



**AUDIT OF THE
REGIONAL CENTER OF ORANGE COUNTY
FOR FISCAL YEARS 2011-12 AND 2012-13**

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of the Regional Center of Orange County (RCOC) to ensure RCOC is compliant with the requirements set forth in the California Code of Regulations, Title 17 (CCR, Title 17), the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. Overall, the Audit indicated that RCOC maintains accounting records and supporting documentation for transactions in an organized manner. This Audit Report identifies some areas where RCOC's administrative, operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding RCOC's operations. A follow-up review was performed to ensure RCOC has taken corrective action to resolve the findings identified in the prior DDS Audit Report.

The findings of this Audit Report have been separated into two categories below:

I. Findings That Need to Be Addressed

Finding 1: Usual and Customary Rate

The sample review of 12 transportation vendor files revealed that RCOC categorized the rate for Orange County Adult Achievement Center (OCAAC), Vendor Number H22924, Service Code 880, sub code PT as a Usual and Customary (U&C) rate when the services provided by OCAAC were exclusively to regional center consumers. In addition, RCOC did not request approval from DDS to utilize the U&C rate designation. Since RCOC categorized services provided by OCAAC as U&C, it did not apply the 4.25 and 1.25 percent payment reductions and also increased OCAAC's rate after the rate freeze was in effect. This resulted in overpayments totaling \$24,232.81. This is not in compliance with CCR, Title 17, Sections 57210(a)(19) and 56919(a).

Finding 2: Overstated Claims

The review of the operational indicator reports revealed 35 instances where RCOC over claimed expenses to the State. The overpayments were due to duplicate payments and overlapping authorizations. This resulted in over payments totaling \$19,157.10. This is not in compliance with CCR, Title 17, Section 54326(a)(10).

RCOC took corrective action and collected \$18,848.64 from the vendors. The total overpayment still remaining is \$308.46.

Finding 3: Family Cost Participation Program

A. Overstated Share of Cost

The sample review of 22 Family Cost Participation Program (FCPP) consumer files revealed that RCOC has been paying the cost of services that are the responsibility of the families under the requirements of the FCPP for two consumers. RCOC paid the entire share of cost to a respite vendor, Maxim Healthcare Services, Vendor Number HM0441, Service Code 862, for services provided, resulting in overpayments of \$757.28. This is not in compliance with CCR, Title 17, Section 50255(a).

B. Late Assessments

The sample review of 22 FCPP consumer files revealed two instances where RCOC did not assess the parents' share of cost participation as part of the consumer's Individual Program Plan (IPP) or Individualized Family Service Plan (IFSP) review. The assessments were completed more than a month after the signing of the IPP. This is not in compliance with W&I Code, Section 4783(g)(1).

Finding 4: Equipment Inventory

The review of RCOC's physical inventory worksheet revealed that the individuals who conducted the inventory did not sign and date the inventory worksheets. This is not in compliance with the State Contract, Article IV, Section 4(a), State's Equipment Management System Guidelines, Section III(F), and State Administrative Manual, Section 8652.

Finding 5: Missing "Hold Harmless" Clause (Repeat)

The review of RCOC's lease agreements revealed that one of its three current lease agreements does not include a "Hold Harmless" clause. This issue was identified in four prior audit reports. This issue is not in compliance with the State Contract, Article VII, Section 1.

II. Findings That Have Been Addressed and Corrected by RCOC

Finding 6: Deceased Consumers - Multiple Dates of Death

The review of the Uniform Fiscal Systems (UFS) Deceased Consumers Report revealed nine consumers with multiple dates of death. This is not in compliance with the State Contract, Article IV, Section 1(c)(1).

RCOC has taken corrective action to resolve the multiple dates of death by researching and updating all nine consumers' actual dates of death in the UFS.

Finding 7: Home and Community-Based Services Provider Agreement Forms

The review of 89 sampled Purchase of Service (POS) vendor files revealed six HCBS Provider Agreement forms were either missing or incomplete. The incomplete HCBS Provider Agreement forms were either missing the service code, vendor number, or had multiple vendor numbers and/or service codes. This is not in compliance with CCR, Title 17, Section 54326(a)(16).

RCOC has resolved this issue by providing DDS with new HCBS Provider Agreement forms for the six vendors.

