



**AUDIT OF THE
SAN DIEGO REGIONAL CENTER
FOR FISCAL YEARS 2010-11 AND 2011-12**

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of the San Diego Regional Center (SDRC) was conducted to ensure SDRC's compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. The audit indicated that, overall, SDRC maintains accounting records and supporting documentation for transactions in an organized manner. 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. A follow-up review was performed to ensure SDRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

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

I. Findings that need to be addressed.

Finding 1: Rate Increase After the Freeze

The sampled review of 16 transportation vendor files revealed four vendors received rate increases after the rate freeze was in effect as of July 1, 2008. These vendors were given rate increases to accommodate nine consumers who either had disruptive behaviors or needed to travel long distances of 50 miles or more. This resulted in overpayments totaling \$133,477.70. This is not in compliance with W&I Code, section 4648.4(b).

Finding 2: Negotiated Rate Above the Statewide Median Rate (Repeat)

The sampled review of 30 Purchase of Services (POS) vendor files and a follow-up review of the prior DDS audit report revealed that SDRC continues to reimburse [REDACTED], vendor number PQ7307, service code 103, and Able Pathways, vendor number PQ8141, service code 102, above the Statewide Median Rate implemented on July 1, 2008. The total overpayment amount for the two vendors from January 2009 to June 2012 is \$40,143.45. This is not in compliance with W&I Code, section 4691.9(a) and (b).

Finding 3: Payment Reduction

The sampled review of 133 POS vendor files revealed that SDRC did not apply the 4.25 percent payment reduction to 20 vendors. This resulted in overpayments totaling \$8,637.70. SDRC took corrective action and recovered \$4,754.02. The total overpayment still outstanding is \$3,883.68. This is not in compliance with Assembly Bill 104, Chapter 37, section 24, section 10(a).

Finding 4: Overstated Claims

The sampled review of SDRC's POS vendor invoices and the Operational Indicator reports revealed 12 instances in which SDRC overclaimed expenses to the State totaling \$25,440.74. SDRC took corrective action by collecting \$24,903.25 and allocating payments to the correct service month. The total overpayment still remaining is \$537.49. This is not in compliance with CCR, title 17, section 54326(a)(10).

Finding 5: Missing Documentation

A. Purchase of Service

The sampled review of 133 POS vendor files revealed SDRC reimbursed three of its vendors for services provided to the consumers without monthly invoices and attendance documentation. This resulted in an unsupported payment to vendors totaling \$8,792.49. This is not in compliance with CCR, title 17, section 50604(d) and the State Contract, Article IV, section 3(a) and (b).

B. Operational Services

The review of the Mental Health Services Act (MHSA) project funded through Operational funds revealed SDRC could not provide documentation to support that the deliverables outlined in the contract with the Association of Regional Center Agencies (ARCA) were met, as justification for the \$135,000.00 payment claimed for the MHSA program. This is not in compliance with the State Contract, Article IV, section 3(a) and (b).

C. Annual Family Program Fee

The review of the Annual Family Program Fee (AFPF) revealed SDRC was unable to provide documentation to support \$250.00 in reduced assessment fees for five of the 15 consumers sampled. This is not in compliance with the State Contract, Article IV, section 3(a) and (b) and the DDS Annual Family Program Fee Procedures.

D. Service Coordinator Caseload Ratios

The review of the service coordinator caseload ratios revealed SDRC did not maintain source documents for vacant or newly established positions. These documents are necessary to verify the caseload survey ratios for March 2011 and 2012 did not include positions that were vacant and new positions established within 60 days of the reporting month. This not in compliance with the State Contract, Article IV, section 3(a) and the DDS Service Coordinator Caseload Survey Instructions.

Finding 6: Prior Year Funds Not Reverted to the State

A follow-up review of the prior audit report revealed SDRC set up a payment plan with [REDACTED], vendor number HQ0334, service code 875, requiring monthly payments of \$1,950.00, starting in August 2011 for an overpayment totaling \$46,495.83. SDRC collected \$39,000.00 from the vendor and used the funds to offset the current claims instead of reverting the amount to the State. This is not in compliance with the State Contract, Article III, section 4.

Finding 7: Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number

The sampled review of 133 POS vendor contracts revealed one POS vendor, San Diego Association of Governments (SANDAG), vendor number Z21442, service code 895, was paid under a contract Unique Client Identification (UCI) number for services provided to consumers for a total of \$268,246.25. It was found that the vendor provided services under the HCBS Waiver billable service code, but SDRC did not tie the POS expenses to individual consumers. This is not in compliance with CCR, title 17, section 50604(d)(1).

Finding 8: Vendors Not Enrolled in Electronic Billing

The review of SDRC's electronic billing process found that 82 out of 2,037 eligible vendors were not enrolled in electronic billing as of July 1, 2012. This is not in compliance with W&I Code, section 4641.5(a).

Finding 9: Missing Equipment

The sampled review of 30 items from SDRC's equipment inventory register revealed SDRC could not locate two items. This is not in compliance with the State Contract, Article IV, section 4(a).

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

Finding 10: Multiple Dates of Death (Repeat)

The review of the Uniform Fiscal System (UFS) Death report identified that 10 of the 35 sampled consumers had multiple dates of death recorded and there was one instance where the date of death recorded on UFS did not reconcile to the date of death on the death certificate. This issue was also identified in the prior DDS audit report, but was resolved by SDRC. This is not in compliance with the State Contract, Article IV, section 1(c)(1).

SDRC has taken corrective action to resolve this issue by researching the correct date of death for each consumer and updating the consumers' actual date of death in UFS.

Finding 11: Home and Community-Based Services Provider Agreement Forms (Repeat)

The sampled review of 133 POS vendor files revealed eight HCBS Provider Agreement forms that were not properly completed. The forms were either missing the service code, had an incorrect vendor number/service code or had multiple service codes/vendor numbers. This issue was also identified in the prior DDS audit report, but was resolved by SDRC.

SDRC has taken corrective action to comply with CCR, title 17, section 4326(a)(16), and provided DDS with the properly completed HCBS Provider Agreement forms.

BACKGROUND

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

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's HCBS Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each regional center no less than every two years, and completes follow-up reviews in alternate years. 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 has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on regional centers' fiscal, administrative and program operations.

DDS and San Diego-Imperial Counties Developmental Services, Inc. (SDICSI), entered into a contract, HD099017, effective July 1, 2009, through June 30, 2016. This contract specifies that SDICSI will operate an agency known as San Diego Regional Center (SDRC) to provide services to persons with DD and their families in San Diego and Imperial Counties. The contract is funded by State and Federal funds that are dependent upon the SDRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SDRC from February 4, 2013, through March 8, 2013, and was conducted by DDS' Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was July 1, 2010, through June 30, 2012, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

The audit was conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of SDRC's financial statements. DDS limited the 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, HCBS Waiver for the Developmentally Disabled, and the State Contract.

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 report that was conducted by an independent accounting firm for:

- Fiscal year 2010-11, issued on December 19, 2011
- Fiscal year 2011-12, issued on December 11, 2012

Management letters were issued by the independent accounting firm during this review. 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 SDRC. 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.
- 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 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 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 SDRC'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 SDRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that SDRC accounting staff is properly inputting data, transactions were 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 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 SDRC'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. DDS reviewed SDRC's TCM and Rate Study records for the months of June 2011 and October 2012, to ensure the reported information is traced to source documents.

