

DEPARTMENT OF DEVELOPMENTAL SERVICES

1600 NINTH STREET, Room 320, MS 3-9
SACRAMENTO, CA 95814
TDD 654-2054 (For the Hearing Impaired)
(916) 654-1958



April 12, 2016

Rachel Huff, Board President
Tri-Counties Association for the Developmentally Disabled, Inc.
520 East Montecito Street
Santa Barbara, CA 93103

Dear Ms. Huff:

**Re: Findings 1 and 2 of The Department of Developmental Services' (DDS)
Audit Report of Tri-Counties Regional Center (TCRC), for the period of
July 1, 2011, through June 30, 2013**

DDS conducted further analysis of the documentation provided and agrees that for Finding 1, the overpayment to Koegel Autism, Vendor Number PT0676 totaling \$1,222.78 has been resolved. However, DDS maintains its position that TCRC should reimburse DDS the overpayment to [REDACTED] Vendor Number [REDACTED] totaling \$459.60 as this amount has not been collected from the vendor.

For Finding 2, DDS maintains its position that while services were provided, Southwestern Transportation was vendored as a Transportation Broker and was not authorized to provide transportation services. Therefore, TCRC must reimburse DDS the overpayment totaling \$2,056.56.

The remainder of the report remains unchanged from the report DDS sent to TCRC on February 5, 2016.

If you have any questions regarding the modification to these finding, please contact Edward Yan, Manager, Audit Branch, at (916) 654-3695.

Sincerely,

BRIAN WINFIELD
Acting Deputy Director
Community Services Division

Enclosures

cc: See next page

"Building Partnerships, Supporting Choices"

Rachel Huff, Board President
April 12, 2016
Page two

cc: Omar Noorzad, TCRC
Lorna Owens, TCRC
Evie Correa, DHCS
Jean Johnson, DDS
Tim Gonsalves, DDS
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Carie Powell, DDS
Edward Yan, DDS
Luciah Ellen Nzima, DDS
Soi Ly, DDS



**AUDIT OF THE
TRI-COUNTIES REGIONAL CENTER
FOR FISCAL YEARS 2011-12 AND 2012-13**

Department of Developmental Services

This audit report was prepared by the
California Department of Developmental Services
1600 Ninth Street
Sacramento, CA 95814

Jean Johnson, Deputy Director, Administration Division
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Luciah Ellen Nzima, Chief of Regional Center Audits, Audit Branch
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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of Tri-Counties Regional Center (TCRC) to ensure TCRC is compliant with the requirements set forth in the California Code of Regulations, Title 17 (CCR, Title 17), the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. Overall, the Audit indicated that TCRC maintains accounting records and supporting documentation for transactions in an organized manner. This audit report identifies some areas where TCRC'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 TCRC's operations. A follow-up review was performed to ensure TCRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

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

I. Findings That Need to Be Addressed

Finding 1: Overstated Claims

A. Duplicate Payments/Overlapping Authorizations (Repeat)

The review of TCRC's Uniform Fiscal Systems (UFS) Indicator Reports revealed 18 instances where TCRC overpaid eight vendors a total of \$6,237.67 due to duplicate payments or overlapping authorizations. This issue was also identified in the prior audit report. This is not in compliance with CCR, Title 17, Section 54326(a)(10) and (12).

TCRC provided a check to DDS which resolved overpayments totaling \$1,222.78. Therefore, \$5,014.89 remains outstanding.

B. Residential Services-Partial Month Stays (Repeat)

The sampled review of 123 Purchase of Service (POS) vendor files revealed TCRC incorrectly applied the 30.44 proration factor for establishing the daily rate used to calculate partial month stays to four vendors. This resulted in overpayments and underpayments totaling \$363.55 and \$449.70, respectively. This issue was also identified in the prior audit report. This is not in compliance with CCR, Title 17, Section 56917(i).

TCRC provided supporting documentation with its response to the draft report which indicated \$255.82 in overpayments and \$7.98 in underpayments is resolved. TCRC remains with outstanding overpayments and underpayments totaling \$107.73 and \$441.72, respectively.