BACKGROUND

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

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

In addition to the fiscal compliance audit, each RC will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on RCs' fiscal, administrative and program operations.

DDS and Regional Center of Orange County, Inc., entered into contract, HD099014 effective July 1, 2009, through June 30, 2016. This contract specifies that RCOC will provide services to persons with DD and their families in Orange County. The contract is funded by State and Federal funds that are dependent upon RCOC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This Audit was conducted at RCOC from January 13, 2014, through February 14, 2014, and was conducted by the Audit Branch of DDS.

AUTHORITY

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

CRITERIA

The following criteria were used for this Audit:

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

AUDIT PERIOD

The audit period was July 1, 2011, through June 30, 2013, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

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

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

DDS reviewed the annual audit report that was conducted by an independent accounting firm for FY 2011-12, issued on April 3, 2013. It was noted that no management letter was issued for RCOC. 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 RCOC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, Title 17 and the W&I Code Code of Regulations.
- DDS selected a sample of individual Consumer 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. 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 Social Security Administration in a timely manner. An interview with RCOC staff revealed that RCOC 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 the Social Security Administration (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 RCOC'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 RCOC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that RCOC accounting staff is properly inputting data, that transactions are recorded on a timely basis, and to ensure that expenditures charged to various operating areas are valid and reasonable. These tests included the following:

- A sample of the personnel files, time sheets, payroll ledgers and other support documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17 and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed RCOC's policies and procedures for compliance with the DDS Conflict of Interest regulations and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

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

- Reviewed applicable TCM records and RCOC's Rate Study. DDS examined the months of May 2012 and June 2013, and traced the reported information to source documents.
- Reviewed RCOC's TCM Time Study. DDS selected a sample of payroll time sheets for this review and compared it to the DS 1916 forms to ensure that they were properly completed and supported.

IV. Service Coordinator Caseload Survey

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

- A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.

- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent operations reduction to regional centers as required per W&I Code, Section 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2013 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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

V. Early Intervention Program (Part C Funding)

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

For this program, DDS reviewed the Early Intervention Program, including the Early Start Plan and Federal Part C funding to determine if the funds were properly accounted for in the regional center's accounting records.

VI. Family Cost Participation Program

The FCPP was created for the purpose of assessing consumer costs to parents based on income level and dependents. The family cost participation assessments are only applied to respite, day care, and camping services that are included in the child's IPP. To determine whether RCOC is in compliance with CCR, Title 17 and the W&I Code, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care and camping services, for ages 0 through 17 years who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents' income documentation to verify their level of participation based on the FCPP Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' complete income documentation.

- Reviewed vendor payments to verify that RCOC is paying for only its assessed share of cost.

VII. Annual Family Program Fee

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

- The adjusted gross family income is at or above 400 percent of the Federal poverty level based upon family size.
- The child has a developmental disability or is eligible for services under the California Early Intervention Services Act.
- The child is less than 18 years of age and lives with his or her parent.
- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.
- The child does not receive services through the Medi-Cal program.
- Documentation was maintained by the regional center to support reduced assessments.

VIII. Procurement

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

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

- Reviewed the RCOC 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 RCOC. 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 RCOC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that RCOC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and those contracts were properly signed and executed by both parties to the contract.

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

- Reviewed to ensure RCOC 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 RCOC Board approved POS, Start-Up and Operational vendor contracts \$250,000 or more 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 RCOC's current RFP process and Board approval of contracts \$250,000 or more as well as to determine whether the process in place satisfies the W&I Code and RCOC's State Contract requirements as amended.

IX. Statewide/Regional Center Median Rates

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure regional centers are not negotiating rates higher than the set median rates for services. Despite the median rate requirement, rate increases could be obtained from DDS under health and safety exemptions where regional centers demonstrate the exemption is necessary for the health and safety of the consumers.

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

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

X. Other Sources of Funding from DDS

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure RCOC'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).

XI. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to RCOC and reviewed supporting documentation to determine the degree and completeness of RCOC'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, RCOC 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, 2011, through June 30, 2013.