The last Case Management Time Study was performed in May 2010 which was reviewed in the FY 2009-10 DDS audit. As a result, there was no Case Management Time Study to review for this audit period.

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 2012 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 Family Cost Participation Program (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 Individual Program Plan (IPP). To determine whether SDRC is in compliance with CCR, title 17 and the W&I Code, DDS performed the following procedures during the audit review:

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

VII. Annual Family Program Fee

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

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

VIII. Procurement

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

To determine whether SDRC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during the 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 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 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 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 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 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 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 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 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.

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 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, has correct service codes, and that SDRC is paying authorized contract rates and complying with the medium rate requirements of the W&I Code, section 4691.9.
- Reviewed vendor contracts to verify that SDRC 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 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, Community and Placement Program.
- Prevention Program.
- MHSA.

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 a prior audit finding that was 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 the CCR, title 17, the HCBS waiver, and the State Contracts with DDS for the audit period, July 1, 2010, through June 30, 2012.

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 SDRC has not taken appropriate corrective action to resolve a prior audit issue.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on February 21, 2014. The findings in the report were discussed at a formal exit conference with SDRC on February 27, 2014. At the exit conference, DDS stated it would incorporate the views of the responsible officials in the final report.

RESTRICTED USE

This report is solely for the information and use of DDS, Department of Health Care Services, Centers for Medicare and Medicaid Services, and SDRC. 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: Rate Increase After the Freeze

The sampled review of 16 transportation vendor files revealed four vendors that received rate increases after the rate freeze was in effect as of July 1, 2008. SDRC explained they were directed by the court to accommodate nine consumers who either had disruptive behaviors or needed out of area transportation for long distances of 50 miles or more to justify the rate increases to the vendors. However, SDRC did not provide the court orders to substantiate the higher rates for the nine consumers. In addition, SDRC could not provide health and safety waivers approved by DDS as justification for the higher consumer rates. This resulted in overpayments for the nine consumers totaling \$133,477.70. (See Attachment A.)

W&I Code, section 4648.4(b) states, in pertinent part:

“(b) Notwithstanding any other provision of law or regulation, except for subdivision (a), no regional center may pay any provider of the following services or supports a rate that is greater than the rate that is in effect on or after 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, or the regional center demonstrates that the approval is necessary to protect the consumer’s health or safety and the department has granted prior written authorization:

(2) Transportation, including travel reimbursement.”

Recommendation:

SDRC must remit to DDS a total of \$133,477.70, pursuant to W&I Code, section 4648.4(b). In addition, SDRC should revert to the original payment terms of the contracts that were in place prior to the implementation of the rate freeze or obtain health and safety waivers from DDS for all consumers who received consumer-specific rates after the freeze.

Finding 2: Negotiated Rate Above the Statewide Median Rate (Repeat)

The sampled review of 30 POS vendor files and a follow-up review of the prior DDS audit report revealed that SDRC continues to reimburse [REDACTED], vendor number PQ7307, service code 103, and Able Pathways, vendor number

PQ8141, service code 102, above the Statewide Median Rate implemented on July 1, 2008.

██████████, vendor number PQ7307, service code 103, was reimbursed at a payment rate of \$75.00 per unit while the Statewide Median Rate was \$40.00 per unit in January 2009. From February 2009 to May 2010 the vendor payments were reduced due to a mandated 3 percent payment reduction; therefore, the vendor was reimbursed at a payment rate of \$72.75 per unit while the Statewide Median Rate was \$38.80. Lastly, from August 2010 to June 2012, the vendor payments were reduced by an additional mandated 1.25 percent payment reduction effective July 2010; therefore, the vendor was reimbursed at a payment rate of \$71.81 per unit while the Statewide Median Rate was \$38.30. This resulted in an overpayment totaling \$38,553.11.

Also, Able Pathways, vendor number PQ8141, service code 102, was reimbursed at a payment rate of \$49.34 per unit from March 2010 to June 2010 while the Statewide/SDRC Median Rate was \$46.10 per unit; and from July 2010 to June 2012, SDRC reimbursed the vendor at a reduced payment rate of \$48.71 per unit while the Statewide/SDRC Median Rate was \$45.51 per unit due to an additional 1.25 percent payment reduction effective July 2010. This resulted in an overpayment totaling \$1,590.34.

In its response to the prior DDS audit report, SDRC stated that it was an oversight on its part that the rates for the two vendors were negotiated above the Statewide Median Rate. However, adjustments to the payment rates were not made and SDRC continues to pay the vendors above the Statewide Median Rate. The total overpayment amount for the two vendors from January 2009 to June 2012 is \$40,143.45. (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 must reimburse DDS the overpayment totaling \$40,143.45. In addition, SDRC must comply with W&I Code, section 4691.9 and ensure that any payment rates negotiated after June 30, 2008, are equal to or below the Statewide/SDRC Median Rates.

Finding 3: Payment Reduction

The sampled review of 133 POS vendor files revealed that SDRC did not apply the 4.25 percent payment reduction for 20 vendors. This resulted in overpayments totaling \$8,637.70. SDRC took corrective action and has recovered \$4,754.02. The total overpayment still outstanding is \$3,883.68. (See Attachment C.)

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

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

Recommendation:

SDRC must reimburse to DDS the overpayment totaling \$3,883.68 that was overpaid to the vendors. In addition, SDRC must review vendor payment rates to ensure the 4.25 percent payment reduction is applied correctly and ensure any payments that may have occurred in error in the course of doing business with its vendors are identified and corrected.

Finding 4: Overstated Claims

The sampled review of SDRC’s POS vendor invoices and the Operational Indicator reports revealed 12 instances in which SDRC over claimed expenses to

the State totaling \$25,440.74. The overstated claims were due to duplicate payments, incorrect trip calculations and a misallocation of payment to an incorrect service month. SDRC stated the overpayments were due to oversight. SDRC took corrective action by collecting \$24,903.25 of the overpayments and allocating payments to the correct service months. Therefore, the total outstanding overpayment is \$537.49. (See Attachment D.)

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

“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:

SDRC must reimburse to DDS \$537.49 for the overpayments made to a vendor. SDRC must 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.

Finding 5: Missing Documentation

A. Purchase of Service

The sampled review of 133 POS vendor files revealed SDRC reimbursed three of its vendors for services provided to the consumers without monthly invoices and attendance documentation totaling \$8,792.49. (See Attachment E1.)

CCR, title 17, section 50604(d) states:

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

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

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

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...

- b. The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program..."

Recommendation:

SDRC must reimburse to DDS \$8,792.49 in total unsupported payments made to its vendors. SDRC must also ensure supporting documentation, such as invoices and attendance, are retained and that no payments are made to vendors without appropriate documentation.

B. Operational Services

The review of the MHSA project funded through Operational funds revealed SDRC could not provide documentation to support that the deliverables outlined in the contract with ARCA were met, as justification for the \$135,000.00 payment claimed for the MHSA program.

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

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

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...
- b. The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program..."

Recommendation:

SDRC must reimburse to DDS \$135,000.00 for an unsupported payment made to ARCA. SDRC must ensure supporting documentation is retained to verify the deliverables outlined in the contract were met and that no payments are made to vendors without appropriate documentation.

