AUDIT OF THE
SAN DIEGO REGIONAL CENTER
FOR FISCAL YEARS 2007-08, 2008-09 AND 2009-10

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services fiscal compliance audit of San Diego Regional Center (SDRC) revealed that SDRC was in compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare and Institutions (W&I) Code, the Home and Community Based-Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services (DDS). The audit indicated that, overall, SDRC maintains accounting records and supporting documentation for transactions in an organized manner. However, this report identifies some areas where SDRC'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 SDRC's operations.

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

I. Findings that need to be addressed.

Finding 1: **Over/Under-Stated Claims**

A sampled review of the Transportation vendor invoices revealed 138 instances in which SDRC over or under-stated claimed expenses to the State for services provided to consumers. This resulted in 134 instances of overpayments totaling $56,611.61 and four instances of underpayments totaling $2,258.72. This is not in compliance with CCR, title 17, section 54326(a)(10).

Finding 2: **Negotiated Rate Above the Statewide Median Rate**

A review of 44 sampled vendor contracts finalized after June 30, 2008, revealed that SDRC issued rates to two vendors that were above the Statewide/SDRC Median Rate. This resulted in an overpayment of $4,405.95. This is not in compliance with W&I Code, section 4691.9(a) and (b).

Finding 3: **Individualized Family Service Plans (IFSP) Do Not Reconcile with the Purchase of Service (POS) Authorizations**

The review of the Early Start program revealed 13 of the 16 sampled IFSPs did not reconcile to the corresponding Purchase of Service (POS) authorizations. The review revealed that consumers' hours on the authorizations exceeded the hours originally requested on the corresponding IFSPs, which resulted in overpayments totaling $4,825.25. SDRC stated this occurred when staff inputted the units into the Uniform Fiscal System (UFS) incorrectly. This is not in compliance with CCR, title 17, section 52102(f) and 52106(a)(2).

Finding 4: **Family Cost Participation Program (FCPP)**

A. **Over-Stated Share of Cost**

The review of 20 sampled FCPP consumer files revealed that SDRC paid the share of cost for four consumers, which was the responsibility of the consumer's families under the requirements of the FCPP. As a result, payments to four vendors totaling $4,061.68 were paid by SDRC. This is not in compliance with CCR, title 17, section 50255(a).

B. **Late Assessments and Notification Letters**

The review of 20 sampled FCPP files revealed 12 instances in which SDRC did not complete assessments at the time the parents signed the consumers' Individual Program Plan (IPP). In addition, two notification letters sent to inform parents of their assessed share of cost participation were not sent within 10 working days of receipt of the income documentation. This is not in compliance with the W&I Code, section 4783(g)(1)(B) and (3).

Finding 5: **Client Trust Disbursements Not Supported (Repeat)**

A sample review of the 40 Client Trust money management disbursements revealed that SDRC did not have receipts to support 10 disbursements issued to vendors for the spending down of consumer funds. Without supporting receipts, there is no evidence to ensure that the disbursements from the Client Trust funds are appropriate. This resulted in unsupported spend-down disbursements totaling $8,300.00. This issue was also identified in the prior DDS audit report. This is not in compliance with the Social Security Handbook, chapter 16, section 1616(D).

Finding 6: **Missing Documentation**

The review of 105 sampled consumer files revealed that SDRC did not retain copies of Purchase of Service (POS) authorizations as supporting documentation for services provided. This is not in compliance with CCR, title 17, sections 50612(f).

Finding 7: **Missing "Hold Harmless" Clause**

The review of SDRC's five lease agreements for real property revealed that one lease for the National City office did not include a "Hold Harmless" clause as required by the contract with DDS. This clause is needed to ensure that the State

is held harmless for any claims and/or losses that may be associated with these leases. This is not in compliance with the State Contract, article VII, section 1.

Finding 8: **Vacation and Sick Time Recorded Incorrectly on the Targeted Case Management (TCM) Time Study Forms (DS 1916)**

The review of the Targeted Case Management (TCM) time study revealed that for seven of the 15 sampled employees, vacation and sick hours recorded on the employee timesheets did not properly reflect time that was recorded on the TCM Time Study forms (DS 1916).

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

Finding 9: **Home and Community-Based Services Waiver Provider Agreement Forms (Repeat)**

The review of 112 vendor files revealed that 32 Home and Community-Based Services Waiver Provider Agreement forms were not properly completed by SDRC. The forms were either missing the service code, vendor number, or had multiple vendor numbers and/or service codes. This issue was reported in the two prior DDS audit reports. This is not in compliance with CCR, title 17, section 54326(a)(16).

SDRC has taken corrective action to resolve the issue by providing DDS with the properly completed Home and Community-Based Services Waiver Provider Agreement forms.

Finding 10: **Deceased Consumer Multiple Dates of Death**

The review of the Uniform Fiscal System (UFS) Death report identified six of the 20 sampled consumers with multiple dates of death recorded. This is not in compliance with Article IV, section 1(c)(1) of the contract between DDS and SDRC.

SDRC has taken corrective action to resolve this issue by researching and updating its records to reflect each consumer's actual date of death.

BACKGROUND

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

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

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

DDS and San Diego-Imperial Counties Developmental Services, Inc. (SDICSI) entered into a contract, HD999016, (State Contract) effective July 1, 2004, through June 30, 2009 and contract HD099017, effective July 1, 2009, through June 30, 2014. The contracts specify that SDICSI will operate an agency known as the San Diego Regional Center (SDRC) to provide services to persons with DD and their families in the San Diego and Imperial Counties. The contracts are funded by State and Federal funds that are dependent upon SDRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SDRC from February 28, 2011, through April 11, 2011, and was conducted by the DDS Audit Branch.

AUTHORITY

The audit was conducted under the authority of the Welfare and Institutions (W&I) Code, section 4780.5, and Article IV, section 3 of the State Contracts.

CRITERIA

The following criteria were used for this audit:

- California Welfare and Institutions (W&I) Code
- "Approved Application for the Home and Community-Based Services Waiver for the Developmentally Disabled"
- California Code of Regulations, Title 17 (CCR, title 17)
- Federal Office of Management Budget (OMB) Circular A-133
- State Contracts between DDS and SDRC, effective July 1, 2004, and July 1, 2009, respectively

AUDIT PERIOD

The audit period was July 1, 2007, through June 30, 2010, 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 Welfare and Institutions (W&I) Code (or the Lanterman Act),
- To determine compliance with the California Code of Regulations, Title 17 (CCR, title 17),
- To determine compliance with the provisions of HCBS Waiver Program for the Developmentally Disabled, and
- To determine that costs claimed were in compliance with the provisions of the State Contracts.

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 SDRC's financial statements. DDS limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that SDRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether SDRC was in compliance with the Lanterman Act, CCR, title 17, the HCBS Waiver for the Developmentally Disabled, and the State Contracts.

DDS' review of SDRC'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 reports that were conducted by an independent accounting firm for fiscal years (FYs):

- FY 2007-08, issued on December 9, 2008
- FY 2008-09, issued on March 22, 2010
- FY 2009-10, issued on February 28, 2011

In addition, DDS reviewed the associated management letters that were issued by the independent accounting firm for FYs 2007-08 and 2009-10. This review was performed to determine the impact, if any, upon the DDS audit and as necessary, to develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

DDS selected a sample of Purchase of Service (POS) claimed and billed to DDS. The sample included consumer services, vendor rates, and consumer trust accounts. The sample also included consumers who were eligible for 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 SDRC. The rates charged for the services provided to individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17 and the W&I Code of Regulations

- DDS selected a sample of individual trust accounts to determine if there were any unusual activities and if any individual account balances were not over the $2,000 resource limit as required by the Social Security Administration (SSA). In addition, DDS determined if any retroactive Social Security benefit payments received were not held longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, that personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures are maintained.

- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, is not used by SDRC. An interview with SDRC staff revealed that SDRC 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 Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding items that were not reconciled.

- DDS analyzed all of SDRC's bank accounts to determine if DDS had signatory authority as required by the contract with DDS.

- DDS selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

DDS audited SDRC's operations and conducted tests to determine compliance with the State Contracts. The tests included various expenditures claimed for administration to ensure that the accounting staff was properly inputting data, transactions were being recorded on a timely basis, and to ensure that expenditures charged to various operating areas were valid and reasonable. These tests included the following:

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.

- A sample of operating expenses including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements, was tested to determine compliance to CCR, title 17 and the State Contracts.

- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contracts.

- DDS reviewed SDRC's policies and procedures for compliance with the DDS Conflict of Interest requirements and selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

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

- Reviewed applicable TCM records and SDRC's Rate Study. DDS examined the month of May 2010 and traced the reported information to source documents.

- Reviewed SDRC's Case Management Time Study. DDS selected a sample of payroll time sheets for this review and compared 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 operations reduction to regional centers as required per W&I Code, section 4640.6(i) and (j).

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

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

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program (FCPP)

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

- Reviewed the list of consumers who received respite, day care and camping services, for ages 0 through 17 who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.

- Reviewed the parents' income documentation to verify their level of participation based on the Family Cost Participation Schedule.

- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days.

- Reviewed vendor payments to verify SDRC 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 Contracts as amended.

To determine whether SDRC is working towards implementing the required RFP process by January 1, 2011, DDS performed the following procedures during our audit review:

- Reviewed the SDRC 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 W&I Code, section 4648(a)(6)(D), and Article II of the State Contract as amended.

- Reviewed the RFP contracting policy to determine whether the protocols in place included applicable dollar thresholds and complies with Article II of the State Contract as amended.

- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicates to all vendors. All submitted proposals will be evaluated by a team of individuals, to determine whether proposals are properly documented, recorded and authorized by appropriate officials at SDRC. 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 will be retained for the selection process and in instances which a vendor with a higher bid is selected there will be 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 Purchase of Service (POS) contracts subject to competitive bidding to ensure SDRC notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that SDRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and that 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 SDRC 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 SDRC 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 are 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 SDRC'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 SDRC's State Contract requirements as amended.

VIII. Statewide/Regional Center Median Rates

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

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

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

- Reviewed vendor contracts to verify that SDRC is reimbursing vendors using authorized contract median rates, verifying that rates paid represented the lower of the statewide or regional center median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where health and safety exemptions are granted by DDS.

IX. Other Sources of Funding from DDS

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

- American Recovery Reinvestment Act (ARRA) Funds.

- Wellness.

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 for fiscal years 2005-06 and 2006-07 was conducted. DDS identified the prior audit findings that were reported to SDRC and reviewed supporting

documentation to determine the degree and completeness of SDRC'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, SDRC was in compliance with applicable sections of CCR, title 17, the HCBS waiver, and the State Contracts with DDS for the audit period, July 1, 2007, through June 30, 2010.

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

From the review of the prior audit issues, it has been determined that SDRC has not taken appropriate corrective action to resolve one prior audit issue which is included in the Findings and Recommendations Section.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on March 26, 2012. The findings in the report were discussed at an exit conference with SDRC on April 9, 2012. At the exit conference, DDS stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, Centers for Medicare and Medicaid Services, and San Diego Regional Center. 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: **Over/Under-Stated Claims**

A sample review of the Transportation vendor invoices revealed 138 instances in which SDRC over or under-stated claimed expenses to the State for services provided to consumers.

Two vendors, [redacted], vendor number HQ0334, service code 875, and City Link Foundation, vendor number HQ0318, service code 875, received duplicate payments for services provided to four consumers resulting in 134 instances of overpayments totaling $56,611.61. The overpayments were due to the two vendors billing twice for services provided to the same consumer. In addition, four instances of underpayments were identified totaling $2,258.72 in which SDRC reimbursed the vendor for one way trips rather than round trips. SDRC stated that this occurred due to an oversight on its part.
(See Attachment A.)

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

"(a) All vendors shall:

(10) Bill for services which are actually provided to consumer and which have been authorized by the referring regional center…"

Recommendation:

SDRC shall reimburse DDS a total of $56,611.61 that was overpaid to the two vendors and make payments totaling $2,258.72 to the vendor that was underpaid for services provided. In addition, SDRC shall review vendor payment invoices to ensure any payment errors that may have occurred in the course of doing business with its vendors are identified and corrected in a timely manner.

Finding 2: **Negotiated Rate Above the Statewide Median Rate**

A review of 44 sampled vendor contracts finalized after June 30, 2008, revealed that SDRC issued rates to two vendors that were above the Statewide/SDRC Median Rate implemented on July 1, 2008. [redacted], vendor number PQ7307, service code 103, was reimbursed at a rate of $72.75 per unit while the Median Rate was

$40.00 per unit; the contract was effective on November 24, 2008. Also, [redacted], vendor number PQ8141, service code 102, was reimbursed at a rate of $49.34 per unit while the Median Rate was $46.10 per unit; the contract was effective on March 1, 2010. This resulted in a total overpayment of $4,405.95. SDRC stated that rates for the two vendors were negotiated above the median rate due to an oversight on its part. (See Attachment B.)

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

"Notwithstanding any other provision of the law or regulation, commencing July 1, 2008:

(a) No regional center shall pay an existing service provider, for services where rates are determined through a negotiation between the regional center and the provider, a rate higher than the rate in effect on June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008…

(b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower..."

Recommendation:

SDRC shall recover and reimburse DDS the $4,405.95 in total overpayments made to the two vendors. In addition, SDRC must comply with W&I Code, section 4691.9 and ensure that any rates negotiated after June 30, 2008, are equal to or below the Statewide/SDRC Median Rates.

Finding 3: **Individualized Family Service Plans (IFSP) Do Not Reconcile with the Purchase of Service (POS) Authorizations**

The review of the Early Start program revealed 13 of the 16 sampled IFSPs did not reconcile to the corresponding POS authorizations. The consumers' hours on the POS requests exceeded the number of units stated on the IFSPs. SDRC stated this occurred when staff inputted the units into the Uniform Fiscal System (UFS) incorrectly. Further review revealed there were 23 instances where six of the 13 consumers exceeded their authorized amount, which resulted in overpayments totaling $4,825.25. (See Attachment C.)

CCR, title 17, section 52102(f) states:

"Information obtained from ongoing assessment shall be used in reviewing and revising outcomes and determining the appropriate services that will be provided or continued."

Also, CCR, title 17, section 52106(a)(2) states:

"Frequency means the number of days or sessions that a service will be provided during a specified period of time, such as, two times each week or four times each month."

Recommendation:

SDRC shall reimburse to DDS the $4,825.25 in overpayments that resulted from incorrectly billing for units above the authorized amount. SDRC shall also ensure that the IFSPs are reviewed along with the corresponding POS requests to ensure hours authorized on the POS requests reconcile with the hours on the corresponding IFSPs.

Finding 4: <u>Family Cost Participation Program (FCPP)</u>

A. <u>Over-Stated Share of Cost</u>

The review of 20 sampled FCPP consumer files revealed that SDRC paid the share of cost for four consumers, which was the responsibility of the consumer's families under the requirements of the FCPP. As a result, payments to four vendors totaling $4,061.68 were paid by SDRC. This occurred when the staff person in charge of the program was on leave. (See Attachment D.)

CCR, title 17, section 50255(a) states in 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:

SDRC should reimburse DDS $4,061.68 in total overpayments that resulted from incorrectly paying consumer families' share of cost participation. In addition, to prevent the possibility of overpayments in the future, SDRC should cross train its employees within the unit in order to ensure that the continuity of monitoring the consumer share of cost participation is not interrupted when the employee responsible for this program is on leave.