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

From the review of prior audit issues, it has been determined that RCOC has not taken appropriate corrective actions to resolve two prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the Draft Audit Report on November 24, 2014. The findings in the Draft Audit Report were discussed at a formal exit conference with RCOC on December 2, 2014. The views of the responsible officials are included in the Final Audit Report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

The findings of this Audit Report have been separated into the categories below:

I. Findings That Need to be Addressed

Finding 1: Usual and Customary Rate

The sampled review of 12 transportation vendor files revealed that RCOC categorized the rate for OCAAC, Vendor Number H22924, Service Code 880, sub code PT as a U&C rate when the services provided by OCAAC are exclusively to regional center consumers. Therefore, the rate reimbursed to OCAAC does not meet the definition of a U&C vendor. In addition, RCOC did not request approval from DDS to utilize the U&C rate designation. Since RCOC categorized services provided by OCAAC as U&C, it did not apply the 4.25 and 1.25 percent payment reductions from August 2010 through June 2013. RCOC also increased OCAAC's rate from \$5.36 to \$5.38 in July 2011, \$5.38 to \$5.52 in July 2012, and \$5.52 to \$5.63 in July 2013 when the rate freeze was in effect as of June 30, 2008. This resulted in overpayments totaling \$24,232.81. (See Attachment A.)

CCR, Title 17, Section 57210(a)(19) states:

“‘Usual and Customary Rate’ means the rate which is regularly charged by a vendor for a service that is used by both regional center consumers and/or their families and where at least 30% of the recipients of the given service are not regional center consumers or their families. If more than one rate is charged for a given service, the rate determined to be the usual and customary rate for a regional center consumer and/or family shall not exceed whichever rate is regularly charged to members of the general public who are seeking the service for an individual with a developmental disability who is not a regional center consumer, and any difference between the two rates must be for extra services provided and not imposed as a surcharge to cover the cost of measures necessary for the vendor to achieve compliance with the Americans With Disabilities Act. New programs applying for vendorization shall provide a written declaration to the vendoring regional center that it is their intent to comply with this subsection, and will be allowed up to 12 months to achieve compliance. The vendoring regional center may audit a vendor's records to determine compliance with this subsection and, if the vendor is found not to be in compliance, shall revoke the vendor's usual and customary rate and negotiate a rate pursuant to Section 57300.”

CCR, Title 17, Section 56919 states:

“Usual and Customary Fees and Prevailing Rates.

- (a) The regional center shall request approval by the Department for the payment of usual and customary fees or prevailing rates.”

Recommendation:

RCOC must reimburse DDS a total of \$24,232.81. In addition, RCOC must renegotiate its contract with OCAAC and revert its rate back to \$5.36 since the services provided do not meet the definition of a U&C vendor.

Finding 2: Overstated Claims

The review of RCOC’s operational indicator reports revealed 35 instances where RCOC over claimed expenses to the State. The overpayments were due to duplicate payments and overlapping authorizations. This resulted in overpayments totaling \$19,157.10. RCOC indicated that this occurred due to an oversight on its part.

RCOC took corrective action and collected \$18,848.64 in overpayments from the vendors. The total overpayment still remaining is \$308.46. (See Attachment B.)

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

- “(a) All vendors shall:
 - (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center...”

Recommendation:

RCOC must reimburse DDS the overpayment totaling \$308.46. In addition, RCOC must review its operational indicator reports to ensure any overpayments are addressed and corrected in a timely manner.

Finding 3: Family Cost Participation Program

A. Overstated Share of Cost

The sample review of 22 FCPP consumer files revealed that RCOC has been paying the cost of services that are the responsibility of the families under the requirements of the FCPP for two consumers. RCOC paid the entire share of cost for respite vendor Maxim Healthcare Services, Vendor

Number HM0441, Service Code 862, for services provided, resulting in overpayments of \$757.28. This occurred because RCOC allows parents a 30-day grace period where it pays the parents share of cost after the FCPP assessment date. (See Attachment C.)

CCR, Title 17, Section 50255(a) states in pertinent part:

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

Recommendation:

RCOC must reimburse to DDS a total of \$757.28 in overpayments that resulted from RCOC paying above its share of cost. In addition, RCOC must stop giving parents a 30-day grace period and also ensure parents’ share of cost is in effect as of the assessment date.

B. Late Assessments

The sample review of 22 FCPP consumer files revealed two instances where RCOC did not assess the parents’ share of cost participation as part of the consumer’s IPP review or IFSP review. The two assessments were completed more than a month after the signing of the IPP. RCOC stated that this occurred due to an oversight on its part. (See Attachment D.)