C. Annual Family Program Fee

The sampled review of 15 consumer files revealed SDRC was unable to provide documentation to support the reduced assessment fees for five families. The families paid a share of cost of \$150.00 each when the maximum share of cost is \$200.00 per consumer. This resulted in underpayments to the State totaling \$250.00 in AFPF fees. (See Attachment E2.)

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

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

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...
- b. The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor’s program...”

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

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

Recommendation:

SDRC must reimburse \$250.00 for the reduced assessment fees and follow the AFPF procedures by requesting and verifying either current payroll and/or income tax records of parents to determine parents’ gross income and maintain the records to support the reduced assessment fees.

D. Service Coordinator Caseload Ratios

The review of the service coordinator caseload ratios revealed SDRC did not maintain source documents for vacant or newly established caseload positions as support for the March 2011 and 2012 caseload survey. This documentation is required to ensure positions vacant for more than 60 days or new positions established within 60 days of the reporting month are not included in the calculation of the caseload ratio. SDRC stated it was not aware it was supposed to keep the source documents of vacant or newly established positions.

State Contract, Article IV, section 3(a) states:

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

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...

Also, the DDS Service Coordinator Caseload Survey Instructions, paragraph 5 states:

“For audit purposes, the center must maintain supporting documentation for a minimum of three years. The law requires the Department, as part of its routine auditing responsibility, to review and verify documentation used to respond to this survey.”

Recommendation:

SDRC must retain supporting documentation to ensure positions vacant for more than 60 days or new positions established within 60 days of the reporting month are not included in the calculation of the caseload ratio.

Finding 6: Prior Year Funds Not Reverted to the State

A follow-up review of the prior audit report revealed SDRC set up a payment plan with [REDACTED], vendor number HQ0334, service code 875, requiring monthly payments of \$1,950.00, starting in August 2011 for an overpayment to the vendor totaling \$46,495.83. The overpayment was from April 2005 to February 2011 for duplicate payments made to the vendor. SDRC collected \$39,000.00, leaving an outstanding balance of \$7,495.83 as of February 2013. However, a review of the payment plan revealed SDRC used the funds collected from the vendor to offset the current claims instead of reverting the \$39,000.00 to the State.

State Contract, Article III, section 4 states in part:

“Any funds which have not been encumbered for services provided or purchased during the term of the contract shall revert to the State.”

Recommendation:

SDRC must remit the overpayment totaling \$39,000.00 to the State along with the remaining balance totaling \$7,495.83 once payment is received from the vendor. This will ensure SDRC’s compliance with the State Contract, Article III, section 4.

Finding 7: Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number

The sampled review of 133 POS vendor contracts revealed one POS vendor, SANDAG, vendor number Z21442, service code 895, that was paid under a contract UCI number for services provided to consumers. The total payment to the vendor was \$268,246.25. It was found that the vendor provided services under the HCBS Waiver billable service code but SDRC did not tie the POS expenses to individual consumers and UCI numbers. (See Attachment F.)

CCR, title 17, section 50604(d)(1) states:

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

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

Recommendation:

SDRC must reclassify the POS expenditures totaling \$268,246.25 to ensure that services are identified to individual consumers and UCI numbers. This will ensure all POS payments are accurately accounted for and that invoices are correctly billed to the HCBS Waiver.

Finding 8: Vendors Not Enrolled in Electronic Billing

The review of SDRC’s electronic billing process found that 82 out of 2,037 eligible vendors have not been enrolled in electronic billing as of July 1, 2012. Exceptions are granted for vendors paid by vouchers and vendors who demonstrate enrolling in electronic billing will present a financial hardship. However, it was found that none of the 82 vendors were paid by vouchers or demonstrated that submitting billings electronically would have presented a

financial hardship. SDRC stated it has been unsuccessful in its attempts to convert these vendors to electronic billing. (See Attachment G.)

W&I Code, section 4641.5(a) states:

“(a) Effective July 1, 2011, regional centers shall begin transitioning all vendors of all regional center services to electronic billing for services purchased through a regional center. All vendors and contracted providers shall submit all billings electronically for services provided on or after July 1, 2012, with the exception of the following:

- (1) A vendor or provider whose services are paid for by vouchers, as that term is defined in subdivision (i) of Section 4512.
- (2) A vendor or provider who demonstrates that submitting billings electronically for services presents substantial financial hardship for the provider.”

Recommendation:

SDRC must continue to work on enrolling these vendors to the electronic billing process to be in compliance with W&I Code, section 4641.5(a).

Finding 9: Missing Equipment

The sampled review of 30 items from SDRC’s equipment inventory register revealed two items that could not be located. SDRC believes the items were disposed since the items are outdated, but cannot find documentation indicating the disposition of the equipment. (See Attachment H.)

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

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. Contractor shall comply with the State’s Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”

Recommendation:

SDRC must follow the State’s Equipment Management System Guidelines for the safeguarding of State property. This would ensure missing items are reported in a timely manner and, if the items cannot be located, a survey form is completed to remove the items from the inventory register.

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

Finding 10: Multiple Dates of Death (Repeat)

The review of the UFS Death Report identified that 10 of the 35 sampled consumers had multiple dates of death recorded and there was one instance where the date of death recorded on UFS did not reconcile to the date of death on the death certificate. Further review found that no payments were made beyond the actual date of death for the 11 consumers. SDRC stated this issue arose due to staff not reviewing the client's UFS history to verify the correct date of death before closing the consumer's file. This issue was also identified in the prior DDS audit report. However, the issue had been resolved by SDRC.

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

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

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

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

SDRC has taken corrective action to resolve this issue by researching the correct date of death for each consumer and updating the consumers' actual date of death in UFS.

Recommendation:

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

Finding 11: Home and Community-Based Services Provider Agreement Forms (Repeat)

The sampled review of 133 POS vendor files revealed eight HCBS Provider Agreement forms that were not properly completed. The forms were either missing the service code, had an incorrect vendor number/service code or had

multiple service codes/vendor numbers. This issue was identified in the prior DDS audit reports. However, the issue had been resolved by SDRC.

CCR, title 17, section 54326(a)(16) states in 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 action to comply with CCR, title 17, section 4326(a)(16), and provided DDS with the properly completed HCBS Provider Agreement forms.

Recommendation:

SDRC must ensure that a properly completed HCBS Provider Agreement form is on file for all vendors.

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 April 17, 2014, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section, as well as a summary of the findings in the Executive Summary section.

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

Finding 1: Rate Increase After the Freeze

SDRC agrees that it issued rate increases after the rate freeze. SDRC stated that it needed to negotiate rates above the rate freeze due to fair hearings, disruptive behaviors and long travel distances for the nine consumers. SDRC also stated that the nine consumers were medically fragile or posed a substantial threat to themselves and the community. Further, SDRC stated that it conducted bids in order to secure the safest, most appropriate and justifiable rate increases and is in the process of requesting health and safety waivers from DDS for the transportation of these consumers. DDS acknowledges SDRC's effort to secure the justifiable rate for the nine consumers. However, SDRC did not secure health and safety waivers for the consumers until this issue was brought to its attention by DDS. SDRC should take note that health and safety waivers filed after the issuance of the rate increase cannot be retroactively applied to the time when the rate increase was issued. Therefore, the finding remains unchanged and SDRC must reimburse DDS the \$133,477.70 for rate increases after the rate freeze. In addition, SDRC must ensure any consumers who use consumer specific rates have health and safety waivers approved by DDS as justification for the higher consumer rates before authorizing services to the consumers.

