit finding, but stated that 16.67 percent in late assessments is a relatively low percentage based on the hundreds of FCPP assessments performed annually and did not address how it would correct the issue. However, a 16.67 percent noncompliance rate is an unacceptable percentage level for DDS. Therefore, within 30 days of receiving this report, RCEB must strengthen its procedures to ensure that all assessments are completed timely as required by CCR, title 17, section 50261(a).

Finding 3: Targeted Case Management Time Study – Recording of Attendance (Repeat)

RCEB concurs with the audit finding and stated that it has implemented procedures whereby senior managers will be auditing the TCM time study worksheets weekly to ensure accuracy. RCEB indicated in its response that new procedures are already being strictly enforced by its senior managers. DDS will conduct a follow-up review during the next scheduled audit to ensure TCM time study worksheets are completed accurately.

**Regional Center of the East Bay
Payment Reduction
Fiscal Years 2009-10 and 2010-11**

Unique Client Identification Number	Vendor Name	Vendor Number	Service Code	Authorization	Payment Period	Over/Under Payments	Corrected	Balance
Incorrect Application of the 3 and 4.25 Percent Payment Reduction - Overstated Claims								
1	Clausen House	H00618	505		201009	\$0.53	\$0.53	\$0.00
2	Jackson House	H14389	915		201007	\$19.26	\$19.26	\$0.00
3		H19564	915		201007	\$19.26	\$19.26	\$0.00
		H19564	915		201008	\$19.26	\$19.26	\$0.00
		H19564	915		201009	\$19.26	\$19.26	\$0.00
		H19564	915		201010	\$19.26	\$19.26	\$0.00
		H19564	915		201010	\$19.26	\$19.26	\$0.00
4	AG Health Care	H70295	915		201010	\$19.26	\$19.26	\$0.00
5	God's Grace	HB0103	915		201010	\$52.47	\$52.47	\$0.00
6	Community Intergrateed	HB0139	920		201007	\$52.47	\$52.47	\$0.00
	Community Intergrateed	HB0139	920		201008	\$52.47	\$52.47	\$0.00
	Community Intergrateed	HB0139	920		201009	\$52.47	\$52.47	\$0.00
	Community Intergrateed	HB0139	920		201010	\$52.47	\$52.47	\$0.00
7	New Horizons Residential	HB0206	915		201008	\$27.16	\$27.16	\$0.00
8	Pathway to Choices	HB0233	520		201009	\$15.60	\$15.60	\$0.00
	Pathway to Choices	HB0233	520		201008	\$13.65	\$13.65	\$0.00
	Pathway to Choices	HB0233	520		201009	\$13.65	\$13.65	\$0.00
	Pathway to Choices	HB0233	520		201007	\$11.70	\$11.70	\$0.00
	Pathway to Choices	HB0233	520		201009	\$3.90	\$3.90	\$0.00
9	Green Hills Manor	HB0300	915		201007	\$14.81	\$14.81	\$0.00
10	Conovan Lake Care	HB0339	915		201007	\$14.81	\$14.81	\$0.00
	Conovan Lake Care	HB0339	915		201008	\$14.81	\$14.81	\$0.00
	Conovan Lake Care	HB0339	915		201009	\$14.81	\$14.81	\$0.00
	Conovan Lake Care	HB0339	915		201010	\$14.81	\$14.81	\$0.00
11	Artful Steps Activity	HB0396	505		201008	\$1.38	\$1.38	\$0.00
	Artful Steps Activity	HB0396	505		201009	\$0.46	\$0.46	\$0.00

**Regional Center of the East Bay
Payment Reduction
Fiscal Years 2009-10 and 2010-11**

Unique Client Identification Number	Vendor Name	Vendor Number	Service Code	Authorization	Payment Period	Over/Under Payments	Corrected	Balance
Incorrect Application of the 3 and 4.25 Percent Payment Reduction - Overstated Claims								
12	Royal Colony View Place	HB0417	915		201009	\$19.26	\$19.26	\$0.00
13	Casa Bella Children's	HB0436	920		201007	\$52.47	\$52.47	\$0.00
	Casa Bella Children's	HB0436	920		201008	\$52.47	\$52.47	\$0.00
	Casa Bella Children's	HB0436	920		201009	\$52.47	\$52.47	\$0.00
	Casa Bella Children's	HB0436	920		201010	\$52.47	\$52.47	\$0.00
14	Pathway to Choices	HB0547	515		201009	\$19.11	\$19.11	\$0.00
15	All Time Care Home	HB0720	915		201007	\$19.26	\$19.26	\$0.00
	All Time Care Home	HB0720	915		201007	\$19.26	\$19.26	\$0.00
16	Arleen's Residential Care	HB0209	915		200907	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		200908	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		200909	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		200910	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		200911	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		200912	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		201001	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		201002	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		201003	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		201004	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		201005	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		201006	\$28.83	\$0.00	\$28.83
	Arleen's Residential Care	HB0209	915		201007	\$40.85	\$0.00	\$40.85
	Arleen's Residential Care	HB0209	915		201008	\$40.85	\$0.00	\$40.85
	Arleen's Residential Care	HB0209	915		201009	\$40.85	\$0.00	\$40.85
	Arleen's Residential Care	HB0209	915		201010	\$40.85	\$0.00	\$40.85
Arleen's Residential Care	HB0209	915		201011	\$40.85	\$0.00	\$40.85	
Arleen's Residential Care	HB0209	915		201012	\$40.85	\$0.00	\$40.85	