C. Payment Reduction (Repeat)

The sampled review of 123 POS vendor files revealed TCRC incorrectly applied the 4.25 and 1.25 percent payment reductions, resulting in overpayments to three vendors totaling \$347.84. TCRC has since resolved the amount of \$238.46; however, \$109.38 in overpayments still remains outstanding. This issue was also identified in the prior audit report. This is not in compliance with Assembly Bill 1472, Chapter 25, Section 34, Section 10(a).

TCRC has resolved this issue by recovering the overpayment totaling \$109.38 from the vendor.

Finding 2: Transportation Broker Providing Transportation Services

The sampled review of 123 POS vendor files revealed TCRC paid a transportation broker, Southwestern Transportation, Vendor Number PJ3262, Service Code 883, for transportation services provided to one consumer from December 2011 to March 2012, totaling \$2,056.56. Vendors who are classified as transportation brokers are not permitted to provide transportation services. This is not in compliance with CCR, Title 17, Section 58501(a)(11) and 54342(a)(83).

Finding 3: Family Cost Participation Program

A. Late Assessments

The sampled review of 15 Family Cost Participation Program (FCPP) assessments revealed eight instances where TCRC did not assess the parents' share of cost participation concurrently with the consumer's IPP. This is not in compliance with W&I Code, Section 4783(g)(1).

B. Late Notification

The sampled review of 15 FCPP consumer files revealed nine instances where TCRC did not notify the parents of their assessed share of cost within 10 working days of receipt of the income documentation. This is not in compliance with W&I Code, Section 4783(g)(1)(D)(3).

C. Improper Income Documentation

The sampled review of 15 FCPP consumer files revealed that TCRC assessed a family share of cost for one consumer, Unique Client Identification (UCI) [REDACTED] based on incomplete income documentation. The family only submitted the S Corporation filings which indicated a business loss and not the tax return. This is not in compliance with W&I Code, Section 4783(g)(1)(D)(4).

Finding 4: Improper Record Keeping

The review of the Family Resource Center (FRC) at the Oxnard location revealed that TCRC could not provide referral forms for the Fiscal Years 2010-11 and 2011-12. FRC staff stated that the referrals were scanned and stored on a hard drive, and the original documents were shredded; however, the data could not be retrieved due to a hard drive failure. In addition, it was noted that the TCRC's Oxnard office does not track all its phone and walk-in referrals. This is not in compliance with CCR, Title 17, Section 50604(d)(2), 3(C) and State Contract, Article IV, Section 3(a) and (b).

Finding 5: Expired Contract

The sampled review of 123 POS vendor files revealed TCRC continues to utilize the vendor, Employer's Depot, Vendor Number PT0329, Service Code 034, after its contract expired on June 30, 2009. The contract has not been renewed and TCRC continues to provide services under the terms of the original contract. This is not in compliance with W&I Code, Section 4648(a)(3)(B).

Finding 6: Equipment Capitalization

The review of the inventory listing and equipment general ledger account revealed that TCRC capitalized all of its equipment rather than items valued at or above \$5,000. This is not in compliance with the State Equipment Management Guidelines, Attachment D, Section 8602.

Finding 7: Closed Board Minutes Not Retained

The request for TCRC's closed board minutes revealed that TCRC did not record any minutes for the closed board sessions. This is not in compliance with W&I Code, Section 4663(b).

II. Finding That Has Been Addressed and Corrected by TCRC

Finding 8: Incorrect Dates of Death

The sampled review of 24 deceased consumer files revealed three consumers with incorrect dates of death on the UFS Death Report. The date of death on the report did not match the date of death recorded on the consumer's death certificate. This is not in compliance with State Contract, Article IV, Section 1(c)(1).

TCRC took corrective action and revised the report to accurately reflect the actual dates of death.

BACKGROUND

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

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

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

DDS and Tri-Counties Association for the Developmentally Disabled, Inc., entered into contract, HD099020 (State Contract) effective July 1, 2009, through June 30, 2016. This contract specifies that Tri-Counties Association for the Developmentally Disabled, Inc., will operate an agency known as the Tri-Counties Regional Center (TCRC) to provide services to persons with DD and their families in Ventura, Santa Barbara, and San Luis Obispo Counties. The contract is funded by State and Federal funds that are dependent upon the TCRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at TCRC March 17, 2014, though April 25, 2014, and was conducted by the DDS' Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

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

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

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

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

DDS reviewed the annual audit reports that were conducted by an independent accounting firm for:

- Fiscal Year 2011-12, issued on February 1, 2013
- Fiscal Year 2012-13, issued on February 7, 2014

It was noted that a management letter was issued for FY 2011-12 and a finding was identified for FY 2012-13. 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 TCRC. 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 of Regulations.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000 as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with RC staff revealed that RC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to the Social Security Administration (or other source) in a timely manner.
- DDS selected a sample of UFS reconciliations to determine if any accounts were out-of-balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of TCRC'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 TCRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that TCRC accounting staff is properly inputting data, that 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 supporting 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 TCRC's policies and procedures for compliance with the DDS Conflict of Interest regulations and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

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

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

IV. Service Coordinator Caseload Survey

Under W&I Code, Section 4640.6(e), RCs 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.

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

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program

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

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

VII. Annual Family Program Fee

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

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

VIII. Procurement

The Request for Proposal (RFP) process was implemented to ensure regional centers outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires regional centers to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, RCs 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 TCRC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during the audit review:

- Reviewed the TCRC 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 TCRC. 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 TCRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that TCRC 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 TCRC has a written policy requiring the Board to review and approve any of its contracts of Two-hundred-and-Fifty-Thousand Dollars (\$250,000) or more, before entering into a contract with the vendor.
- Reviewed TCRC Board approved POS, Start-Up and Operational vendor contracts \$250,000 or more to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. Verified that the funds provided were specifically used to establish new or additional services to consumers, 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 TCRC's current RFP process and Board approval of contracts \$250,000 or more, as well as to determine whether the process in place satisfies the W&I Code and TCRC'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 RCs 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 RCs demonstrate the exemption is necessary for the health and safety of the consumers.

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

- Reviewed sample vendor files to determine whether TCRC is using appropriately vendorized service providers, has correct service codes, and that TCRC 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 TCRC 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

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure TCRC'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
- Denti-Cal
- Family Resource Center
- Foster Grandparent/Senior Companion
- Self Determination

XI. Follow-up Review on Prior DDS Audit Findings

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

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

From the review of prior audit issues, it has been determined that TCRC has not taken appropriate corrective action to resolve Findings 1A, 1B, and 1C.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on August 18, 2015. The findings in the audit draft report were discussed at a formal exit conference with TCRC on August 27, 2015. The views of the responsible officials are included in the final audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

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

I. Findings That Need to be Addressed

Finding 1: Overstated Claims

A. Duplicate Payments/Overlapping Authorizations (Repeat)

The review of TCRC's UFS Indicator Reports revealed 18 instances where TCRC overpaid eight vendors a total of \$6,237.67 due to duplicate payments or overlapping authorizations. This issue was also identified in the prior audit report. (See Attachment A.)

TCRC provided a check to DDS which resolved overpayments totaling \$1,222.78 to one vendor. Therefore, \$5,014.89 in overpayments to seven vendors remains outstanding.

CCR, Title 17, Section 54326(a)(10) and (12) 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 . . .
- (12) Agree to accept the rate established, revised or adjusted by the Department as payment in full for all authorized services provided to consumers . . .”

Recommendation:

TCRC must reimburse to DDS \$5,014.89 for the overpayments made to the remaining seven vendors. Also, TCRC should review the indicator reports to ensure any payment errors that may have occurred in the course of doing business with its vendors are identified and corrected in a timely manner.

B. Residential Services-Partial Month Stays (Repeat)

The sampled review of 123 POS vendor files revealed TCRC incorrectly applied the 30.44 partial month proration factor for establishing a per day rate to calculate partial month stays. TCRC did not correctly apply the 30.44 proration to four vendors, resulting in overpayments totaling \$363.55 and underpayments totaling \$449.70. This issue was also identified in the prior audit report. (See Attachment B.)

CCR, Title 17, Section 56917(i) states:

“The established rate shall be prorated for a partial month of service in all other cases by dividing the established rate by 30.44, then multiplying the number of days the consumer resided in the facility.”

TCRC provided supporting documentation with its response to the draft report which indicated \$255.82 in overpayments and \$7.98 in underpayments is resolved.

Recommendation:

TCRC must reimburse to DDS and the vendors, a total of \$107.73 and \$441.72, respectively. TCRC must also review to ensure that it is correctly applying the 30.44 proration factor for all partial month stays.