Finding 2: Negotiated Rate Above the Statewide Median Rate (Repeat)

SDRC concurs with the recommendation to reimburse DDS \$40,143.45 in overpayments and stated it has reduced the vendor rates to the correct Statewide Median Rates. However, SDRC did not provide any support documentation with its response indicating that it amended the vendor rates to comply with the Statewide Median Rates as it stated in its response and the prior audit report. Therefore, within 30 days of receipt of this report, SDRC must provide DDS with documentation indicating that the vendor rates have been adjusted and must also reimburse DDS \$40,143.45 for payments above the Median Rates.

Finding 3: Payment Reduction

SDRC concurs with the recommendation to reimburse DDS \$3,883.68 for the overpayments and stated it will review vendor payment rates to ensure that payment reductions are applied correctly. Within 30 days of receipt of this report, SDRC must provide DDS with documentation indicating that vendor rates have been applied correctly and reimburse DDS \$3,883.68 for overpayments that were due to payment reductions.

Finding 4: Overstated Claims

SDRC concurs with the recommendation and stated that it will reimburse DDS the \$537.49 for the overpayments. Within 30 days of receipt of this report SDRC must provide DDS with documentation indicating the payment errors have been corrected and must reimburse to DDS \$537.49 for the overpayments.

Finding 5: Missing Documentation

A. Purchase of Service

SDRC agrees that supporting documentation, such as invoices and attendance, were missing and need to be retained, but disagrees that it should reimburse DDS \$8,792.49 for services provided to the consumer. SDRC stated it is currently in the process of obtaining the appropriate supporting invoices and attendance from the vendors. However, without invoices and attendance documentation from the vendors, SDRC cannot justify with certainty that services were provided and should not have reimbursed the vendors. Therefore, within 30 days of receipt of this report, SDRC must provide DDS with invoices and attendance documentation to support the services provided or reimburse DDS \$8,792.49 for the unsupported payments.

B. Operational Services

In SDRC's response, it provided a contract agreement between ARCA and SDRC, projected budget outlines and an invoice from ARCA requesting payment for services provided. However, SDRC did not provide any documentation indicating the 10 to 12 Mental Health/Developmental Disabilities Collaborative and 24 to 30 regional conference planning subcommittee meetings were conducted. In addition, documentation was not provided indicating 12 to 15 regional planning conferences were conducted as indicated in the contract budget outline. Therefore, within 30 days of receipt of this report, SDRC must provide DDS with supporting documentation indicating these meetings and conferences occurred or reimburse DDS \$135,000.00 for an unsupported payment made to ARCA.

C. Annual Family Program Fee

SDRC concurs with the recommendation and states that it will reimburse DDS the \$250.00 for the reduced assessment fees. Within 30 days of receipt of the report, SDRC must provide DDS with supporting documentation indicating that this issue has been resolved. Follow-up will be performed during the next scheduled audit to ensure supporting documentation for all assessments are maintained.

D. Service Coordinator Caseload Ratios

SDRC concurs with the recommendation and will retain supporting documentation to justify the Service Coordinator Caseload Ratios. Follow-up will be performed during the next scheduled audit to verify SDRC maintained the supporting documentation used to calculate the Service Coordinator Caseload Ratios.

Finding 6: Prior Year Funds Not Reverted to the State

SDRC explained that it has collected overpayments identified in the prior DDS audit report from the vendor for closed fiscal years and offset its current years' POS claims to DDS. SDRC acknowledged DDS' recommendation and explained that it will adjust the offset claims and remit payment to DDS. Within 30 days of receipt of this report, SDRC must provide DDS with documentation indicating that the offsets to the claims have been adjusted and \$46,495.83 for the overpayments identified in the prior report has been reimbursed to DDS.

Finding 7: Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number

SDRC concurs with the recommendation to reclassify POS expenditures to ensure that services are identified to individual consumers and UCI numbers. Within 30 days of receipt of this report, SDRC must provide DDS with supporting documentation indicating that the POS expenditures have been reclassified. Follow-up will be performed during the next scheduled audit to ensure POS expenditures are identified to individual consumers and UCI numbers.

Finding 8: Vendors Not Enrolled in Electronic Billing

SDRC concurs with the recommendation and stated it will continue to enroll all eligible vendors to the electronic billing process. Follow-up will be performed during the next scheduled audit to verify the remaining vendors have been enrolled in electronic billing.

Finding 9: Missing Equipment

SDRC concurs with the recommendation and stated that it will ensure that survey forms are completed in order to remove inventory items that are no longer useful from its inventory register. Follow-up will be performed during the next scheduled audit to verify survey forms are completed and the disposed items are removed from the inventory register.

**San Diego Regional Center
Rate Increase After the Freeze
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name	Service Code	Service Period	Authorization	Payment Rate	POS	Correct Rate	Correct Payment	Overpayment
1	HQ0318	City Link Foundation	875	July 1, 2010 to June 30, 2011	[REDACTED]	Various	\$16,133.88	\$12.95	\$3,367.00	\$12,766.88
				July 1, 2011 to June 30, 2012		Various	\$8,842.49		\$3,314.02	\$5,528.47
2	HQ0334	[REDACTED]	875	July 1, 2010 to June 30, 2011	[REDACTED]	Various	\$5,792.88	\$12.95	\$1,541.54	\$4,251.34
				July 1, 2011 to June 30, 2012		Various	\$5,864.69	\$6.37	\$1,560.65	\$4,304.04
3	HQ0846	Care 4 U Mobility	875	July 1, 2010 to June 30, 2011	[REDACTED]	Various	\$20,215.22	\$12.95	\$3,036.78	\$17,178.44
				July 1, 2011 to June 30, 2012		Various	\$107,764.23		\$20,389.01	\$87,375.23
4	PQ0831	[REDACTED]	880	July 1, 2010 to June 30, 2011	[REDACTED]	\$163.00	\$2,185.02	\$7.98	\$111.72	\$2,073.30
Total Overpayments Due to Higher Consumer Specific Rates										\$133,477.70

**San Diego Regional Center
Negotiated Rate Set Above the Median Rate (Repeat)
Fiscal Years 2010-11 and 2011-12**

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

Current DDS Audit					
	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
1	PQ7307		103	Aug-10	\$575.14
2	PQ7307		103	Dec-10	\$938.28
3	PQ7307		103	Jan-11	\$1,876.56
4	PQ7307		103	Feb-11	\$1,742.52
5	PQ7307		103	Mar-11	\$2,010.60
6	PQ7307		103	Apr-11	\$2,077.62
7	PQ7307		103	May-11	\$1,340.40
8	PQ7307		103	Jun-11	\$2,077.62
9	PQ7307		103	Jul-11	\$2,211.66
10	PQ7307		103	Aug-11	\$2,412.72
11	PQ7307		103	Sep-11	\$1,876.56
12	PQ7307		103	Oct-11	\$1,809.54
13	PQ7307		103	Nov-11	\$1,809.54
14	PQ7307		103	Dec-11	\$2,412.72
15	PQ7307		103	Jan-12	\$1,776.03