B. Late Assessments and Notification Letters

The review of 20 sampled FCPP files revealed 12 instances in which SDRC did not complete assessments at the time the parents signed the Individual Program Plan (IPP). In addition, two notification letters sent to inform parents of their assessed share of cost participation were not sent within 10 working days of receipt of income documentation. SDRC stated this occurred when the person in charge of the program was on leave. (See Attachment E.)

W&I Code, section 4783(g)(1)(B) and (3) states in relevant part:

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

(1)(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.

(3) A regional center shall notify parents of the parents' assessed cost participation within 10 working days of receipt of the parents' complete income documentation."

Recommendation:

SDRC shall ensure that staff responsible for the FCPP is aware of the policies and procedures in place. In particular, the staff must be aware that notification letters detailing the parents' assessed share of cost are sent within 10 working days of receipt of parents' income documentation. In addition, SDRC should cross train other employees within the unit to ensure compliance with the W&I Code requirements.

Finding 5: Client Trust Disbursements Not Supported (Repeat)

A sample review of the 40 Client Trust money management disbursements revealed that SDRC did not have receipts to support 10 disbursements issued to vendors for the spending down of consumer funds. This issue was identified in the prior DDS audit. In its prior response, SDRC stated that it does not require supporting receipts prior to issuing payments from Client Trust accounts, but issues disbursements based on check request forms that are prepared by its Service Coordinators. SDRC further stated that supporting receipts are provided by the vendors upon request from SDRC. However, the current review noted that the vendors were unable to provide receipts for these 10 disbursements upon

request. This resulted in unsupported spend-down disbursements totaling $8,300.00.

Without supporting receipts, there is no evidence to ensure that the disbursements from the consumers' Client Trust account are appropriate. SDRC should take this issue seriously and ensure that this issue is resolved. (See Attachment F.)

Social Security Handbook, chapter 16, section 1616(D) states:

"The responsibilities of a representative payee are to:

D. Keep written records of all payments received from SSA along with receipts to show how funds were spent and/or saved on behalf of the beneficiary."

Recommendation:

As the representative payee for its consumers, SDRC should notify its vendors of its current procedure in place of retaining receipts to support Client Trust money management disbursements and be available upon request. This will ensure all money management checks disbursed to vendors are for an appropriate purpose and that there is a proper accounting of Social Security benefits.

Finding 6: <u>Missing Documentation</u>

The review of 105 sampled consumer files revealed that SDRC did not retain copies of Purchase of Service (POS) authorizations as supporting documentation for services provided. SDRC contends that copies of the authorizations do not need to be maintained since the POS authorizations are electronically stored in the San Diego Information System (SANDIS). However, the electronic authorizations in SANDIS are not signed or dated as proof that the individual consumers' services were authorized. (See Attachment G.)

CCR, title 17, section 50612(f) states:

"A copy of the purchase of service authorization shall be retained by the regional center."

Recommendation:

SDRC should comply with CCR, title 17 regulations by retaining a written copy of the POS authorization in the consumer file. This will ensure that actual service payments are consistent with the authorization of service payments and are traceable to the vendor and consumer copy.

Finding 7: **Missing "Hold Harmless" Clause**

A review of SDRC's five lease agreements for real property revealed one lease for the National City office did not include a "Hold Harmless" clause as required by its contract with DDS. This clause is needed to ensure that the State is held harmless for any claims and/or losses that may be associated with these leases. SDRC explained that it is currently working with their lawyer to add an amendment to the lease.

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:

SDRC should amend the lease to include a "Hold Harmless" clause to ensure compliance with its State Contract and protect the State from claims and/or losses resulting from these leases. In addition, SDRC should implement policies and procedures to ensure that any future lease agreements comply with this requirement.

Finding 8: **Vacation and Sick Time Recorded Incorrectly on the Targeted Case Management (TCM) Time Study Forms (DS 1916)**

The review of the Targeted Case Management (TCM) time study revealed that for seven of the 15 sampled employees, vacation and sick hours recorded on the employee timesheets did not properly reflect time that was recorded on the TCM Time Study forms (DS 1916). The difference between the employee timesheets and the TCM Time Study forms was 150.71 hours. Though the difference did not have a significant impact on the TCM rate, hours recorded incorrectly in the TCM time study can affect the TCM rate billed to the Federal Government.

For good business and internal control practices, time taken for vacation and sick leave should be recorded correctly on the TCM Time Study forms (DS 1916). Time recorded incorrectly may result in an incorrect calculation of the TCM rate, which could result in the requirement to return overpayments on the TCM rate to the Federal Government.

Recommendation:

SDRC should implement policies and procedures to ensure all employee timesheets are in agreement with the TCM Time Study forms (DS 1916).

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

Finding 9: **Home and Community-Based Services Waiver Provider Agreement Forms (Repeat)**

The review of 112 vendor files revealed that 32 Home and Community-Based Services Waiver Provider Agreement forms were not properly completed by SDRC. The forms were either missing the service code, vendor number, or had multiple vendor numbers and/or service codes. This issue was also identified in the prior DDS audit reports, but was resolved by SDRC.

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

"(a) All vendors shall

(16) Sign the Home and Community-Based Services Provider Agreement (6/99), if applicable pursuant to section 54310(a)(10)(I), (d) and (e)…"

SDRC has taken corrective steps to comply with CCR, title 17, section 54326(a)(16) by providing DDS with the properly completed Home and Community-Based Services Waiver Provider Agreement forms.

Recommendation:

SDRC should continue to reinforce its procedures to ensure there is a properly completed Home and Community-Based Services Waiver Provider Agreement form on file for every vendor providing services to consumers.

Finding 10: **Deceased Consumer Multiple Dates of Death**

The review of the Uniform Fiscal System (UFS) Death report identified six of the 20 sampled consumers with multiple dates of death recorded. Further review found that no payments were made beyond the actual date of death for the six consumers.

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

"Contractor shall make available accurate and complete UFS and/or CADDIS 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 an 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, SDRC should ensure the actual date of death is accurately recorded in UFS to avoid any payments after the date of death.

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

Recommendation

SDRC shall ensure its staff is provided with written procedures and training on the recording of deceased consumers in UFS. In addition, SDRC should continue to review all files of deceased consumers to ensure that only the actual date of death is recorded in UFS.

EVALUATION OF RESPONSE

As part of the audit report process, SDRC has been provided with a draft report and was requested to provide a response to each finding. SDRC's response dated June 22, 2012, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section as well as a summary of the findings in the Executive Summary section.

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

Finding 1: **Over/Under-Stated Claim**

SDRC states that it concurs with the recommendation which requires it to reimburse DDS $56,611.11 in overpayments and reimburse the vendor $2,258.72 in underpayments for services provided. In its response, SDRC stated that it setup a payment plan with the vendor in order to resolve this issue. Within 60 days of receipt of this report, SDRC must provide DDS with the payment plan as documentation that this issue is being resolved. Follow up will be performed during the next scheduled audit to determine if SDRC has resolved this issue and is in compliance with CCR, title 17, section 54326(a)(10) requirements.

Finding 2: **Negotiated Rate Above the Statewide Median Rate**

SDRC concurs with the recommendation that requires it to reimburse DDS the $4,405.95 in total overpayments made to two vendors, [redacted], vendor number PQ7307, and [redacted], vendor number PQ8141. SDRC stated that it has since reduced the vendors' rate of reimbursement to ensure compliance with the Statewide/SDRC Median Rate. However, no supporting documentation was provided to DDS as justification that rates have been reduced. Within 30 days of receipt of this report, SDRC must provide DDS with documentation as an indication that the rate has been reduced. Follow up will be performed during the next scheduled audit to determine if SDRC is in compliance with W&I Code, section 4691.9 and to ensure that any rates negotiated after June 30, 2008, are equal to or below the Statewide/SDRC Median Rates.