C. Payment Reduction (Repeat)

The sampled review of 123 POS vendor files revealed TCRC incorrectly applied the 4.25 and 1.25 percent payment reductions, resulting in overpayments to three vendors totaling \$347.84. TCRC has resolved \$238.46, resulting in \$109.38 in overpayments which remains outstanding. This issue was also identified in the prior audit report. (See Attachment C.)

Assembly Bill 1472, chapter 25, section 34, 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, from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent, and, commencing July 1, 2012, until June 30, 2013, by 1.25 percent, unless the regional center demonstrates that a nonreduced payment is necessary to protect the health and safety of the individual for whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval.”

TCRC has resolved this issue by recovering the \$109.38 in overpayment from the vendor.

Recommendation:

TCRC must review vendor payment rates to ensure the payment reductions are applied correctly and ensure any payments that may have occurred in error during the course of doing business with its vendors are identified and corrected.

Finding 2: Transportation Broker Providing Transportation Services

The sampled review of 123 POS vendor files revealed TCRC utilized a transportation broker vendored by Inland Regional Center to provide transportation services. The review indicated that TCRC paid the vendor, Southwestern Transportation, Vendor Number PJ3262, Service Code 883, for transportation services totaling \$2,056.56 from December 2011 to March 2012 for one consumer, UCI Number [REDACTED]. Vendors who are classified as transportation brokers are not permitted to provide transportation services. TCRC stated it was unaware that Southwestern Transportation was vendored as a transportation broker. (See Attachment D.)

CCR, Title 17, Section 58501(a) states, in pertinent part:

“(a) The following definitions shall apply to the regulations contained in this subchapter:

(11) ‘Transportation Service’ means the conveyance of a consumer including boarding and exiting the vehicle.”

In addition, CCR, Title 17, Section 54342(a) states, in pertinent part:

“(a) The following service codes shall be assigned to the following types of services:

(83) Transportation Broker – Service Code 883. A regional center shall classify a vendor as a transportation broker if the vendor:

(A) Is not the transportation service provider; and

(B) Develops routing and time schedules for the transport of consumers to and from their day program;

(C) In addition to performing the duties specified in (A) and (B) above, a transportation broker may:

(1) Conduct monitoring and quality assurance activities; and/or

(2) Perform safety reviews; and/or

(3) Assist the regional center in implementing contracted transportation services.”

Recommendation:

TCRC must reimburse DDS \$2,056.56 for improperly utilizing a transportation broker to perform the duties of a transportation provider. In addition, TCRC must perform its due diligence when utilizing courtesy vendors to ensure that vendors are vendored under the correct service code, comply with the median rate requirements and are properly licensed and insured.

Finding 3: Family Cost Participation Program

A. Late Assessments

The sampled review of 15 FCPP assessments revealed eight instances where TCRC did not assess the parents' share of cost participation concurrently with the consumer's IPP. The eight assessments were completed after signing the IPP. TCRC stated this occurred because the service coordinators wait for the authorizations before completing the assessment. (See Attachment E.)

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

- “(g) Family cost participation assessments or reassessments shall be conducted as follows:
 - (1)(A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.
 - (B) A regional center shall assess the cost participation for parents of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.
 - (C) Reassessments for cost participation shall be conducted as part of the individual program plan or the individual family service plan review . . .”

Recommendation:

TCRC must ensure the service coordinators assess the parents' share of cost concurrently with the consumer's IPP. This would ensure compliance with the W&I Code, Section 4783(g)(1).

B. Late Notification

The sampled review of 15 FCPP consumer files revealed nine instances where TCRC did not notify the parents of their assessed share of cost within 10 working days of receipt of the income documentation.

W&I Code, Section 4783(g)(1)(D)(3) states:

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

Recommendation:

TCRC must ensure its staff is aware of, and are following, the FCPP procedures, especially the assessments and notification processes to eliminate delays on sending notification letters.

C. Improper Income Documentation

The sampled review of 15 FCPP consumer files revealed that TCRC assessed one family’s share of cost for consumer UCI [REDACTED] based on incomplete income documentation. The family submitted a form 1120S for the business tax return of their S Corporation which indicated they had business loss of \$12,978; however, the family did not include the income tax return or other documentation to determine the family’s gross annual income. TCRC incorrectly used the business loss as the family’s gross income to determine the family’s share of cost.