**San Diego Regional Center
Negotiated Rate Set Above the Median Rate (Repeat)
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
16	PQ7307		103	Feb-12	\$2,412.72
17	PQ7307		103	Mar-12	\$1,817.79
18	PQ7307		103	Apr-12	\$1,893.11
19	PQ7307		103	May-12	\$938.34
20	PQ7307		103	Jun-12	\$232.34
21	PQ8141	Able Pathways	102	Jul-10	\$63.20
22	PQ8141	Able Pathways	102	Aug-10	\$54.58
23	PQ8141	Able Pathways	102	Sep-10	\$65.11
24	PQ8141	Able Pathways	102	Oct-10	\$88.80
25	PQ8141	Able Pathways	102	Nov-10	\$94.40
26	PQ8141	Able Pathways	102	Dec-10	\$112.00
27	PQ8141	Able Pathways	102	Jan-11	\$1.60
28	PQ8141	Able Pathways	102	Feb-11	\$157.60
29	PQ8141	Able Pathways	102	Mar-11	\$129.60
30	PQ8141	Able Pathways	102	May-11	\$68.80
31	PQ8141	Able Pathways	102	Jun-11	\$68.80
32	PQ8141	Able Pathways	102	Jul-11	\$49.60
33	PQ8141	Able Pathways	102	Aug-11	\$39.20
34	PQ8141	Able Pathways	102	Sep-11	\$36.80
35	PQ8141	Able Pathways	102	Oct-11	\$56.00
36	PQ8141	Able Pathways	102	Nov-11	\$52.80
37	PQ8141	Able Pathways	102	Dec-11	\$25.60
38	PQ8141	Able Pathways	102	Jan-12	\$88.00
39	PQ8141	Able Pathways	102	Feb-12	\$61.60
40	PQ8141	Able Pathways	102	Mar-12	\$74.40
41	PQ8141	Able Pathways	102	Apr-12	\$60.80
42	PQ8141	Able Pathways	102	May-12	\$39.20
43	PQ8141	Able Pathways	102	Jun-12	\$7.20
Total Overpayment Due to Negotiated Rate Set Above the Median Rate					\$35,737.50
Total Overpayments Due to Rate Increase					\$40,143.45

**San Diego Regional Center
Payment Reduction
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
1	PQ0968	[REDACTED]	093	Sep-10	\$42.00	\$0.00	\$42.00
				Sep-10	\$106.92	\$106.92	\$0.00
				Jan-11	\$102.06	\$102.06	\$0.00
				Feb-11	\$97.20	\$97.20	\$0.00
				Mar-11	\$111.78	\$111.78	\$0.00
				Apr-11	\$103.32	\$0.00	\$103.32
				May-11	\$108.24	\$0.00	\$108.24
				Jun-11	\$103.32	\$0.00	\$103.32
				Jul-11	\$221.40	\$0.00	\$221.40
				Aug-11	\$211.56	\$0.00	\$211.56
				Sep-11	\$216.48	\$0.00	\$216.48
				Oct-11	\$84.00	\$0.00	\$84.00
				Nov-11	\$185.50	\$0.00	\$185.50
				Dec-11	\$287.00	\$0.00	\$287.00
				Jan-12	\$287.00	\$0.00	\$287.00
				Feb-12	\$775.72	\$0.00	\$775.72
				Mar-12	\$206.64	\$0.00	\$206.64
				Apr-12	\$216.48	\$0.00	\$216.48
				May-12	\$104.96	\$0.00	\$104.96
Jun-12	\$85.28	\$0.00	\$85.28				
2	HT0473	Banner Home for TBI Brain Homes	113	Jul-10	\$19.26	\$19.26	\$0.00
				Aug-10	\$19.26	\$19.26	\$0.00
				Sep-10	\$19.26	\$19.26	\$0.00
3	H32042	[REDACTED]	505	Aug-10	\$2.80	\$0.00	\$2.80
				Sep-10	\$14.70	\$0.00	\$14.70
4	H15399	United Cerebral Palsy - ADC	510	Jul-10	\$1.58	\$0.00	\$1.58
				Aug-10	\$16.59	\$0.00	\$16.59
				Sep-10	\$14.22	\$0.00	\$14.22

**San Diego Regional Center
Payment Reduction
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
5	H27166	Project Motivate Inc	515	Aug-10	\$45.76	\$45.76	\$0.00
				Sep-10	\$43.68	\$43.68	\$0.00
6	H27297	Behavior Management Program	515	Jul-10	\$669.33	\$669.33	\$0.00
				Aug-10	\$1,135.05	\$1,135.05	\$0.00
				Sep-10	\$1,126.65	\$1,126.65	\$0.00
7	H58500	Taft College	520	Aug-10	\$26.40	\$26.40	\$0.00
				Sep-10	\$25.20	\$25.20	\$0.00
8	HD0010	[REDACTED]	520	Jul-10	\$31.42	\$0.00	\$31.42
				Aug-10	\$4.00	\$0.00	\$4.00
				Sep-10	\$6.50	\$0.00	\$6.50
9	P21479	[REDACTED]	785	Jul-10	\$29.28	\$29.28	\$0.00
				Aug-10	\$15.84	\$15.84	\$0.00
				Sep-10	\$27.36	\$27.36	\$0.00
				Oct-10	\$10.56	\$10.56	\$0.00
10	H04798	[REDACTED]	851	Jul-10	\$3.84	\$3.84	\$0.00
				Aug-10	\$101.84	\$101.84	\$0.00
				Sep-10	\$229.79	\$229.79	\$0.00
11	H27260	TMI Trans	875	Aug-10	\$288.86	\$288.86	\$0.00
12	HQ0422	[REDACTED]	880	Aug-10	\$8.75	\$8.75	\$0.00
13	HQ0195	Promising Futures Center	880	Aug-10	\$145.00	\$145.00	\$0.00
14	PQ0831	[REDACTED]	880	Dec-10	\$312.15	\$0.00	\$312.15
				Sep-11	\$12.25	\$0.00	\$12.25
				Oct-11	\$14.00	\$0.00	\$14.00
				Nov-11	\$13.30	\$0.00	\$13.30
				Dec-11	\$13.65	\$0.00	\$13.65
15	HQ0518	San Diego Mobility Trng	883	Aug-10	\$71.53	\$71.53	\$0.00

**San Diego Regional Center
Payment Reduction
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
16	H85691	L & M Residential	905	Aug-10	\$23.87	\$23.87	\$0.00
				Sep-10	\$23.87	\$23.87	\$0.00
17	H14919	[REDACTED]	915	Aug-10	\$26.82	\$26.82	\$0.00
				Sep-10	\$26.82	\$26.82	\$0.00
18	HQ0328	Poinsettia ARF	915	Jul-10	\$62.54	\$0.00	\$62.54
				Aug-10	\$62.54	\$0.00	\$62.54
				Sep-10	\$62.54	\$0.00	\$62.54
19	HQ0004	Hearts of Gold - Mar Vista	915	Aug-10	\$54.82	\$54.82	\$0.00
				Sep-10	\$54.82	\$54.82	\$0.00
20	H05998	[REDACTED]	915	Aug-10	\$31.27	\$31.27	\$0.00
				Sep-10	\$31.27	\$31.27	\$0.00
Total Overpayment Due to Payment Reduction					\$8,637.70	\$4,754.02	\$3,883.68