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

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

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

4646 of this code or subdivision (f) of Section 95020 of the Government Code.”

Recommendation:

RCOC must ensure all FCPP assessments are to be completed as part of the consumers’ IPP or IFSP review. This will ensure compliance with the W&I Code, Section 4873(g)(1).

Finding 4: Equipment Inventory

The review of RCOC’s physical inventory worksheets revealed that staff did not sign and date the physical inventory worksheets as verification that an inventory was conducted in July 2013. RCOC indicated that it maintains its physical inventory worksheet in an Excel file, and does not keep a hard copy where the inventory taker can sign and date. RCOC stated that a hard copy of the inventory sheets is only printed when requested.

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.”

State’s Equipment Management System Guidelines, Section III(F), states in part:

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

State Administrative Manual, Section 8652 states in part:

“Departments will make a physical 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:

RCOC must ensure the inventory worksheets are signed and dated by the staff that conducted the physical inventory as defined in the State Contract and the State’s Equipment Management System Guidelines.

Finding 5: Missing “Hold Harmless” Clause (Repeat)

The review of RCOC’s lease agreements revealed that the lease agreement at its Garden Grove location still does not include the “Hold Harmless” clause as required by the contract with DDS. This issue was identified in four prior audit reports. As stated in its prior responses, RCOC indicated that it has been unsuccessful in trying to obtain an amendment for the lease agreement.

State Contract Article VII, Section 1 states:

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

Recommendation:

RCOC must ensure that as the lease agreement for Garden Grove is due for renewal in December 2014, it will negotiate to include the “Hold Harmless” clause.

II. Findings That Have Been Addressed and Corrected by RCOC

Finding 6: Deceased Consumers - Multiple Dates of Death

The review of the UFS Deceased Consumers Report revealed nine consumers with multiple dates of death. This occurred because RCOC staff responsible for updating consumer information in the UFS are not verifying consumer information to ensure dates of death entered in the system are accurate and match the date death on the consumer’s death certificate. Further review found that there were no payments made beyond the actual date of death for the nine consumers.

State Contract, Article IV, Section 1(c)(1) states in part:

“(c) 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 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 sound accounting practices, RCOC should ensure the consumer’s actual date of death is accurately recorded in UFS to avoid any potential payments after the consumer’s death.

RCOC has taken corrective action to resolve the multiple dates of death by researching and updating all nine consumers’ actual dates of death in the UFS.

Recommendation:

RCOC’s staff responsible for entering consumer data in the system must review all current deceased consumer files to ensure that only the actual date of death is recorded in UFS.

Finding 7: Home and Community-Based Services Provider Agreement Forms

The review of 89 sampled POS vendor files revealed that six HCBS Provider Agreement forms were either missing or incomplete. Five of the HCBS Provider Agreement forms were either missing the service code, vendor number, or had multiple vendor numbers and/or service codes. In addition, one HCBS Provider Agreement form was not on file.

CCR, Title 17, Section 54326(a)(16) states, in part:

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

RCOC has resolved this issue by providing DDS with new HCBS Provider Agreement forms for the six vendors.

Recommendation:

RCOC must ensure there is a properly completed HCBS Provider Agreement form on file for every vendor providing services to consumers.

EVALUATION OF RESPONSE

As part of the Audit Report process, RCOC has been provided with a Draft Audit Report and was requested to provide a response to each finding. RCOC's response dated January 2, 2015, is provided as Appendix A. This Audit 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 RCOC's response. Except as noted below, RCOC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. DDS' Audit Branch will confirm RCOC's corrective actions identified in the response during the follow-up review of the next scheduled audit.

Finding 1: Usual and Customary Rate

RCOC disagreed with the finding, and stated that moving the 87 consumers from OCTA to OCAAC was a cost saving measure which reduces its transportation cost, since RCOC did not pay for "no shows," as it did for OCTA. RCOC stated it was able to reduce its costs from August 2010 to September 2013 by \$7,816.00, by not paying OCAAC for "no shows."

DDS agrees with RCOC that changing from OCTA's rate to the OCAAC rate may have resulted in a savings to the State and RCOC can continue to use OCAAC to transport its consumers. However, RCOC can not consider services provided by OCAAC as U&C when the services provided by OCAAC are exclusively to RC consumers. By designating the rate as U&C, RCOC did not apply the mandated payment reductions and issued a rate increase to the vendor after the rate freeze was in effect; resulting in overpayments totaling \$24,232.81. Therefore, RCOC must remit to DDS \$24,232.81 in overpayments and revert OCAAC's rate back to the original rate of \$5.36 per trip.