W&I Code, Section 4783(g)(2) and (4) states:

“(2) Parents shall self-certify their gross annual income to the regional center by providing copies of W-2 Wage Earners Statements, payroll stubs, a copy of the prior year’s state income tax return, or other documents and proof of other income.”

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

Recommendation:

TCRC should require the family to submit the appropriate income documentation to re-assess the family’s share of cost. Any overpayments should be reimbursed to DDS as a result of the re-assessment.

Finding 4: Improper Record Keeping

The review of the FRC program at the Oxnard office revealed that TCRC could not provide referral forms for the Fiscal Years 2011-12 and 2012-13. The FRC staff stated the referrals were scanned and stored on a hard drive and the original documents were shredded; however, the data could not be retrieved due to a hard drive failure. This occurred because TCRC staff failed to ensure that the files are accessible and backed up prior to disposal of the original documentation. The review of the prior year audit work papers and current fiscal year records revealed that referral forms are maintained and available for review.

In addition, it was noted that the TCRC staff at the Oxnard office does not consistently utilize questionnaires or the sign-in sheets to track referrals of families who receive FRC services. As a result, the records maintained by the FRC do not accurately reflect the population of consumers served at the Oxnard office. The FRC staff indicated this occurred because it is focused on providing quality service to consumer families and not inundate the families with questions.

CCR Title 17, Section 50604(d) states in part:

“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:

- (2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.
- (3) A record of services provided to each consumer. The record shall include:
 - (C) For community-based day programs, the dates of service, place where service was provided, the start and end times of service provided to the consumer, and the daily or hourly units of service provided . . .”

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 terms 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:

TCRC must ensure supporting documentation for its FRCs, including, but not limited to referral forms, sign in sheets, and telephone logs, are retained. TCRC must also ensure to consistently utilize questionnaires and the sign-in sheets to track referrals of families who receive FRC services. In addition, TCRC must ensure that all scanned documents are legible and backed-up before shredding the original documentation.

Finding 5: Expired Contract

The sampled review of 123 POS vendor files revealed that TCRC continues to utilize a vendor, Employer's Depot, Vendor Number PT0329, Service Code 034, after its contract expired on June 30, 2009. The contract, which originally expired on June 30, 2008, allowed for the contract agreement to become a month-to-month contract for an additional 12 months after the expiration of the contract. However, the contract has not been renewed and TCRC continues to utilize the vendor to provide services under the terms of the original contract. TCRC stated it has made efforts to enter into a new agreement but Employer's Depot will not agree to the new terms.

W&I Code, Section 4648(a)(3)(B), states in part:

“(B) A regional center may reimburse an individual or agency for services or supports provided to a regional center consumer if the individual or agency has a rate of payment for vendored or contracted services established by the department, pursuant to this division, and is providing services pursuant to an emergency vendorization procedures or has entered into a contract with the regional center and continues to comply with the vendorization or contracting requirements.”

Recommendation:

TCRC must either amend or execute a new contract with Employer's Depot if it is to continue to utilize Employer's Depot's services. If TCRC cannot come to an agreement with Employer's Depot, it should contract with another service

provider to act as fiscal intermediary for direct service workers. TCRC must not allow the vendor to continue to provide services to its consumers without a valid contract in place.

Finding 6: Equipment Capitalization

The review of TCRC’s inventory listing and equipment general ledger account revealed that it capitalized all of its equipment rather than items valued at or above \$5,000. TCRC was not aware that only items valued at or above \$5,000 are to be capitalized.

The State Equipment Management Guidelines, Attachment D, Section 8602 states:

“State property is capitalized for accounting purposes when certain conditions are met. Capitalization means to record the property in the accounting records as assets. Tangible property must meet the following three requirements in order to meet the capitalization requirements:

1. Have a normal useful life of at least one year;
2. Have a unit acquisition cost of at least \$5,000; and
3. Be used to conduct State business.”

Recommendation:

TCRC must make adjusting entries to the general ledger to only include items valued at or above \$5,000. This will ensure compliance with the State’s Equipment Systems Guidelines and the State Administrative Manual as required by its contract with DDS.

Finding 7: Closed Board Minutes Not Retained

The request for TCRC’s closed board minutes revealed that TCRC did not record any minutes for the closed board sessions. TCRC was not aware of the requirement to record minutes for its closed board sessions.