**Regional Center of the East Bay
Payment Reduction
Fiscal Years 2009-10 and 2010-11**

Unique Client Identification Number	Vendor Name	Vendor Number	Service Code	Authorization	Payment Period	Over/Under Payments	Corrected	Balance
Incorrect Application of the 3 and 4.25 Percent Payment Reduction - Overstated Claims								
	Arleen's Residential Care	HB0209	915		201101	\$40.85	\$0.00	\$40.85
	Arleen's Residential Care	HB0209	915		201102	\$40.85	\$0.00	\$40.85
	Arleen's Residential Care	HB0209	915		201103	\$40.85	\$0.00	\$40.85
	Arleen's Residential Care	HB0209	915		201104	\$40.85	\$0.00	\$40.85
	Arleen's Residential Care	HB0209	915		201105	\$40.85	\$0.00	\$40.85
	Arleen's Residential Care	HB0209	915		201106	\$40.85	\$0.00	\$40.85
17	Buckboard Small Family	HB0136	910		200907	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		200908	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		200909	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		200910	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		200911	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		200912	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		201001	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		201002	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		201003	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		201004	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		201005	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		201006	\$28.83	\$0.00	\$28.83
	Buckboard Small Family	HB0136	910		201007	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201008	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201009	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201010	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201011	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201012	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201101	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201102	\$40.84	\$0.00	\$40.84

**Regional Center of the East Bay
Payment Reduction
Fiscal Years 2009-10 and 2010-11**

Unique Client Identification Number	Vendor Name	Vendor Number	Service Code	Authorization	Payment Period	Over/Under Payments	Corrected	Balance
Incorrect Application of the 3 and 4.25 Percent Payment Reduction - Overstated Claims								
18	Buckboard Small Family	HB0136	910		201103	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201104	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201105	\$40.84	\$0.00	\$40.84
	Buckboard Small Family	HB0136	910		201106	\$40.84	\$0.00	\$40.84
	California Mentor National	PG0278	904		201103	\$0.95	\$0.95	\$0.00
	California Mentor National	PG0278	904		201104	\$0.95	\$0.95	\$0.00
19	California Mentor National	PG0278	904		201106	\$0.95	\$0.95	\$0.00
	Emerald Care Home	HB0639	905		200907	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		200908	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		200909	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		200910	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		200911	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		200912	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201001	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201002	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201003	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201004	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201005	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201006	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201007	\$40.84	\$0.00	\$40.84
Emerald Care Home	HB0639	905		201008	\$40.84	\$0.00	\$40.84	
Emerald Care Home	HB0639	905		201009	\$40.84	\$0.00	\$40.84	
Emerald Care Home	HB0639	905		201010	\$40.84	\$0.00	\$40.84	
Emerald Care Home	HB0639	905		201011	\$40.84	\$0.00	\$40.84	
Emerald Care Home	HB0639	905		201012	\$40.84	\$0.00	\$40.84	
Emerald Care Home	HB0639	905		201101	\$40.84	\$0.00	\$40.84	

**Regional Center of the East Bay
Payment Reduction
Fiscal Years 2009-10 and 2010-11**

Unique Client Identification Number	Vendor Name	Vendor Number	Service Code	Authorization	Payment Period	Over/Under Payments	Corrected	Balance
Incorrect Application of the 3 and 4.25 Percent Payment Reduction - Overstated Claims								
	Emerald Care Home	HB0639	905		201102	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201103	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201104	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201105	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201106	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		200912	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201001	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201002	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201003	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201004	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201005	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201006	\$28.83	\$0.00	\$28.83
	Emerald Care Home	HB0639	905		201007	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201008	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201009	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201010	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201011	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201012	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201101	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201102	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201103	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201104	\$40.84	\$0.00	\$40.84
	Emerald Care Home	HB0639	905		201105	\$40.84	\$0.00	\$40.84
20	Golden State Residential	H89124	904	201007	\$52.47	\$52.47	\$0.00	
	Golden State Residential	H89124	904	201008	\$52.47	\$52.47	\$0.00	
	Golden State Residential	H89124	904	201009	\$52.47	\$52.47	\$0.00	