Finding 3: **Individualized Family Service Plans (IFSP) Do Not Reconcile with the Purchase of Services (POS) Authorizations**

SDRC stated that it mistakenly reimbursed its vendors for services above the units which were requested in the consumers IFSP and agrees to reimburse DDS the $4,825.25 paid to the vendor. SDRC also, stated that it will ensure IFSPs are reconciled to the consumers Purchase of Service Authorization to avoid any such payments to vendors in the future. Follow up will be performed during the next scheduled audit to determine if SDRC is in compliance with CCR, title 17, section 52102(f) and CCR, title 17,
section 52106(a)(2) requirements.

Finding 4: **Family Cost Participation Program (FCPP)**

A. Over-Stated Share of Cost

SDRC concurs with the recommendation which requires it to reimburse DDS $4,061.68 for overpayments which resulted from incorrectly paying consumer families' share of cost participation. SDRC stated that it will cross train an employee within the unit to ensure continuity in the monitoring of the consumer share of cost participation when the employee responsible for this program is on leave. Follow up will be performed during the next scheduled audit to determine if SDRC is in compliance with CCR, title 17, section 50255(a) requirements.

B. Late Assessments and Notification Letters

SDRC concurs with the DDS recommendations which require the FCPP Coordinator to follow FCPP policies and procedures and ensure notification letters are sent to parents with 10 working days of receipt of parents' documentation. SDRC stated that it will cross train an employee within the unit in order to ensure compliance with the W&I Code requirements. Follow up will be performed during the next scheduled audit to determine if SDRC is in compliance with W&I Code, section 4783(g)(1)(B) and (3) requirements.

Finding 5: **Client Trust Disbursements Not Supported (Repeat)**

SDRC concurs with DDS recommendations as it did in its prior response and states that it will continue to notify it's vendors regarding its procedures to retain supporting documentation for client trust money management disbursements. In its prior response, SDRC provided additional information as support that its Client Trust Disbursement procedures are satisfactory with the Social Security

Administration to safeguard consumer funds and fulfill the responsibilities of a representative payee. However, a current review of Client Trust disbursements still shows that SDRC's vendors could not provide support documentation for client trust money management disbursements. Within 60 days of receipt of this report, SDRC must provide DDS with documentation indicating that it has notified its vendors of the procedures in place and the requirement that all vendors retain supporting documentation for client trust money management disbursements. Follow up will be performed during the next scheduled audit to determine if SDRC is in compliance with Social Security Handbook, chapter 16, section 1616(D) requirements.

Finding 6: **Missing Documentation**

SDRC does not agree with the finding which states that it did not retain Purchase of Service (POS) authorizations. SDRC stated copies of POS authorizations are electronically stored in the UFS system, therefore, does not believe it should produce a paper copy of the authorization. However, DDS disagrees with SDRC's contention that copies of the authorizations do not need to be retained as hard copies of authorization were required per CCR, title 17, section 50612(f) for the time period in which the audit was conducted.

Finding 7: **Missing "Hold Harmless" Clause**

SDRC concurs with the DDS' recommendations and states that it will continue to work with the landlord to amend the current National City lease to include a "Hold Harmless" clause. In addition, SDRC stated that it will implement a procedure to ensure that all future lease agreements contain the "Hold Harmless" clause. Follow up will be performed during the next scheduled audit to determine if SDRC is in compliance with the State Contract, article VII, section 1.

Finding 8: **Vacation and Sick Time Recorded Incorrectly on the Targeted Case Management (TCM) Time Study Forms (DS 1916)**

SDRC concurs with the DDS' recommendation and states that it will redesign its employee timesheets and implement procedures which will ensure employee timesheets properly reflect time recorded on the TCM time study forms (DS 1916). Follow up will be performed during the next scheduled audit to determine if SDRC is in compliance with TCM time study requrement.

San Diego Regional Center
Over/Under-Stated Claims
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Payment Period	Over/Under Payments
Overpayments Due to Duplicate Payments						
1	[redacted]	HQ0334	[redacted]	875	Jun-10	$141.90
2	[redacted]	HQ0334	[redacted]	875	Jul-10	$270.90
3	[redacted]	HQ0334	[redacted]	875	Aug-10	$283.80
4	[redacted]	HQ0334	[redacted]	875	Sep-10	$270.90
5	[redacted]	HQ0334	[redacted]	875	Oct-10	$242.06
6	[redacted]	HQ0334	[redacted]	875	Nov-10	$229.32
7	[redacted]	HQ0334	[redacted]	875	Dec-10	$235.69
8	[redacted]	HQ0334	[redacted]	875	Jan-11	$254.80
9	[redacted]	HQ0334	[redacted]	875	Feb-11	$242.06
11	[redacted]	HQ0334	[redacted]	875	Jan-08	$239.40
12	[redacted]	HQ0334	[redacted]	875	Feb-08	$266.00
13	[redacted]	HQ0334	[redacted]	875	Mar-08	$272.65
14	[redacted]	HQ0334	[redacted]	875	Apr-08	$292.60
15	[redacted]	HQ0334	[redacted]	875	May-08	$279.30
16	[redacted]	HQ0334	[redacted]	875	Jun-08	$279.30
17	[redacted]	HQ0334	[redacted]	875	Jul-08	$199.50
18	[redacted]	HQ0334	[redacted]	875	Aug-08	$279.30
19	[redacted]	HQ0334	[redacted]	875	Sep-08	$279.30
20	[redacted]	HQ0334	[redacted]	875	Oct-08	$299.25
21	[redacted]	HQ0334	[redacted]	875	Nov-08	$239.40
22	[redacted]	HQ0334	[redacted]	875	Dec-08	$212.80
23	[redacted]	HQ0334	[redacted]	875	Jan-09	$259.35
24	[redacted]	HQ0334	[redacted]	875	Feb-09	$232.20
25	[redacted]	HQ0334	[redacted]	875	Mar-09	$283.80
26	[redacted]	HQ0334	[redacted]	875	Apr-09	$283.80
27	[redacted]	HQ0334	[redacted]	875	May-09	$251.55
28	[redacted]	HQ0334	[redacted]	875	Jun-09	$277.35
29	[redacted]	HQ0334	[redacted]	875	Jul-09	$283.80

San Diego Regional Center
Over/Under-Stated Claims
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Payment Period	Over/Under Payments
30	[redacted]	HQ0334	[redacted]	875	Aug-09	$270.90
31	[redacted]	HQ0334	[redacted]	875	Sep-09	$270.90
32	[redacted]	HQ0334	[redacted]	875	Oct-09	$283.80
33	[redacted]	HQ0334	[redacted]	875	Nov-09	$225.75
34	[redacted]	HQ0334	[redacted]	875	Dec-09	$258.00
35	[redacted]	HQ0334	[redacted]	875	Jan-10	$232.20
36	[redacted]	HQ0334	[redacted]	875	Feb-10	$238.65
37	[redacted]	HQ0334	[redacted]	875	Mar-10	$277.35
38	[redacted]	HQ0334	[redacted]	875	Apr-10	$264.45
39	[redacted]	HQ0334	[redacted]	875	May-10	$258.00
40	[redacted]	HQ0334	[redacted]	875	Jun-10	$277.35
41	[redacted]	HQ0334	[redacted]	875	Jul-10	$270.90
42	[redacted]	HQ0334	[redacted]	875	Aug-10	$283.80
43	[redacted]	HQ0334	[redacted]	875	Sep-10	$270.90
44	[redacted]	HQ0334	[redacted]	875	Oct-10	$254.80
45	[redacted]	HQ0334	[redacted]	875	Nov-10	$242.06
46	[redacted]	HQ0334	[redacted]	875	Dec-10	$242.06
47	[redacted]	HQ0334	[redacted]	875	Jan-11	$254.80
48	[redacted]	HQ0334	[redacted]	875	Feb-11	$229.32
49	[redacted]	HQ0334	[redacted]	875	Apr-05	$462.50
50	[redacted]	HQ0334	[redacted]	875	May-05	$525.00
51	[redacted]	HQ0334	[redacted]	875	Jun-05	$537.50
52	[redacted]	HQ0334	[redacted]	875	Jul-05	$512.07
53	[redacted]	HQ0334	[redacted]	875	Aug-05	$485.81
54	[redacted]	HQ0334	[redacted]	875	Sep-05	$551.46
55	[redacted]	HQ0334	[redacted]	875	Oct-05	$551.46
56	[redacted]	HQ0334	[redacted]	875	Nov-05	$525.20
57	[redacted]	HQ0334	[redacted]	875	Dec-05	$525.20
58	[redacted]	HQ0334	[redacted]	875	Jan-06	$512.07