W&I Code, Section 4663 (b) states in part:

“Any matter specifically dealing with a particular regional center client must be conducted in a closed session, except where it is requested that the issue be discussed publicly by the client, the client’s conservator, or the client’s parent or guardian where the client is a minor. Minutes of closed sessions shall be kept by a designated officer or employee of the regional center, but these minutes shall not be considered public records.”

Recommendation:

TCRC must ensure all minutes of closed Board sessions are recorded and kept by a designated officer or employee of TCRC. In addition, prior to, and directly after holding any closed sessions, TCRC’s Board shall state the specific reason or reasons for the closed session.

II. Finding That Has Been Addressed and Corrected by TCRC

Finding 8: Incorrect Dates of Death

The sampled review of 24 deceased consumer files revealed three consumers with incorrect dates of death on the UFS Death Report. The date of death on the report did not match the date of death recorded on the consumer’s death certificate. TCRC stated this occurred because the service coordinator recorded the date of death based on the consumer’s Special Incident Report (SIR) rather than the actual death certificate.

TCRC took corrective action and revised the report to accurately reflect the actual dates of death.

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 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”

Recommendation:

TCRC should ensure staff accurately records consumer’s date of death in UFS by utilizing the date stated on the consumer’s certificate of death.

EVALUATION OF RESPONSE

As part of the audit report process, TCRC has been provided with a draft report and was requested to provide a response to each finding. TCRC's response dated September 29, 2015, 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 TCRC's response. Except as noted below, TCRC'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 TCRC's corrective actions identified in the response to the draft report.

Finding 1: Overstated Claims

A. Duplicate Payments/Overlapping Authorizations (Repeat)

TCRC stated in its response that \$25.15 of the \$6,237.67 is not an overpayment but did not provide documentation to support its argument for paying the two vendors above the authorized amount. TCRC agrees with overpayments for vendor number PT0676 totaling \$1,222.78 and provided a copy of the check submitted to DDS. Furthermore, TCRC stated that the \$459.60 in overpayments to vendor number [REDACTED] will be recovered during the next check run. In addition, TCRC has requested that it be allowed to write off \$4,530.14 because the overpayments are uncollectable. However, no documentation was provided by TCRC with the response indicating failure to collect the overpayments. Request for write-off must be supported by source documents and submitted to DDS Accounting for review and approval.

Therefore, TCRC must reimburse to DDS \$5,014.89 since it did not submit sufficient documentation to resolve the overpayments.

B. Residential Services-Partial Month Stays (Repeat)

TCRC provided documentation which indicates the \$255.82 identified as an overpayment to Vendor Number PK5241 and the \$7.98 identified as an underpayment to Vendor Number HT0037 were paid correctly.

In addition, TCRC stated the overpayment totaling \$107.73 to Vendor Number HA0759 is uncollectable because the vendor does not have an open authorization. Furthermore, TCRC stated the underpayment totaling \$441.72 to Vendor Number HL0080 cannot be remitted to the vendor, since the vendor is closed. TCRC is requesting write-off of the over and underpayments to the two vendors. Request for write-off must be supported by source documents and submitted to DDS Accounting for review and

approval. In situations where the vendor cannot be located, TCRC must forward the funds to the State's unclaimed property.

TCRC must reimburse to DDS the remaining \$107.73 in overpayments and remit \$441.72 or forward the amount to the State's unclaimed property if the vendor cannot be located.

C. Payment Reduction (Repeat)

TCRC resolved this issue by providing supporting documentation with its response to the draft report which indicated it issued a check to DDS for the overpayment totaling \$109.38.

Finding 2: Transportation Broker Providing Transportation Services

TCRC disagrees that it must reimburse DDS the \$2,056.56 identified in the report. TCRC stated that services were provided to the consumer and the payment amount was correct. TCRC also stated that going forward, it shall review information on vendors that are vendored by other regional centers to ensure the service codes and rates are appropriate and other applicable requirements met. While DDS agrees that services were provided, Southwestern Transportation was vendored as a Transportation Broker and not authorized to provide transportation services. Therefore, TCRC must reimburse DDS the \$2,056.56.