**San Diego Regional Center
Overstated Claims
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Corrected Amount	Outstanding Balance
1	H14793		915	Dec-12	\$1,134.64	\$1,134.64	\$0.00
2	HQ0846	Care 4 U Mobility	875	Mar-12	\$11,595.34	\$11,595.34	\$0.00
3	HQ0318	City Link Foundation	875	Aug-10	\$6,001.39	\$6,001.39	\$0.00
				Dec-10	\$1,849.23	\$1,849.23	\$0.00
				Mar-11	\$1,411.34	\$1,411.34	\$0.00
			882	Aug-10	\$520.14	\$0.00	\$520.14
				Dec-10	\$5.78	\$0.00	\$5.78
				Mar-11	\$11.57	\$0.00	\$11.57
4	HQ0835		880	Aug-11	\$4.00	\$4.00	\$0.00
5	HQ0102	No Vacancy Transport	875	Mar-12	\$609.31	\$609.31	\$0.00
6	PQ7355	Sunny Days of California, Inc.	056	Mar-12	\$574.50	\$574.50	\$0.00
				May-12	\$1,723.50	\$1,723.50	\$0.00
Total Overstated Claim					\$25,440.74	\$24,903.25	\$537.49

**San Diego Regional Center
Missing Documentation - Purchase of Service
Fiscal Years 2010-11 and 2011-12**

No.	Vendor Number	Vendor Name	Service Code	Payment Period	Payment
1	P22331	Behavior Therapy and Family Counseling Clinic	620	Feb-11	\$974.20
2	PQ4453	Community Interface Services	063	Aug-10	\$2,846.23
				Mar-11	\$3,739.56
3	PQ7307		103	Aug-10	\$1,232.50
Total Amount of Unsupported Purchase of Service Expenses					\$8,792.49

San Diego Regional Center
Missing Documentation - Annual Family Program Fee
Fiscal Years 2010-11 and 2011-12

No.	Unique Client Identification Number	Assessed Amount	Maximum Assessment	Difference in Assessments
1		\$150.00	\$200.00	\$50.00
2		\$150.00	\$200.00	\$50.00
3		\$150.00	\$200.00	\$50.00
4		\$150.00	\$200.00	\$50.00
5		\$150.00	\$200.00	\$50.00
Total Amount of Assessments not Supported				\$250.00

San Diego Regional Center
Purchase of Service Expenses Not Tied to Consumer UCI Number
Fiscal Years 2010-11 and 2011-12

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Payment Period	Authorization	POS Expenses Not Tied to Consumer UCI
1		Z21442	SANDAG	895	Aug-10		\$38,083.00
2		Z21442	SANDAG	895	Dec-10		\$40,750.00
3		Z21442	SANDAG	895	Mar-11		\$40,954.00
4		Z21442	SANDAG	895	Aug-11		\$36,068.50
5		Z21442	SANDAG	895	Dec-11		\$37,039.25
6		Z21442	SANDAG	895	Mar-12		\$75,351.50
Total POS Expenses Not Tied to a Consumer's UCI							\$268,246.25

**San Diego Regional Center
Vendors Not Enrolled in Electronic Billing
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name
1	HQ0853	AAA Transport, Inc.
2	HQ0351	Abundant Board And Care
3	PQ8054	Access Medical
4	P49699	[REDACTED]
5	PQ8112	Advanced Care Pharmacy
6	HQ0694	Affordable Home Care
7	HJ0839	Allcare Health Services
8	PQ8110	[REDACTED]
9	P59072	Alliance For African Asst
10	HQ0619	American Respite Services
11	PQ8126	Arts In Motion
12	PQ7239	Assoc Speech Pathologists
13	PQ7095	[REDACTED]
14	H27134	[REDACTED]
15	P49664	[REDACTED]
16	PQ7304	[REDACTED]
17	PQ4465	Cal Bilingual Therapy Service
18	PQ4081	[REDACTED] G
19	PQ7286	[REDACTED]
20	HQ0714	Center For Exceptionally
21	HQ0750	Circle Of Life Healthcare
22	PQ4488	[REDACTED]
23	PQ0713	Community Interface Self
24	P24397	Creative Support Systems
25	H14711	Deaf Community Services
26	PQ0736	[REDACTED]
27	HQ0133	Evergreen Villa
28	PQ8019	[REDACTED]
29	HQ0799	Freeland Family Day Care
30	H14819	[REDACTED]
31	H14872	[REDACTED]
32	PQ0544	[REDACTED]
33	HQ0615	[REDACTED]
34	PQ8077	Harmony Home Medical
35	PQ7177	[REDACTED]
36	HQ0512	Horizons Adhc Center,Inc
37	PQ4050	[REDACTED]
38	P39364	[REDACTED]

**San Diego Regional Center
Vendors Not Enrolled in Electronic Billing
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name
39	PQ8086	[REDACTED]
40	PQ7185	[REDACTED]
41	P72847	Lifeline Systems, Inc.
42	PJ2317	[REDACTED]
43	PQ4345	[REDACTED]
44	H02407	[REDACTED]
45	P21709	[REDACTED]
46	PQ7271	[REDACTED]
47	P39338	Med-Care Pharmacy-Vista
48	PQ0864	[REDACTED]
49	P59050	North Co Health Srvs Cass
50	P59011	North Co Health Srvs Cass
51	P27300	North County Neurology
52	PQ8097	Omnicare Of San Diego
53	PQ7117	[REDACTED]
54	PQ7387	[REDACTED]
55	H04258	Palomar Medical Center
56	HQ0801	[REDACTED]
57	HQ0833	[REDACTED]
58	PQ4138	Quest Diagnostics
59	H18007	R & D Transportation
60	H00394	[REDACTED]
61	P85660	Redwood Elderlink
62	PQ8179	Rezcare Pharmacy
63	HQ0720	Rmj Residential Care
64	PQ4057	[REDACTED]
65	PQ4099	San Diego Homecare Supply
66	HQ0518	San Diego Mobility Trng
67	HJ0468	Sierra Vista
68	PQ8227	Small Talk Speechthxy Ot
69	PQ7087	Southland Mental Health
70	HQ0802	Stepping Stone Resrcs Ils
71	PQ8140	[REDACTED]
72	PQ4194	[REDACTED]
73	P21515	Tri-City Hospital
74	H14736	UCSD Medical Group-Md
75	PQ7242	UCSD Pediatrics
76	PQ8083	[REDACTED]

**San Diego Regional Center
Vendors Not Enrolled in Electronic Billing
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name
77	PQ4336	Voth And Associates
78	HQ0862	Western Health Home Care
79	H72777	Western Health Home Care
80	PQ0968	[REDACTED]
81	H39468	YMCA - Peninsula Family
82	PQ4532	[REDACTED]

**San Diego Regional Center
Missing Equipment
Fiscal Years 2010-11 and 2011-12**

	Item Description	Serial Number	State Tag Number
1	Tecra M3-S331 Toshiba	55023886H	342925
2	Palm Pilot Tungsten	PN20U547R1DB	349518

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, CA 92123 · (858) 576-2996 · www.sdrc.org

April 17, 2014

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 2010-11 and 2011-12.