San Diego Regional Center
Over/Under-Stated Claims
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Payment Period	Over/Under Payments
59	[redacted]	HQ0334	[redacted]	875	Feb-06	$472.68
60	[redacted]	HQ0334	[redacted]	875	Mar-06	$590.85
61	[redacted]	HQ0334	[redacted]	875	Apr-06	$498.94
62	[redacted]	HQ0334	[redacted]	875	May-06	$472.68
63	[redacted]	HQ0334	[redacted]	875	Jun-06	$551.46
64	[redacted]	HQ0334	[redacted]	875	Jul-06	$472.68
65	[redacted]	HQ0334	[redacted]	875	Aug-06	$513.76
66	[redacted]	HQ0334	[redacted]	875	Sep-06	$540.80
67	[redacted]	HQ0334	[redacted]	875	Oct-06	$567.84
68	[redacted]	HQ0334	[redacted]	875	Nov-06	$527.28
69	[redacted]	HQ0334	[redacted]	875	Dec-06	$500.24
70	[redacted]	HQ0334	[redacted]	875	Jan-07	$527.28
71	[redacted]	HQ0334	[redacted]	875	Apr-07	$500.24
72	[redacted]	HQ0334	[redacted]	875	May-07	$419.12
73	[redacted]	HQ0334	[redacted]	875	Aug-07	$500.24
74	[redacted]	HQ0334	[redacted]	875	Sep-07	$500.24
75	[redacted]	HQ0334	[redacted]	875	Oct-07	$527.28
76	[redacted]	HQ0334	[redacted]	875	Nov-07	$527.28
77	[redacted]	HQ0334	[redacted]	875	Dec-07	$446.16
78	[redacted]	HQ0334	[redacted]	875	Jan-08	$554.32
79	[redacted]	HQ0334	[redacted]	875	Feb-08	$500.24
80	[redacted]	HQ0334	[redacted]	875	Mar-08	$554.32
81	[redacted]	HQ0334	[redacted]	875	Apr-08	$554.32
82	[redacted]	HQ0334	[redacted]	875	May-08	$554.32
83	[redacted]	HQ0334	[redacted]	875	Jun-08	$567.84
84	[redacted]	HQ0334	[redacted]	875	Jul-08	$581.36
85	[redacted]	HQ0334	[redacted]	875	Aug-08	$459.68
86	[redacted]	HQ0334	[redacted]	875	Sep-08	$567.84
87	[redacted]	HQ0334	[redacted]	875	Oct-08	$621.92

San Diego Regional Center
Over/Under-Stated Claims
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Payment Period	Over/Under Payments
88	[redacted]	HQ0334	[redacted]	875	Nov-08	$473.20
89	[redacted]	HQ0334	[redacted]	875	Dec-08	$540.80
90	[redacted]	HQ0334	[redacted]	875	Jan-09	$527.28
91	[redacted]	HQ0334	[redacted]	875	Feb-09	$419.52
92	[redacted]	HQ0334	[redacted]	875	Mar-09	$563.73
93	[redacted]	HQ0334	[redacted]	875	Apr-09	$563.73
94	[redacted]	HQ0334	[redacted]	875	May-09	$498.18
95	[redacted]	HQ0334	[redacted]	875	Jun-09	$550.62
96	[redacted]	HQ0334	[redacted]	875	Jul-09	$563.73
97	[redacted]	HQ0334	[redacted]	875	Aug-09	$419.52
98	[redacted]	HQ0334	[redacted]	875	Sep-09	$550.62
99	[redacted]	HQ0334	[redacted]	875	Oct-09	$563.73
100	[redacted]	HQ0334	[redacted]	875	Nov-09	$458.85
101	[redacted]	HQ0334	[redacted]	875	Dec-09	$485.07
102	[redacted]	HQ0334	[redacted]	875	Jan-10	$393.30
103	[redacted]	HQ0334	[redacted]	875	Feb-10	$485.07
104	[redacted]	HQ0334	[redacted]	875	Mar-10	$576.84
105	[redacted]	HQ0334	[redacted]	875	Apr-10	$550.62
106	[redacted]	HQ0334	[redacted]	875	May-10	$511.29
107	[redacted]	HQ0334	[redacted]	875	Jun-10	$524.40
108	[redacted]	HQ0334	[redacted]	875	Jul-10	$524.40
109	[redacted]	HQ0334	[redacted]	875	Aug-10	$485.07
110	[redacted]	HQ0334	[redacted]	875	Sep-10	$537.51
111	[redacted]	HQ0334	[redacted]	875	Oct-10	$492.10
112	[redacted]	HQ0334	[redacted]	875	Nov-10	$492.10
113	[redacted]	HQ0334	[redacted]	875	Dec-10	$440.30
114	[redacted]	HQ0334	[redacted]	875	Jan-11	$492.10
115	[redacted]	HQ0334	[redacted]	875	Feb-11	$362.60
116	[redacted]	HQ0318	City Link Foundation	875	Jul-09	$576.84

San Diego Regional Center
Over/Under-Stated Claims
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Payment Period	Over/Under Payments
117	[redacted]	HQ0318	City Link Foundation	875	Sep-09	$550.62
118	[redacted]	HQ0318	City Link Foundation	875	Oct-09	$576.84
119	[redacted]	HQ0318	City Link Foundation	875	Nov-09	$471.96
120	[redacted]	HQ0318	City Link Foundation	875	Dec-09	$524.40
121	[redacted]	HQ0318	City Link Foundation	875	Jan-10	$498.18
122	[redacted]	HQ0318	City Link Foundation	875	Feb-10	$498.18
123	[redacted]	HQ0318	City Link Foundation	875	Mar-10	$576.84
124	[redacted]	HQ0318	City Link Foundation	875	Apr-10	$576.84
125	[redacted]	HQ0318	City Link Foundation	875	May-10	$524.40
126	[redacted]	HQ0318	City Link Foundation	875	Jun-10	$550.62
127	[redacted]	HQ0318	City Link Foundation	875	Jul-10	$550.62
128	[redacted]	HQ0318	City Link Foundation	875	Aug-10	$550.62
129	[redacted]	HQ0318	City Link Foundation	875	Sep-10	$550.62
130	[redacted]	HQ0318	City Link Foundation	875	Oct-10	$518.00
131	[redacted]	HQ0318	City Link Foundation	875	Nov-10	$518.00
132	[redacted]	HQ0318	City Link Foundation	875	Dec-10	$492.10
133	[redacted]	HQ0318	City Link Foundation	875	Jan-11	$518.00
134	[redacted]	HQ0318	City Link Foundation	875	Feb-11	$492.10
					Grand Total Overpayments	**$56,611.61**
			Underpayments Due to Accounting Oversight			
1	[redacted]	HQ0318	City Link Foundation	875	Dec-08	($377.16)
2	[redacted]	HQ0318	City Link Foundation	875	Jan-09	($629.60)
3	[redacted]	HQ0318	City Link Foundation	875	Feb-09	($580.18)
4	[redacted]	HQ0318	City Link Foundation	875	Mar-09	($671.78)
					Grand Total Underpayments	**($2,258.72)**