**Regional Center of the East Bay
Payment Reduction
Fiscal Years 2009-10 and 2010-11**

Unique Client Identification Number	Vendor Name	Vendor Number	Service Code	Authorization	Payment Period	Over/Under Payments	Corrected	Balance
Incorrect Application of the 3 and 4.25 Percent Payment Reduction - Overstated Claims								
	Golden State Residential	H89124	904		201011	\$52.47	\$52.47	\$0.00
	Golden State Residential	H89124	904		201012	\$52.47	\$52.47	\$0.00
	Golden State Residential	H89124	904		201101	\$52.47	\$52.47	\$0.00
	Golden State Residential	H89124	904		201102	\$52.47	\$52.47	\$0.00
	Golden State Residential	H89124	904		201103	\$52.47	\$52.47	\$0.00
	Golden State Residential	H89124	904		201104	\$52.47	\$52.47	\$0.00
	Golden State Residential	H89124	904		201105	\$52.47	\$52.47	\$0.00
	Golden State Residential	H89124	904		201106	\$52.47	\$52.47	\$0.00
Total Overstated Claims Due to Incorrect Application of the 4.25% Payment Reduction						\$4,585.33	\$1,426.04	\$3,159.29

**Regional Center of the East Bay
Payment Reduction
Fiscal Years 2009-10 and 2010-11**

Unique Client Identification Number	Vendor Name	Vendor Number	Service Code	Authorization	Payment Period	Over/Under Payments	Corrected	Balance
Incorrect Application of the 3 and 4.25 Percent Rate Reduction - Understated Claims								
21	Crisis Respons Project	P31510	017		201011	(\$637.92)	\$0.00	(\$637.92)
	Crisis Respons Project	P31510	017		201011	(\$588.56)	\$0.00	(\$588.56)
	Crisis Respons Project	P31510	017		201012	(\$638.00)	\$0.00	(\$638.00)
	Crisis Respons Project	P31510	017		201012	(\$588.56)	\$0.00	(\$588.56)
	Crisis Respons Project	P31510	017		201101	(\$637.92)	\$0.00	(\$637.92)
	Crisis Respons Project	P31510	017		201101	(\$588.64)	\$0.00	(\$588.64)
	Crisis Respons Project	P31510	017		201102	(\$637.92)	\$0.00	(\$637.92)
	Crisis Respons Project	P31510	017		201102	(\$588.64)	\$0.00	(\$588.64)
	Crisis Respons Project	P31510	017		201103	(\$637.92)	\$0.00	(\$637.92)
	Crisis Respons Project	P31510	017		201103	(\$588.64)	\$0.00	(\$588.64)
	Crisis Respons Project	P31510	017		201104	(\$637.92)	\$0.00	(\$637.92)
	Crisis Respons Project	P31510	017		201104	(\$588.64)	\$0.00	(\$588.64)
	Crisis Respons Project	P31510	017		201105	(\$637.92)	\$0.00	(\$637.92)
	Crisis Respons Project	P31510	017		201105	(\$588.64)	\$0.00	(\$588.64)
	Crisis Respons Project	P31510	017		201106	(\$637.92)	\$0.00	(\$637.92)
	Crisis Respons Project	P31510	017		201106	(\$588.64)	\$0.00	(\$588.64)
	22		HB0523	904		200908	(\$3.12)	(\$3.12)
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		201005	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		201005	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
	HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00	

**Regional Center of the East Bay
Payment Reduction
Fiscal Years 2009-10 and 2010-11**

Unique Client Identification Number	Vendor Name	Vendor Number	Service Code	Authorization	Payment Period	Over/Under Payments	Corrected	Balance
Incorrect Application of the 3 and 4.25 Percent Rate Reduction - Understated Claims								
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		201005	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$2.72)	(\$2.72)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		201005	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		201005	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		201005	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		201005	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200908	(\$28.83)	(\$28.83)	\$0.00
		HB0523	904		200910	(\$28.83)	(\$28.83)	\$0.00
		HB0523	904		201005	(\$28.83)	(\$28.83)	\$0.00
		HB0523	904		200908	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		200910	(\$3.12)	(\$3.12)	\$0.00
		HB0523	904		201005	(\$3.12)	(\$3.12)	\$0.00
Total Understated Claims Due to Incorrect Application of the 4.25% Payment Reduction						\$ (9,995.21)	\$ (182.81)	\$ (9,812.40)