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

Finding 1: Rate Increase After the Freeze

The sampled review of 16 transportation vendor files revealed four vendors that received rate increases after the rate freeze was in effect as of July 1, 2008. SDRC explained they were directed by the court to accommodate nine consumers who either had disruptive behaviors or needed out of area transportation for long distances of 50 miles or more to justify the rate increases to the vendors. However, SDRC did not provide the court orders to substantiate the higher rates for the nine consumers. In addition, SDRC could not provide health and safety waivers approved by DDS as justification for the higher consumer rates. This resulted in overpayments for the nine consumers totaling \$133,477.70.

W&I Code, section 4648.4(b) states, in pertinent part:

"Notwithstanding any other provision of law or regulation, except for subdivision (a), no regional center may pay any provider of the following services or supports a rate that is greater than the rate that is in effect on or after 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, or the regional center demonstrates that the approval is necessary to protect the consumer's health or safety and the department has granted prior written authorization:

(2) Transportation, including travel reimbursement."

Recommendation:

SDRC must remit to DDS a total of \$133,477.70, pursuant to W&I Code, Section 4648.4(b). In addition, SDRC should revert to the original payment terms of the contracts that were in place prior to the implementation of the rate freeze or obtain health and safety waivers from DDS for all consumers who received consumer-specific rates after the freeze.

SDRC Response to Finding 1:

SDRC does not concur with the DDS recommendation to reimburse the Department for expenses related to public health and safety. SDRC is in the process of requesting health and safety waivers from DDS for the transportation of these consumers to programs. The nine consumers were medically fragile or posed a substantial threat to themselves and/or the public welfare of others in the community and were transported using the safest and most appropriate means available to the regional center. Please see Attachment A for a detailed response to Finding 1.

Finding 2: Negotiated Rate Above the State Median

The sampled review of 30 POS vendor files and a follow-up review of the prior DDS audit report revealed that SDRC continues to reimburse [REDACTED], vendor number PQ7307, service code 103, and Able Pathways, vendor number PQ8141, service code 102, above the Statewide/SDRC Median Rate implemented on July 1, 2008. [REDACTED], vendor number PQ7307, service code 103, was reimbursed at a payment rate of \$75.00 per unit while the Statewide/Median Rate was \$40.00 per unit in January 2009. From February 2009 to May 2010 the vendor payments were reduced due to a mandated 3 percent payment reduction; therefore, the vendor was reimbursed at a payment rate of \$72.75 per unit while the Statewide/Median Rate was \$38.80. Lastly, from August 2010 to June 2012, the vendor payments were reduced by an additional mandated 1.25 percent payment reduction effective July 2010; therefore, the vendor was reimbursed at a payment rate of \$71.81 per unit while the Statewide/Median Rate was \$38.30. This resulted in an overpayment totaling \$38,553.11.

Also, Able Pathways, vendor number PQ8141, service code 102, was reimbursed at a payment rate of \$49.34 per unit from March 2010 to June 2010 while the Statewide/SDRC Median Rate was \$46.10 per unit; and from July 2010 to June 2012, SDRC reimbursed the vendor at a reduced payment rate of \$48.71 per unit while the Statewide/SDRC Median Rate was \$45.51 per unit due to an additional mandated 1.25 percent payment reduction effective July 2010. This resulted in an overpayment totaling \$1,590.34.

In its response to the prior DDS audit report, SDRC stated that it was an oversight on its part that the rates for the two vendors were negotiated above the Statewide/SDRC Median Rate. However, adjustments to the payment rates were not made and SDRC continues to pay the vendors above the Statewide/SDRC Median Rate. The total overpayment amount for the two vendors from January 2009 to June 2012 is \$40,143.45.

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 must reimburse DDS the overpayment totaling \$40,143.45. In addition, SDRC must comply with W&I Code, section 4691.9 and ensure that any payment 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 recommendation to reimburse DDS \$40,143.45 in overpayments and has reduced the vendor rate to the correct median rate.

Finding 3: Payment Reduction

The sampled review of 133 POS vendor files revealed that SDRC did not apply the 4.25 percent payment reduction for 20 vendors. This resulted in overpayments totaling \$8,637.70. SDRC took corrective action and has recovered \$4,754.02. The total overpayment still outstanding is \$3,883.68.

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

- a) Notwithstanding any other provision of law, in order to implement the Welfare and Institutions Code. From February 1, 2009, to June 30, 2010, inclusive, regional centers shall reduce all payments for these services and supports paid from purchase of service funds for services delivered on or after February 1, 2009, by 3 percent, and from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent unless the regional center demonstrates that a non-reduced payment is necessary to protect the health and safety of the individual from whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval."

Recommendation:

SDRC must reimburse to DDS the overpayment totaling \$3,883.68 that was overpaid to the vendors.

In addition, SDRC must review vendor payment rates to ensure the 4.25 percent payment reduction is applied correctly and ensure any payments that may have occurred in error in the course of doing business with its vendors are identified and corrected.

SDRC Response to Finding 3:

SDRC concurs with the DDS finding. SDRC will reimburse \$3,883.68 to DDS and will review vendor payment rates to ensure that payment reductions are applied correctly.

Finding 4: Overstated Claims

The sampled review of SDRC's POS vendor invoices and the Operational Indicator reports revealed 12 instances in which SDRC overclaimed expenses to the State totaling \$25,440.74. The overstated claims were due to duplicate payments, incorrect trip calculations and a misallocation of payment to an incorrect service month. SDRC stated the overpayments were due to oversight. SDRC took corrective action by collecting \$24,903.25 of the overpayments and allocating payments to the correct service months. Therefore, the total outstanding overpayment is \$537.49.

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

"All vendors shall...

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

Recommendation:

SDRC must reimburse to DDS \$537.49 for overpayments made to a vendor. SDRC must 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.

SDRC Response to Finding 4:

SDRC concurs with the recommendation to reimburse \$537.49 to DDS for the overpayment.

Finding 5: Missing Documentation

A. Purchase of Service

The sampled review of 133 POS vendor files revealed SDRC reimbursed three of its vendors for services provided to the consumers without monthly invoices and attendance documentation totaling \$8,792.49.

CCR, title 17, section 50604(d) states:

"All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program...Service records used to support service providers' billing/invoicing shall include, but not be limited to:

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

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

- a) The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...
- b) The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program..."

Recommendation:

SDRC must reimburse to DDS \$8,792.49 in total unsupported payments made to its vendors. SDRC must also ensure supporting documentation, such as invoices and attendance, are retained and that no payments are made to vendors without appropriate documentation.

SDRC Response to Finding 5 A:

SDRC concurs with the recommendation to ensure supporting documentation such as invoices and attendance are retained. SDRC does not concur with the recommendation to reimburse to DDS the client approved services in the amount of \$8,792.49. SDRC is currently working with the vendors of the payments to recover the appropriate supporting invoices and attendance.

B. Operational Services

The review of the MHSA project funded through Operational funds revealed SDRC could not provide documentation to support that the deliverables outlined in the contract with Association of Regional Center Agencies (ARCA) were met, as justification for the \$135,000 payment claimed for the MHSA program.

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

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

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

records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program..."

Recommendation:

SDRC must reimburse to DDS \$135,000.00 for an unsupported payment made to ARCA. SDRC must ensure supporting documentation is retained to verify the deliverables outlined in the contract were met and that no payments are made to vendors without appropriate documentation.