San Diego Regional Center
Negotiated Rate Above the Statewide Median Rate
Fiscal Years 2007-08, 2008-09 and 2009-10

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
1	PQ7307	[redacted]	103	Jan-09	$140.00
2	PQ7307	[redacted]	103	Feb-09	$271.60
3	PQ7307	[redacted]	103	Mar-09	$203.70
4	PQ7307	[redacted]	103	Apr-09	$645.05
5	PQ7307	[redacted]	103	Jun-09	$339.50
6	PQ7307	[redacted]	103	Aug-09	$67.90
7	PQ7307	[redacted]	103	Sep-09	$339.50
8	PQ7307	[redacted]	103	Nov-09	$577.15
9	PQ7307	[redacted]	103	Dec-09	$407.40
10	PQ7307	[redacted]	103	Feb-10	$135.33
11	PQ7307	[redacted]	103	Mar-10	$203.00
12	PQ7307	[redacted]	103	Apr-10	$778.17
13	PQ7307	[redacted]	103	May-10	$203.00
20	PQ8141	[redacted]	102	Mar-10	$4.85
21	PQ8141	[redacted]	102	Apr-10	$8.09
22	PQ8141	[redacted]	102	Jun-10	$81.71
Total Overpayent Due to Negotiated Rate Set Above the Median Rate					**$4,405.95**

San Diego Regional Center
Individualized Family Service Plans (IFSP) Do Not Reconcile with POS Authorizations
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Payment Period	Over/Under Payments
1	[redacted]	H01573	ARC-SD Starlight Infant	805	Sep-09	$364.77
2	[redacted]	H01573	ARC-SD Starlight Infant	805	Oct-09	$121.59
3	[redacted]	H01573	ARC-SD Starlight Infant	805	Dec-09	$243.18
4	[redacted]	H01573	ARC-SD Starlight Infant	805	Jan-10	$121.59
5	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Jan-09	$94.94
6	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Mar-09	$184.18
7	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Sep-09	$276.27
8	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Jan-09	$94.94
9	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Feb-09	$184.18
10	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Mar-09	$276.27
11	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Apr-09	$92.09
12	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	May-09	$276.27
13	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Jun-09	$276.27
14	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Sep-09	$92.09
15	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Oct-09	$276.27
16	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Jan-09	$284.82
17	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Feb-09	$276.27
18	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Mar-09	$276.27
19	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	May-09	$368.36
20	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Jun-09	$92.09
21	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Sep-09	$92.09
22	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Oct-09	$276.27
23	[redacted]	H59083	ICOE-Sped Ed Infant Toddler	805	Sep-09	$184.18
Total Overpayment Due to Unauthorized Services Provided						**$4,825.25**

San Diego Regional Center
Family Cost Participation Plan (FCPP) - Over-Stated Share of Cost
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
1	[redacted]	H14805	Ivey Ranch Park Association	862	[redacted]	Aug 2009- Feb 2010	$1,114.24
2	[redacted]	HQ0465	Accredited Nursing Care	862	[redacted]	Jul 2008-Jun 2009	$2,613.36
3	[redacted]	HQ0484	Maxim Healthcare Services	862	[redacted]	Jul 2009-Oct 2009	$162.62
4	[redacted]	H27318	YMCA - CRS	862	[redacted]	Jan 2010- Mar 2010	$171.46
						Total Overpayments from Over-Stated Share of Cost	**$4,061.68**

San Diego Regional Center
Late Assessments and Notification Letters
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Identification Number	Date of Notification	Date IPP Signed
Late Assessments			
1	[redacted]	7/21/2009	2/3/2009
2	[redacted]	12/23/2009	11/25/2008
3	[redacted]	2/1/2010	7/8/2009
4	[redacted]	2/1/2010	8/30/2009
5	[redacted]	8/27/2009	5/6/2009
6	[redacted]	2/6/2009	9/20/2008
7	[redacted]	3/31/2009	12/15/2008
8	[redacted]	2/23/2010	6/11/2009
9	[redacted]	3/31/2009	10/24/2008
10	[redacted]	4/15/2010	7/16/2009
11	[redacted]	12/15/2008	9/4/2008
12	[redacted]	3/19/2010	6/29/2009
Late Notification Letters			
1	[redacted]	12/29/2009	11/23/2009
2	[redacted]	3/31/2009	10/24/2008

San Diego Regional Center
Client Trust Disbursments Not Supported
Fiscal Years 2007-08, 2008-09 and 2009-10

	Unique Client Indentification Number	Check Number	Money Management Disbursement Amount
1	[redacted]	[redacted]	$400.00
2	[redacted]	[redacted]	$250.00
3	[redacted]	[redacted]	$250.00
4	[redacted]	[redacted]	$1,500.00
5	[redacted]	[redacted]	$1,500.00
6	[redacted]	[redacted]	$1,500.00
7	[redacted]	[redacted]	$1,500.00
8	[redacted]	[redacted]	$200.00
9	[redacted]	[redacted]	$200.00
10	[redacted]	[redacted]	$1,000.00
Total Unsupported Disbursements			**$8,300.00**

San Diego Regional Center
Missing Documentation
Fiscal Years 2007-08, 2008-09 and 2009-10

	UCI	Authorizaton Number	Service Code	Vendor Number
1	[redacted]	[redacted]	742	PQ4006
2	[redacted]	[redacted]	720	P27372
3	[redacted]	[redacted]	910	H59125
4	[redacted]	[redacted]	113	HQ0332
5	[redacted]	[redacted]	620	PQ4250
6	[redacted]	[redacted]	869	HQ0006
7	[redacted]	[redacted]	643	PQ0632
8	[redacted]	[redacted]	109	H59125
9	[redacted]	[redacted]	674	PQ7045
10	[redacted]	[redacted]	674	PQ7045
11	[redacted]	[redacted]	425	V21297
12	[redacted]	[redacted]	670	PQ7154
13	[redacted]	[redacted]	678	PQ0563
14	[redacted]	[redacted]	115	HQ0332
15	[redacted]	[redacted]	103	PQ7307
16	[redacted]	[redacted]	051	P72847
17	[redacted]	[redacted]	678	PQ0563
18	[redacted]	[redacted]	114	HJ0468
19	[redacted]	[redacted]	670	PQ7154
20	[redacted]	[redacted]	851	HQ0515
21	[redacted]	[redacted]	612	PQ4250
22	[redacted]	[redacted]	017	P72845
23	[redacted]	[redacted]	017	P72845
24	[redacted]	[redacted]	107	P59023
25	[redacted]	[redacted]	063	PQ4453
26	[redacted]	[redacted]	620	PQ4250
27	[redacted]	[redacted]	107	P59023
28	[redacted]	[redacted]	115	HQ0332
29	[redacted]	[redacted]	405	VQ1945
30	[redacted]	[redacted]	896	H39523

San Diego Regional Center
Missing Documentation
Fiscal Years 2007-08, 2008-09 and 2009-10