Finding 2: Overstated Claims

RCOC agreed with the finding and stated it will reimburse DDS \$308.46 for the overpayments. DDS will conduct a follow-up review during the next scheduled audit to ensure this issue has been resolved.

Finding 3: Family Cost Participation Program

A. Overstated Share of Cost

RCOC disagreed with the finding and stated it did not pay above its share of cost, or give families a 30-day grace period. Rather, RCOC gives families a 30-day notification for changes to the consumer's authorization to take effect. RCOC also allows its families to carry forward any unused hours that were authorized prior to the FCPP effective date. DDS disagrees with RCOC, that

unused hours can be carried forward after the FCPP effective date. Once the family has been assessed into the FCPP, RCOC must only be responsible for its share of cost.

Therefore, RCOC must amend its FCPP procedures to ensure that RCOC is only responsible for its assessed share of cost as of the FCPP effective date, regardless if the family has not utilized units from a prior authorization. In addition, RCOC must remit to DDS \$757.28, in overpayments that resulted from RCOC paying for units of service that were not utilized from a previous authorization. DDS will conduct a follow-up review during the next scheduled audit to determine if RCOC is in compliance with the FCPP requirements.

B. Late Assessments

RCOC agreed with the finding that two consumer FCPP assessments were completed late. RCOC stated that it will add "pending FCPP assessment," to the Service Coordinators' task list to improve timeliness on reporting the IPP date. RCOC also stated it has changed its FCPP procedures to notify families of the FCPP at the beginning of the month in which the IPP is scheduled rather than waiting for notification from the service coordinator after the meeting. DDS will conduct a follow-up review during the next scheduled audit to determine if RCOC is in compliance with the FCPP requirements.

Finding 4: Equipment Inventory

RCOC agreed with the finding and stated it will require staff to sign and date its inventory worksheets. DDS will conduct a follow-up review during the next scheduled audit to determine if RCOC is in compliance with the State's Equipment Management System Guidelines.

Finding 5: Missing "Hold Harmless" Clause (Repeat)

RCOC stated that the landlord for its Garden Grove location refuses to accept the Hold Harmless clause as part of the lease. This issue will continue to remain unresolved until RCOC is successful in negotiating the Hold Harmless clause into the lease agreement.

**Regional Center of Orange County
Usual and Customary Rate
Fiscal Years 2011-12 and 2012-13**

Vendor Number	Vendor Name	Service Code	Sub Code	Sevice Period	Overpayments
H22924	Orange County Adult Achievement Center	880	PT	Aug-10	\$58.88
				Sep-10	\$651.59
				Oct-10	\$658.72
				Nov-10	\$638.71
				Dec-10	\$601.22
				Jan-11	\$736.00
				Feb-11	\$694.83
				Mar-11	\$802.01
				Apr-11	\$785.68
				May-11	\$776.94
				Jun-11	\$798.56
				Jul-11	\$281.16
				Aug-11	\$360.14
				Sep-11	\$336.69
				Oct-11	\$313.65
				Nov-11	\$303.12
				Dec-11	\$302.58
				Jan-12	\$310.59
				Feb-12	\$324.72
				Mar-12	\$344.16
				Apr-12	\$362.16
				May-12	\$366.75
				Jun-12	\$357.57
				Jul-12	\$358.92
				Aug-12	\$1,034.31
				Sep-12	\$876.30
				Oct-12	\$957.49
				Nov-12	\$824.67
				Dec-12	\$757.39
				Jan-13	\$876.07
Feb-13	\$772.11				
Mar-13	\$867.33				
Apr-13	\$873.54				
May-13	\$886.19				
Jun-13	\$826.85				
Jul-13	\$1,073.52				
Aug-13	\$1,074.33				
Sep-13	\$1,007.37				
Total Overpayments Due To Usual and Customary Rate					\$24,232.81

**Regional Center of Orange County
Overstated Claims
Fiscal Years 2011-12 and 2012-13**

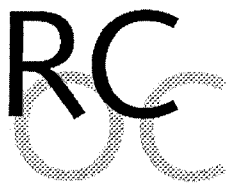
	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overstated Claims
1		V13615		425		Sep-11	\$246.96
2		V22636		420		Aug-11	\$61.50
Total Overpayment Due to Overstated Claims							\$308.46