Finding 3: Family Cost Participation Program

A. Late Assessments

TCRC agrees with the finding and stated that going forward, its FCPP Cost Assessment Specialist will work with service coordinators to assess the cost at the time of the IPP. TCRC indicated it will assess the parents' share of cost at 100% if income information is not provided by the IPP date.

B. Late Notification

TCRC agrees with the finding and stated it has adjusted its internal procedures to comply with W&I Code, Section 4783.

C. Improper Income Documentation

TCRC disagrees with the finding and believes the S Corporation tax return is acceptable as an alternative income documentation per W&I Code, Section 4783(g)(1)(D)(2), because the regulation does not specify what types of *other documents or proof of other income* are acceptable or not acceptable. DDS disagrees with TCRC that the Form 1120S is an acceptable income

documentation for determining a family's gross income. Form 1120S is a corporate tax return and is used to determine a corporation's business income, not an individual's gross income. The S Corporation is a flow through entity and its income or loss is not used in determining an individual's gross annual income. The regulation cited states, "Parents shall self-certify their gross annual income." Without being able to determine the family's gross annual income, TCRC will not be able to accurately assess the family's share of cost.

Finding 4: Improper Record Keeping

TCRC agrees with the finding and stated it will scan all intake and referral forms collected into its cloud storage system. In addition, TCRC stated it will provide staff training to better capture all phone calls and walk-ins, and establish a sign-in sheet to track families with consumers 0-3 years of age who have received services through the FRC program.

Finding 5: Expired Contract

TCRC stated it would discontinue services with Employer's Depot if a new contract is not signed within 30 days. In addition, TCRC is trying to identify other possible vendors to provide fiscal management services for its three consumers if the contract with Employer's Depot is not renewed.

Finding 6: Equipment Capitalization

TCRC agrees with the finding and stated it will adjust the procedures to only capitalize equipment over \$5,000 in value.

Finding 7: Closed Board Minutes Not Retained

TCRC agrees with the finding and stated it will ensure minutes are taken for all closed Board sessions.

**Tri-Counties Regional Center
Overstated Claims-Duplicate Payments/Overlapping Authorizations
Fiscal Years 2011-12 and 2012-13**

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Sub Code	Authorization Number	Payment Period	Over Payments	Resolved	Outstanding Balance
1				62	PA-5		Jul-12	\$1,595.68	\$0.00	\$1,595.68
2				420	FCPP		Jul-11	\$420.25	\$0.00	\$420.25
3				420	FCPP		Aug-11	\$330.56	\$0.00	\$330.56
4				420	FCPP		Sep-11	\$10.25	\$0.00	\$10.25
5				420	FCPP		Oct-11	\$10.25	\$0.00	\$10.25
6				405			Jun-12	\$227.05	\$0.00	\$227.05
7				420	FCPPS		Sep-11	\$111.60	\$0.00	\$111.60
8				420	FCPPS		Nov-11	\$4.65	\$0.00	\$4.65
9				420			Nov-11	\$246.00	\$0.00	\$246.00
10				93	BA		Mar-12	\$229.80	\$0.00	\$229.80
11				93	BA		Apr-12	\$229.80	\$0.00	\$229.80
12				420			Jul-11	\$1,599.00	\$0.00	\$1,599.00
13		PT0676	Koegel Autism	620	SUPR		Dec-11	\$150.96	\$150.96	\$0.00
14		PT0676	Koegel Autism	620	SUPR		Jan-12	\$213.86	\$213.86	\$0.00
15		PT0676	Koegel Autism	620	SUPR		Feb-12	\$213.86	\$213.86	\$0.00
16		PT0676	Koegel Autism	620	SUPR		Mar-12	\$213.86	\$213.86	\$0.00
17		PT0676	Koegel Autism	620	SUPR		May-11	\$216.38	\$216.38	\$0.00
18		PT0676	Koegel Autism	620	SUPR		Jun-11	\$213.86	\$213.86	\$0.00
Total Overstated Claims								\$6,237.67	\$1,222.78	\$5,014.89

**Tri-Counties Regional Center
Overstated Claims-Residential Services-Partial Month Stays
Fiscal Years 2011-12 and 2012-13**