	UCI	Authorizaton Number	Service Code	Vendor Number
31	[redacted]	[redacted]	904	PQ7260
32	[redacted]	[redacted]	805	H01573
33	[redacted]	[redacted]	805	H01573
34	[redacted]	[redacted]	805	H01573
35	[redacted]	[redacted]	805	H59083
36	[redacted]	[redacted]	805	H59083
37	[redacted]	[redacted]	805	H59083
38	[redacted]	[redacted]	805	H59083
39	[redacted]	[redacted]	805	H59083
40	[redacted]	[redacted]	805	H59083
41	[redacted]	[redacted]	805	H59083
42	[redacted]	[redacted]	805	H59083
43	[redacted]	[redacted]	805	H59083
44	[redacted]	[redacted]	805	H59083
45	[redacted]	[redacted]	805	H59083
46	[redacted]	[redacted]	805	H59083
47	[redacted]	[redacted]	805	H59083
48	[redacted]	[redacted]	805	H27158
49	[redacted]	[redacted]	805	H27158
50	[redacted]	[redacted]	805	H27158
51	[redacted]	[redacted]	805	H27158
52	[redacted]	[redacted]	805	H27158
53	[redacted]	[redacted]	805	H27158
54	[redacted]	[redacted]	805	H27158
55	[redacted]	[redacted]	805	HQ0434
56	[redacted]	[redacted]	805	HQ0434
57	[redacted]	[redacted]	805	HQ0434
58	[redacted]	[redacted]	116	P39364
59	[redacted]	[redacted]	116	PQ7155
60	[redacted]	[redacted]	116	PQ7155

San Diego Regional Center
Missing Documentation
Fiscal Years 2007-08, 2008-09 and 2009-10

	UCI	Authorizaton Number	Service Code	Vendor Number
61	[redacted]	[redacted]	875	HQ0334
62	[redacted]	[redacted]	875	HQ0334
63	[redacted]	[redacted]	875	HQ0334
64	[redacted]	[redacted]	875	HQ0334
65	[redacted]	[redacted]	875	HQ0798
66	[redacted]	[redacted]	875	HQ0798
67	[redacted]	[redacted]	880	H08009
68	[redacted]	[redacted]	880	H08009
69	[redacted]	[redacted]	880	H59094
70	[redacted]	[redacted]	880	H59094
71	[redacted]	[redacted]	880	H59103
72	[redacted]	[redacted]	880	H59103
73	[redacted]	[redacted]	880	H59108
74	[redacted]	[redacted]	880	H59108
75	[redacted]	[redacted]	880	HQ0111
76	[redacted]	[redacted]	880	HQ0111
77	[redacted]	[redacted]	880	HQ0111
78	[redacted]	[redacted]	880	HQ0368
79	[redacted]	[redacted]	880	HQ0368
80	[redacted]	[redacted]	880	HQ0368
81	[redacted]	[redacted]	113	HQ0557
82	[redacted]	[redacted]	113	HQ0646
83	[redacted]	[redacted]	113	HQ0646
84	[redacted]	[redacted]	904	PQ7290
85	[redacted]	[redacted]	905	H04763
86	[redacted]	[redacted]	905	H04763
87	[redacted]	[redacted]	905	H07712
88	[redacted]	[redacted]	905	H14535
89	[redacted]	[redacted]	905	H39447
90	[redacted]	[redacted]	905	H39514

San Diego Regional Center
Missing Documentation
Fiscal Years 2007-08, 2008-09 and 2009-10

	UCI	Authorizaton Number	Service Code	Vendor Number
91	[redacted]	[redacted]	905	HQ0563
92	[redacted]	[redacted]	905	HQ0628
93	[redacted]	[redacted]	910	HQ0691
94	[redacted]	[redacted]	910	H14810
95	[redacted]	[redacted]	915	H04987
96	[redacted]	[redacted]	915	H08141
97	[redacted]	[redacted]	915	H08231
98	[redacted]	[redacted]	915	H27122
99	[redacted]	[redacted]	915	H27224
100	[redacted]	[redacted]	915	H27283
101	[redacted]	[redacted]	915	H72762
102	[redacted]	[redacted]	915	HT0378
103	[redacted]	[redacted]	915	HQ0516
104	[redacted]	[redacted]	920	HQ0652
105	[redacted]	[redacted]	920	H90194

APPENDIX A

SAN DIEGO REGIONAL CENTER

RESPONSE
TO AUDIT FINDINGS

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

San Diego Regional Center
Serving Individuals with Developmental Disabilities in San Diego and Imperial Counties
4355 Ruffin Road, San Diego, California 92123 • (858) 576-2996 • www.sdrc.org

June 22, 2012

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

Dear Mr. Yan:

The following are the San Diego Regional Center responses to the findings and recommendations of the Department of Developmental Services Draft Fiscal Audit of Fiscal Years 2007-08, 2008-09 and 2009-10.

Thank you for the opportunity to have the San Diego Regional Center responses included in the final audit report.

Finding 1: Over/Under-Stated Claim

A sample review of the Transportation vendor invoices revealed 138 instances in which SDRC over or understated claims to the State for services provided to consumers.

Two vendors, Faustino Moises Martinez, vendor number HQ0334, service code 875, and City Link Foundation vendor number HQ0318, service code 875, received duplicate payments for services provided to four consumers resulting in 134 instances of overpayments totaling $56,611.61. The overpayments were due to the two vendors billing twice for services to the consumer. In addition, four instances of underpayments were identified totaling $2,258.72 in which SDRC reimbursed the vendor for one way trips rather than round trips. SDRC stated that this occurred due to an oversight on its part.

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

"(a) All vendors shall...

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

Recommendation:

SDRDC shall reimburse DDS a total of $56,611.61 that was overpaid to two vendors and make payments totaling $2,258.72 to the vendor that was underpaid for services provided. In addition, SDRC shall review vendor payment invoices to ensure any payment errors that may have occurred in the course of doing business with its vendors are identified and corrected in a timely manner.

SDRC Response to Finding 1:

SDRC concurs with the DDS recommendations to reimburse DDS and make payments to a vendor that was underpaid for services provided. A payment plan is in place recovering the $56,611.61 from the vendors. SDRC will also review vendor invoices to ensure that payment errors are identified and corrected in a timely manner.

Finding 2: Negotiated Rate Above the State Median

A sampled review of 44 vendor contracts finalized after June 30, 2008 revealed that SDRC reimbursed two vendors above the Statewide Median Rate requirement implemented on July 1, 2008. Denise Anderson, vendor number PQ7307, service code 103, was reimbursed at a rate of $72.75 per unit while the median rate was $40.00 per unit; the contract was effective on November 24, 2008. Also, Able Pathways, vendor number PQ 8141, service code 102, was reimbursed at a rate of $49.34 per unit while the median rate was $46.10 per unit; the contract was effective on March 1, 2010. This resulted in a total overpayment of $4,405.95 SDRC stated that rates for the two vendors were negotiated above the median rate due to an oversight on its part.

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

"Notwithstanding any other provision of the law or regulation, commencing July 1, 2008:

(a) No regional center shall pay an existing service provider, for services where rates are determined through a negotiation between the regional center and the provider, a rate higher than the rate in effect on June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008....

(b) No regional center may negotiate a rate with a new service provider for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower...."

Recommendation:

SDRC shall recover and reimburse DDS the $4,405.95 in total overpayments made to the two vendors. In addition, SDRC must comply with W&I Code, section 4691.9 and ensure that any rates negotiated after June 30, 2008 are equal to or below the Statewide/SDRC Median Rates.

SDRC Response to Finding 2:

SDRC concurs with the DDS recommendations to reimburse DDS $4,405.95 in overpayments and has reduced the vendor rates to the correct median rates.

Finding 3: Individualized Family Service Plans (IFSP) Do Not Reconcile with the Purchase of Service (POS) Authorizations

The review of the early Start program revealed 13 of the 16 sampled IFSPs did not reconcile to the corresponding POS authorizations. The consumers' hours on the POS requests exceeded the number of units stated on the IFSPs. Further review revealed there were 23 instances where six of the 13 consumers exceeded their authorized amount, which resulted in overpayments totaling $4,825.25.