Regional Center of Orange County
Family Cost Participation Program - Overstated Share of Cost (Repeat)
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
1		HM0441	Maxim Healthcare Services	862		Nov-12	\$201.26
2						Apr-13	\$256.36
3						May-13	\$80.51
4						Jun-13	\$219.15
Total Overstated Share of Cost Payments							\$757.28

**Regional Center of Orange County
Family Cost Participation Program - Late Assessments
Fiscal Years 2011-12 and 2012-13**

	Unique Client Identification Number	IPP Date	Assessment Date
1		5/30/12	7/11/12
2		8/13/12	10/26/12



REGIONAL CENTER
OF ORANGE COUNTY

January 2, 2015

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

Dear Mr. Yan:

The Regional Center of Orange County's (RCOC's) response to the draft report of the audit conducted by the Department of Developmental Services (DDS) for the fiscal years ended June 30, 2012 and 2013, is as follows.

There were no findings or exceptions noted in the following areas:

- Individual trust accounts over the \$2,000 resource limit,
- Uniform Fiscal Systems reconciliations,
- Bank reconciliations,
- Personnel files,
- Time sheets,
- Payroll ledgers,
- Conflict of Interest,
- Targeted Case Management and Regional Center Rate Study,
- Service Coordinator Caseload Survey calculations,
- Early Intervention Program (Part C funding),
- Annual Family Program Fee,
- Procurement,
- Board approval of contracts over \$250,000,
- Median rates, and
- Start Up programs.

There were findings in the following seven areas.

DDS Finding 1 and Recommendation: Usual and Customary Rate (U&C)

“A sample review of 12 transportation vendor files revealed that RCOC categorized the rate for Orange County Adult Achievement Center (OCAAC), vendor number H22924, service code 880, sub code PT, as a Usual and Customary (U&C) rate when the services provided by OCAAC were exclusively to regional center consumers. In addition, RCOC did not request approval from DDS to utilize the U&C rate designation. Since RCOC categorized services provided by OCAAC as U&C, it did not apply the 4.25 and 1.25 percent payment reductions and also increased OCAAC's rate after the rate freeze was in effect. This resulted in overpayments totaling \$24,232.81. This is not in compliance with CCR, title 17, sections 57210(a)(19) and 56919(a).”

“RCOC must reimburse DDS a total of \$24,232.81. In addition, RCOC must renegotiate its contract with OCAAC and revert its rate back to \$5.36 since the services provided do not meet the definition of a U&C vendor.”

RCOC's Response to Finding 1

The rate paid to OCAAC is the Orange County Transportation Authority's (OCTA's) U&C rate and it was done at the request of OCAAC and OCTA for 87 of the approximately 500 consumers who received day program services from OCAAC. OCAAC's other consumers were transported by OCTA, Western Transportation and other providers or family members. The change proposed by OCTA and OCAAC's Executive Director reduced OCTA's cost and allowed OCAAC to use buses that they had received through a grant. It also reduced RCOC's cost because RCOC did not pay OCAAC for “no shows,” i.e., trips scheduled but the consumer was not at the pick-up location to be transported. Approximately 1.1% of RCOC's payments to OCTA are for “no shows.”

RCOC agrees that the service code is not correct; however, there was no increase in the cost of transportation services. If RCOC had not agreed to OCTA's and OCAAC's request, it would have paid OCTA its U&C rate plus “no shows.”

OCTA's rate is a significant savings over OCAAC's and Western's rates.

Provider	Per Trip Rate	Round Trip Rate
OCTA subscription rate	\$5.36 per trip	\$10.72 round trip
OCAAC	n/a	\$20.00 per day
Western Transit Systems, Inc.	\$10.56 per trip	\$21.12 round trip

For the audit period from August 2010 to September 2013, RCOC saved approximately \$7,816 by not paying for “no shows,” (1.1% of 132,560 trips * \$5.36 = \$7,816). If RCOC had paid OCAAC its regular rate or the Western rate, the cost would have been significantly higher.

Even though the service code was not correct, it resulted in savings and the U&C increases would have been paid to OCTA.

RCOC will change the authorizations from OCAAC to OCTA.