SDRC Response to Finding 5 B:

SDRC provided the DDS contract budget summary and the Association of Regional Center Agencies (ARCA) invoice as support for the expenditure to the auditors. We will also provide a copy of the contractual agreement between ARCA and SDRC to perform services related to the Mental Health Services Act (MHSA). Please see Attachment B for a copy of the MHSA contract.

C. Annual Family Program Fee

The sampled review of 15 consumer files revealed SDRC was unable to provide documentation to support the reduced assessment fees for five families. The families paid a share of cost of \$150.00 each when the maximum share of cost is \$200.00 per consumer. This resulted in underpayments to the State totaling \$250.00 in AFPF fees.

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

...Contractor shall keep records, as follows:

- a) The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...
- b) The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program..."

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

- c) "Regional centers shall verify the annual income of the family by way of an administrative review of the current payroll and/or income tax records of the parents to

determine parents' gross income. In instances in which the parents' income is determined to be below 800 percent of the current year FPL, the regional center shall adjust the annual family fee to \$150.00. In any instance in which the parents' adjusted gross family income is below 400 percent of the current year FPL, that family shall be deemed ineligible for participation in the AFPF."

Recommendation:

SDRC must reimburse \$250.00 for the reduced assessment fees and follow the AFPF procedures by requesting and verifying either current payroll and/or Income tax records of parents to determine parents' gross income and maintain the records to support the reduced assessment fees.

SDRC Response to Finding 5 C:

SDRC agrees with the recommendation and will reimburse DDS \$250.00 in assessment fees.

D. Service Coordinator Caseload Ratios

The review of the service coordinator caseload ratios revealed SDRC did not maintain source documents for vacant or newly established caseload positions as support for the March 2011 and March 2012 caseload survey. This documentation is required to ensure positions vacant for more than 60 days or new positions established within 60 days of the reporting month are not included in the calculation of the caseload ratio. SDRC stated it was not aware it was supposed to keep the source documents of vacant or newly established positions.

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

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

- a) The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...
- b) The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program..."

Also, the DDS Service Coordinator Caseload Survey Instructions, paragraph 5 states:

"For audit purposes, the center must maintain supporting documentation for a minimum of three years. The law requires the Department, as part of its routine auditing responsibility, to review and verify documentation used to respond to this survey."

Recommendation:

SDRC must retain the supporting documentation to justify the calculation for all its Service Coordinator Caseload Ratios.

SDRC Response to Finding 5 D:

SDRC concurs with the recommendation to retain supporting documentation to justify the calculation for Service Coordinator Caseload Ratios.

Finding 6: Prior Year Funds Not Reverted to the State

A follow-up review of the prior audit report revealed SDRC set up a payment plan with [REDACTED], vendor number HQ0334, service code 875, requiring monthly payments of \$1,950.00, starting in August 2011 for an overpayment to the vendor totaling \$46,495.83. The overpayment was from April 2005 to February 2011 for duplicate payments made to the vendor. SDRC collected \$39,000.00, leaving an outstanding balance of \$7,495.83 as of February 2013. However, a review of the payment plan revealed SDRC used the funds collected from the vendor to offset the current claims instead of reverting the \$39,000.00 to the State.

State Contract, Article III, section 4 states in part:

"Any funds which have not been encumbered for services provided or purchased during the term of the contract shall revert to the State."

Recommendation:

SDRC must remit the overpayment totaling \$39,000.00 to the State along with the remaining balance totaling \$7,495.83 once payment is received from the vendor. This will ensure SDRC compliance with the State Contract, Article III, section 4.

SDRC Response to Finding 6:

SDRC has collected the entire overpayment from the provider. The payments were used to reduce the current years' purchase of services claims to DDS as the overpayment was recovered from the vendor. SDRC will adjust the offset claims and remit a check to DDS for the recovery of the overpayment.

Finding 7: Purchase of Service Expenses Not Tied to Consumer Unique Client Identification Number

The sampled review of 133 POS vendor contracts revealed one POS vendor, SANDAG, vendor number Z21442, service code 895, that was paid under a contract UCI number for services provided to consumers. The total payment to the vendor is \$268,246.25. It was found that the vendor provided services under the HCBS Waiver billable service code but SDRC did not tie the POS expenses to individual consumers and UCI numbers.

CCR, title 17, section 50604(d)(l) states:

"All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program... Service records used to support service providers' billing/invoicing shall include, but not be limited to:

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

Recommendation:

SDRC must reclassify the POS expenditures totaling \$268,246.25 to ensure that services are identified to individual consumers and UCI numbers. This will ensure all POS payments are accurately accounted for and that invoices are correctly billed to the HCBS Waiver.

SDRC Response to Finding 7:

SDRC concurs with the recommendation to reclassify POS expenditures to ensure that services are identified to individual consumers and UCI numbers.

Finding 8: Vendors Not Enrolled in Electronic Billing

The review of SDRC's electronic billing process found that 82 out of 2,037 eligible vendors have not been enrolled in electronic billing as of July 1, 2012. Exceptions are granted for vendors paid by vouchers and vendors who demonstrate enrolling in electronic billing will present a financial hardship. However, it was found that none of the 82 vendors were paid by vouchers or demonstrated that submitting billings electronically would have presented a financial hardship. SDRC stated it has been unsuccessful in its attempts to convert these vendors to electronic billing.

W&I Code, section 4641.5(a) states:

"Effective July 1, 2011, regional centers shall begin transitioning all vendors of all regional center services to electronic billing for services purchased through a regional center. All vendors and contracted providers shall submit all billings electronically for services provided on or after July 1, 2012, with the exception of the following:

A vendor or provider whose services are paid for by vouchers, as that term is defined in subdivision (i) of Section 4512.

A vendor or provider who demonstrates that submitting billings electronically for services presents substantial financial hardship for the provider."

Recommendation:

SDRC must continue to work on enrolling these vendors to the electronic billing process to be in compliance with W&I Code, section 4641.5(a).

SDRC Response to Finding 8:

SDRC concurs with the recommendation and will continue to enroll all eligible vendors to the electronic billing process.

Finding 9: Missing Equipment

The sampled review of 30 items from SDRC's equipment inventory register revealed two items that could not be located. SDRC believes the items were surveyed since the items are outdated, but cannot find documentation indicating the disposition of the equipment.

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

"Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract.

Contractor shall comply with the State's Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property."

Recommendation:

SDRC must follow the State's Equipment Management System Guidelines for the safeguarding of State property. This would ensure missing items are reported in a timely manner and, if the items cannot be located, a survey form is completed to remove the items from the inventory register.

SDRC Response to Finding 9:

SDRC concurs with the recommendation and will ensure that a survey form is completed when inventory items no longer useful to the regional center are removed from the inventory register.

Additionally, SDRC concurs with the DDS recommendations in Part II "Findings that have been addressed and corrected by SDRC" for Finding 10 and for Finding 11.

Ed Yan
Audit Response Letter
April 17, 2014
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If you have any questions, please contact me at (858) 576-2933.

Sincerely,

A handwritten signature in cursive script, appearing to read "Carlos Flores for".

Carlos Flores
Executive Director

c: Shirley Nakawatase, Chair, SDICDSI Board of Directors
Linda Schmalzel, Vice-Chair, SDICDSI Board of Directors
Robert Constantine, Treasurer, SDICDSI Board of Directors
Michael Bell, Chief Financial Officer