CCR, title 17 section 52102(f) states:

"Information obtained from ongoing assessment shall be used in reviewing and revising outcomes and determining the appropriate services that will be provided or continued."

Also, CCR, title 17, section 521106(a)(2) states:

"Frequency means the number of days or sessions that a service will be provided during a specified period of time, such as, two times each week or four times each month."

Recommendation:

SDRC shall reimburse to DDS the $4,825.25 in overpayments that resulted from incorrectly billing for units above the authorized amount. SDRC shall also ensure that the IFSPs are reviewed along with the corresponding POS requests to ensure hours authorized on the POS requests reconcile with the hours on the corresponding IFSPs.

SDRC Response to Finding 3:

SDRC does not concur with the DDS finding. The service providers were reimbursed for services provided. This was a mistake, not an overpayment. SDRC will reimburse $4,825.25 and will ensure that the IFSPs are reconciled to the corresponding POS requests.

Finding 4: Family Cost Participation Program (FCPP)

4A. Over-Stated Share of Cost

The review of 20 sampled FCPP files revealed that SDRC has been paying for the cost of services that are the responsibility of the families under the requirements of the FCPP for four consumers participating in the program. As a result, payments totaling $4,061.68 were paid by SDRC, which were the responsibility of the families. This occurred when the staff person was on leave.

CCR, title 17, section 50255(a) states:

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

Recommendation:

SDRC should reimburse DDS for $4,061.68 total overpayments that resulted from incorrectly paying consumer families' share of cost participation. In addition, to prevent the possibility of overpayments in the future, SDRC should cross train its employees within the unit in order to ensure that the continuity of monitoring the consumer share of cost participation is not interrupted when the employee responsible for this program is on leave.

SDRC Response to Finding 4A:

SDRC concurs with the DDS recommendations to reimburse $4,061.68 to DDS for the overpayments and will cross train an employee within the unit in order to ensure that the continuity of monitoring the consumer share of cost is maintained.

4B. Late Assessments and Notification Letters

The sample review of 20 FCPP files revealed 12 instances in which SDRC did not complete assessments at the time the parents signed the Initial (SIC) Program Plan (IPP). In addition, two notification letters sent to inform parents of their assessed share of cost participation were not sent within the 10 working days of receipt of income documentation. SDRC stated this occurred when the person in charge of the program was on leave.

W&I Code, section 4783(g)(1)(B) and (3) states in relevant part:

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

(1)(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 individual family service plan.

(3) A regional center shall notify parents of the parents' assessed cost participation within 10 working days of receipt of the parents complete income documentation."

Recommendation:

SDRC shall ensure that staff responsible for the FCPP is aware of the policies and procedures in place. In particular, the staff must be aware that notification letters detailing the parents' assessed share of cost are sent within 10 working days of receipt of parents' income documentation. In addition, SDRC should cross train other employees within the unit to ensure compliance with the W&I Code requirements.

SDRC Response to Finding 4B:

SDRC concurs with the DDS recommendations to ensure the FCPP Coordinator is following FCPP policies and procedures and notification letters are sent to parents with 10 working days of receipt of parents' documentation. SDRC will also cross train an employee within the unit in order to ensure compliance with the W&I Code requirements.

Finding 5: <u>Client Trust Disbursements Not Supported</u>

A review of 40 client trust money management disbursements revealed that SDRC did not maintain supporting receipts for 10 disbursements. This issue was noted in the prior audit. In its prior response, SDRC stated that it does not require supporting receipts prior to issuing payments to issuing payments from Client Trust accounts, but issues disbursements based on check request forms that are prepared by its service coordinators. SDRC further stated that supporting receipts are provided by the vendors upon request from SDRC. However, the current review noted that the vendors were unable to provide receipts for these 10 disbursements upon request. This resulted in unsupported spend-down disbursements totaling $8,300.00.

Recommendation:

As the representative payee for its consumers, SDRC should notify its vendors of its current procedure in place of retaining receipts to support client trust money management disbursements and be available upon request. This will ensure all money management checks disbursed to vendors are for and appropriate purpose and that there is a proper accounting of Social Security benefits.

SDRC Response to Finding 5:

SDRC concurs with the recommendation. SDRC will continue to notify vendors of its procedure to retain receipts to support client trust money management disbursements.

Finding 6: Missing documentation

The sample review of 105 consumer files revealed that SDRC did not retain Purchase of Service authorizations. SDRC contends that copies of the authorizations do not need to be maintained since the POS authorizations are electronically stored in the San Diego Information System (SANDIS). However, the electronic authorizations in SANDIS are signed or dated as proof that the individual consumers' services were authorized.

CCR, title 17, section 50612(f) states:

"A copy of the purchase of service authorization shall be retained by the regional center."

Recommendation:

SDRC should comply with CCR, title 17 regulations by retaining a written copy of the POS authorization in the consumer file. This will ensure that actual service payments are consistent with the authorization of service payments and are traceable to the vendor and consumer copy.

SDRC Response to Finding 6:

SDRC does not concur with the DDS finding. A copy of the POS authorization is electronically stored in the Uniform Fiscal System (UFS) developed and maintained by DDS. The authorization is accessible to service coordinators through SANDIS. (Additionally, the POS Request for client services prepared by the service coordinator is stored in SANDIS and contains a program manager approval in the client record.) There is no need to duplicate the electronic records by producing a paper copy of the authorization.

Finding 7: Missing Hold Harmless Clause

A review of SDRC's five lease agreements for real property revealed one lease for the National City office did not include a "Hold Harmless" clause as required by its contract with DDS. This clause is needed to ensure that the State is held harmless for any claims and/or losses that may be associated with these leases. SDRC explained that it is currently working with their lawyer to add an amendment to the lease.

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:

SDRC should amend the lease to include a "Hold Harmless" clause to ensure compliance with its State Contract and protect the State from claims and/or losses resulting from these leases. In addition, SDRC should implement policies and procedures to ensure that any future lease agreements comply with this requirement.

SDRC Response to Finding 7:

SDRC concurs with the DDS recommendations. SDRC will continue to work with the landlord to amend the current National City lease to include a "Hold Harmless" clause and will implement a procedure to ensure that future lease agreements contain a "Hold Harmless" clause.

Finding 8: <u>Vacation and Sick Time Recorded Incorrectly on the Targeted Case Management (TCM) Time Study Forms (DS 1916)</u>

The review of the Targeted Case Management (TCM) time study revealed that for seven of the 15 sampled employees, vacation and sick hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM time study forms (DS 1916). The difference between the employees' timesheets and the TCM study forms was 150.71 hours. Though the difference did not have significant impact on the TCM rate, hours recoded incorrectly in the TCM time study can affect the TCM rate billed to the Federal Government.

For good business and internal control practices, time taken for vacation and sick leave should be recorded correctly on the TCM study forms (DS 1916). Time recorded incorrectly may result in an incorrect calculation of the TCM rate, which could result in the requirement to return overpayments on the TCM rate to the Federal Government.

Recommendation:

SDRC should implement policies and procedures to ensure all employee timesheets are in agreement with the TCM study forms (DS 1916)

SDRC Response to Finding 8:

SDRC concurs with the DDS recommendation. The employee timesheet has been redesigned to record more detail from employees and a procedure to ensure employee timesheets agree to TCM study forms will be implemented during the next TCM time study.

SDRC concurs with the DDS recommendation for **Finding 9** and for **Finding 10.**

If you have any questions, please contact me at (858) 576-2970.

Sincerely,

Michael Bell
Chief Financial Officer

c: George McFaddin, Chair, SDICDSI Board of Directors
Shirley Nakawatase, Vice-Chair, SDICDSI Board of Directors
Linda Schmalzel, Treasurer, SDICDSI Board of Directors
Carlos Flores, Executive Director