DDS Finding 2 and Recommendation: Overstated Claims

“The review of the operational indicator reports revealed 35 instances where RCOC over claimed expenses to the State. The overpayments were due to duplicate payments and overlapping authorizations. This resulted in over payments totaling \$19,157.10. This is not in compliance with CCR, title 17, section 54326(a)(10).

RCOC took corrective action and collected \$18,848.64 from the vendors. The total overpayment still remaining is \$308.46.”

“RCOC must reimburse DDS the overpayment totaling \$308.46. In addition, RCOC must review its operational indicator reports to ensure any overpayments are addressed and corrected in a timely manner.”

RCOC's Response to Finding 2

RCOC did not recover the overpayment from a parent in the amount of \$246.96 for transportation services because the consumer had died before the overpayment was identified and RCOC did not want to proceed with recovery.

RCOC did not recover the overpayment from another parent in the amount of \$61.50 for parent-vendored respite services because there were no open authorizations at the time the overpayment was identified. The overpayment will be recovered if parent-vendored services are authorized in the future.

RCOC will reimburse DDS for the overpayments of \$308.46.

DDS Finding 3 and Recommendation: Family Cost Participation Program (FCPP)

A. Overstated Share of Cost

“The sample review of 22 Family Cost Participation Program (FCPP) consumer files revealed that RCOC has been paying the cost of services that are the responsibility of the families under the requirements of the FCPP for two consumers. RCOC paid the entire share of cost to a respite vendor, Maxim Healthcare Services, vendor number HM0441, service code 862, for services provided, resulting in overpayments of \$757.28. This is not in compliance with CCR, title 17, section 50255(a).”

“RCOC must reimburse to DDS a total of \$757.28 in overpayments that resulted from RCOC paying above its share of cost. In addition, RCOC must stop giving parents a 30-

January 2, 2015

RCOC's Response to DDS' Draft Audit Report

day grace period and also ensure parents' share of cost is in effect as of the assessment date."

B. Late Assessments

"The sample review of 22 FCPP consumer files revealed two instances where RCOC did not assess the parents' share of cost participation as part of the consumer's Individual Program Plan (IPP) or Individualized Family Service Plan (IFSP) review. The assessments were completed more than a month after the signing of the IPP. This is not in compliance with W&I Code, section 4873(g)(1)."

"RCOC must ensure all FCPP assessments are to be completed as part of the consumers' IPP or IFSP review. This will ensure compliance with the W&I Code, section 4873(g)(1)."

RCOC's Response to Finding 3

A. Overstated Share of Cost

RCOC disagrees with the finding. RCOC allows families to use authorized respite hours anytime during the authorization period as long as they don't exceed the DDS-set limit of 90 hours per quarter. Families who are assessed a share of cost may still use any remaining hours that were approved prior to the assessment date. RCOC did not overpay or give families a 30-day grace period. See below.

In accordance with Welfare and Institutions Code (WIC), Section 4710(a), RCOC gives families and consumers 30-notice on authorization changes. This has been RCOC's practice since the beginning of FCPP on January 1, 2005.

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 RCOC's Response to DDS' Draft Audit Report

UCI Number	F CPP Assessment Date	F CPP Effective Date	Comments
██████████	9/20/2012	10/20/2012	<p>Authorization period is from 7/1/12 to 6/30/13.</p> <p>Approved for 24 hours per month, with a reduction of 3 hours per month due to prior F CPP assessment, net approved hours per month, 24 - 3 = 21.</p> <p>Based on new assessment, authorization from 10/20/12 to 6/30/13, reduced from 21 to 0 hours per month.</p> <p style="text-align: right;">Utilization Summary</p> <p>Hours authorized before new assessment, from 7/1/12 to 10/19/12 84.00 (Authorization of 24 hours per month, reduced to 21 * 4 = 84)</p> <p>Hours used <u>-56.83</u></p> <p>Balance available 27.17</p> <p>Hours authorized after new assessment, from 10/20/12 to 6/30/13 0.00</p> <p>Hours used after assessment <u>-27.17</u></p> <p>Balance available 0.00</p> <p>The family did not use more than the 84 hours that were approved prior to the new assessment.</p>