**Regional Center of the East Bay
Family Cost Participation Program - Late Assessment
Fiscal Years 2009-10 and 2010-11**

	Unique Client Identification Number	Assessment Date	Date IPP Signed
1		1/20/2011	12/14/2010
2		6/22/2011	3/25/2011
3		6/1/2011	4/15/2011
4		8/11/2011	6/30/2011
5		2/23/2011	12/15/2010

APPENDIX A

REGIONAL CENTER OF THE EAST BAY

**RESPONSE
TO AUDIT FINDINGS**

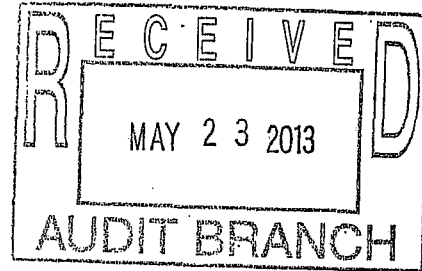
(Certain documents provided by the Regional Center of the East Bay as attachments to its response are not included in this report due to the detailed and sometimes confidential nature of the information.)

RCEB

Regional Center of the East Bay

May 23, 2013

Mr. Edward Yan, Chief
Audit Branch
Department of Developmental Services
1600-9th Street
Sacramento, Calif. 95814



Re: Regional Center of East Bay Audit for F/Y 2009-10 and 2010-11

Dear Mr. Yan,

Please find attached Regional Center of the East Bay's response to the draft audit report for F/Y 2009-10 and 2010-11 dated April 10, 2013. The exit conference for the audit of RCEB was held on April 23, 2013. We sincerely appreciate the Department's work on this audit, and would like to acknowledge you and your audit team for your collaborative approach. Please do not hesitate to contact Nancy Kubota, 510-618-7709, if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "James M. Burton".

James M. Burton
Executive Director

Enclosures

cc: Nancy Kubota, Director, Finance/Administration, RCEB
Lop Hou, Controller, RCEB

Regional Center of the East Bay
Response to Draft Audit Findings
For Fiscal Years 2009-10 and 2010-11

Response to Audit Finding 1: Payment Reduction

There is a remaining \$3,159.29 balance in overstated payments not resolved during the audit fieldwork. It is Regional Center of the East Bay's (RCEB) opinion that we did not overpay this amount and that these payments, made on behalf of our consumers, were justifiable and appropriate.

Payments for Supplemental Security Income (SSI) benefits for those consumers not receiving SSI benefits were calculated based on "usual and customary" rates. In other words, RCEB did not deduct 4.25% (mandated payment reduction for the period covered by the audit) for SSI benefits paid on behalf of consumers who were not eligible to receive this benefit. Our position is based on the following reasons:

- SSI is a generic benefit. Any and all other individuals receiving entitled federal benefits, developmentally disabled or otherwise, were not subject to the 4.25% reduction in their benefit payment.
- Consumers who are not eligible for SSI benefits are primarily individuals who are not legal residents or citizens. The vast majority of these individuals belong to minority groups, mostly Latino and Asian. If we had reduced the benefits by 4.25% for this group, there would have been an inequitable difference in payments (up to \$40.84 per month) to providers who serve consumers who are not eligible for benefits, therefore creating a 2 tiered payment structure which would put minority consumers at a disadvantage especially since providers serving consumers eligible for benefits are paid at a higher rate.
- Residential Service Providers have not received any cost of living adjustments in their rates for many years. The State mandated payment reductions, which have been in place since February 2009, have been a hardship for many of our service providers, especially residential providers, and this has created a scarcity of vacant beds available for all consumers requiring out of home placement. Any additional rate differential in serving consumers would have a significant impact on whether a provider is willing to serve a consumer. Since most of the consumers who are ineligible for benefits belong to a minority group, this would create a disparity in services to Latino and Asian consumers.

We strongly support and stand by our position of not applying the 4.25% reduction to this generic support. We believe our calculation established an equitable and fair process to pay for equal services for all of our consumers, regardless of ethnicity and legal status.

Response to Audit Finding 2: Family Cost Participation Program (FCPP)-Late Assessments

Regional Center of the East Bay (RCEB) concurs with the DDS audit finding. However, based on a sample of 30 FCPP files, it should be noted that only 16.67% of the sample were considered "late" (over 10 day) assessments. We believe this percentage to be relatively low when considering that RCEB performs hundreds of FCPP assessments annually.

Response to Audit Finding 3: Targeted Case Management Time Study-Recording of Attendance

Regional Center of the East Bay (RCEB) concurs with the DDS audit finding. For the current rate study, all TCM time study worksheets are being audited weekly and compared with employees' timesheets. This new oversight is being strictly enforced by senior managers at RCEB to ensure accuracy.