UCI Number	F CPP Assessment Date	F CPP Effective Date	Comments
██████████	2/4/2013	3/4/2013	<p>Authorization period is from 7/1/12 to 6/30/13.</p> <p>Approved for 24 hours per month from 7/1/12 to 3/3/13, reduction of 24 hours per month based on assessment.</p> <p style="text-align: right;">Utilization Summary</p> <p>Hours authorized before new assessment, from 7/1/12 to 3/3/13 216.00 (Authorization of 24 hours per month, 24 * 9 = 216)</p> <p>Hours used <u>-125.59</u></p> <p>Balance available 90.41</p> <p>Hours authorized after new assessment, from 3/4/13 to 6/30/13 0.00</p> <p>Hours used after assessment <u>-31.08</u></p> <p>Balance available 59.33</p> <p>The family did not use more than the 216 hours that were approved prior to the new assessment.</p>

B. Late Assessments

RCOC changed its procedures to notify the family at the beginning of the month in which the IPP is scheduled rather than waiting for notification from the Service Coordinator after the meeting has been conducted and this has reduced the number of late assessments. However, RCOC did assess 6883535 and 6881697 late. RCOC will add "pending F CPP assessment" to the Service Coordinators' tasklist to improve timeliness on reporting the IPP date.

DDS Finding 4 and Recommendation: Equipment Inventory

“The review of RCOC's physical inventory worksheet revealed that the individuals who conducted the inventory did not sign and date the inventory worksheets. This is not in compliance with the State Contract Article IV, Section 4(a), State's Equipment Management System Guidelines, Section III(F), and State Administrative Manual, Section 8652.”

“RCOC must ensure the inventory worksheets are signed and dated by the staff that [sic.] conducted the physical inventory as defined in the State Contract and the State's Equipment Management System Guidelines.”

RCOC's Response to Finding 4

RCOC staff will sign and date their inventory worksheets.

DDS Finding 5 and Recommendation: Missing "Hold Harmless" Clause (Repeat)

“The review of RCOC's lease agreements revealed that one of its three current lease agreements does not include a "Hold Harmless" clause. This issue was identified in four prior audit reports. This issue is not in compliance with the State Contract, Article VII, section 1.”

“RCOC must ensure that as the lease agreement for Garden Grove is due for renewal in December 2014 [correct date is May 2015], it will negotiate to include the "Hold Harmless" clause.”

RCOC's Response to Finding 5

As stated in RCOC's four prior responses, this is part of lease negotiations and landlords often refuse to accept the “Hold Harmless” clause.

DDS Finding 6 and Recommendation: Deceased Consumers – Multiple Dates of Death

“The review of the Uniform Fiscal Systems (UFS) Deceased Consumers Report revealed nine consumers with multiple dates of death. This is not in compliance with the State Contract, Article IV, Section 1(c)(1).

RCOC has taken corrective action to resolve the multiple dates of death by researching and updating all nine consumers' actual dates of death in the UFS.”

“RCOC's staff responsible for entering consumer data in the system must review all current deceased consumer files to ensure that only the actual date of death is recorded in UFS.”

January 2, 2015
RCOC's Response to DDS' Draft Audit Report

RCOC's Response to Finding 6

As part of RCOC's mortality review process, the Custodian of Records will confirm the date of death with RCOC's Consumer Records Technician. The Consumer Records Technician will review all deceased consumer files to ensure that only the actual date of death is recorded in UFS.

DDS Finding 7 and Recommendation: Home and Community-Based Services (HCBS) Provider Agreement Forms

"The review of 89 sampled POS vendor files revealed six HCBS Provider Agreement forms were either missing or incomplete. The incomplete HCBS Provider Agreement forms were either missing the service code, vendor number, or had multiple vendor numbers and/or service codes. This is not in compliance with CCR, title 17, section 54326(a)(16).

RCOC has resolved this issue by providing DDS with new HCBS Provider Agreement forms for the six vendors."

"RCOC must ensure there is a properly completed HCBS Provider Agreement form on file for every vendor providing services to consumers."

RCOC's Response to Finding 7

RCOC will ensure that all vendors complete the HCBS Provider Agreement form accurately and in its entirety for each individual vendor number.

Please call me if you have any questions at (714) 796-5296.

Sincerely,



Bette Baber
CFO

c: Larry Landauer
Marta Vasquez
Raudel Perez
Veronica Flores
Greg Shimada
Josie Campos
Jeremy Martin