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Sub Code	Authorization Number	Payment Period	Over/Under Payments	Resolved	Outstanding Balance
Overpayments Due to Incorrect Proration Calculation										
1		HA0759	DKA Rigonan's Care Home	915	L4G		Dec-11	\$107.73	\$0.00	\$107.73
2		PK5241	Sails X	113			Nov-12	\$255.82	\$255.82	\$0.00
Total Overpayments Due to Incorrect Proration Calculation								\$363.55	\$255.82	\$107.73

Underpayments Due to Incorrect Proration Calculation										
3		HT0037	Work Inc Sloan Terrace	113			Aug-11	(\$7.98)	(\$7.98)	\$0.00
4		HL0080	Saphir Family Home	920	L4G		Dec-12	(\$441.72)	\$0.00	(\$441.72)
Total Underpayments Due to Incorrect Proration Calculation								(\$449.70)	(\$7.98)	(\$441.72)

**Tri-Counties Regional Center
Overstated Claims-Payment Reduction
Fiscal Years 2011-12 and 2012-13**

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments	Resolved	Outstanding Balance
Overpayments Due to Incorrect Payment Reduction									
1		HT0037	Work Inc Sloan Terrace	113		Jul-11	\$5.78	\$5.78	\$0.00
2		HT0037	Work Inc Sloan Terrace	113		Jul-11	\$5.78	\$5.78	\$0.00
3		HT0037	Work Inc Sloan Terrace	113		Jul-11	\$5.78	\$5.78	\$0.00
4		HT0037	Work Inc Sloan Terrace	113		Jul-11	\$5.78	\$5.78	\$0.00
5		HT0037	Work Inc Sloan Terrace	113		Aug-11	\$5.78	\$5.78	\$0.00
6		HT0037	Work Inc Sloan Terrace	113		Aug-11	\$5.78	\$5.78	\$0.00
7		HT0037	Work Inc Sloan Terrace	113		Aug-11	\$5.78	\$5.78	\$0.00
8		HT0037	Work Inc Sloan Terrace	113		Aug-11	\$5.78	\$5.78	\$0.00
9		HT0037	Work Inc Sloan Terrace	113		Sep-11	\$5.78	\$5.78	\$0.00
10		HT0037	Work Inc Sloan Terrace	113		Sep-11	\$5.78	\$5.78	\$0.00
11		HT0037	Work Inc Sloan Terrace	113		Sep-11	\$5.78	\$5.78	\$0.00
12		HT0037	Work Inc Sloan Terrace	113		Sep-11	\$5.78	\$5.78	\$0.00
13		HT0037	Work Inc Sloan Terrace	113		Sep-11	\$5.78	\$5.78	\$0.00
14		HT0037	Work Inc Sloan Terrace	113		Oct-11	\$5.78	\$5.78	\$0.00
15		HT0037	Work Inc Sloan Terrace	113		Oct-11	\$5.78	\$5.78	\$0.00
16		HT0037	Work Inc Sloan Terrace	113		Oct-11	\$5.78	\$5.78	\$0.00
17		HT0037	Work Inc Sloan Terrace	113		Oct-11	\$5.78	\$5.78	\$0.00
18		HT0037	Work Inc Sloan Terrace	113		Oct-11	\$5.78	\$5.78	\$0.00
19		HT0037	Work Inc Sloan Terrace	113		Dec-11	\$5.78	\$5.78	\$0.00
20		HT0037	Work Inc Sloan Terrace	113		Dec-11	\$5.78	\$5.78	\$0.00
21		HT0037	Work Inc Sloan Terrace	113		Dec-11	\$5.78	\$5.78	\$0.00
22		HT0037	Work Inc Sloan Terrace	113		Dec-11	\$5.78	\$5.78	\$0.00
23		HT0037	Work Inc Sloan Terrace	113		Dec-11	\$5.78	\$5.78	\$0.00

**Tri-Counties Regional Center
Overstated Claims-Payment Reduction
Fiscal Years 2011-12 and 2012-13**

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments	Resolved	Outstanding Balance
24		HT0037	Work Inc Sloan Terrace	113		Jan-12	\$4.88	\$4.88	\$0.00
25		HT0037	Work Inc Sloan Terrace	113		Jan-12	\$4.88	\$4.88	\$0.00
26		HT0037	Work Inc Sloan Terrace	113		Jan-12	\$4.88	\$4.88	\$0.00
27		HT0037	Work Inc Sloan Terrace	113		Jan-12	\$4.88	\$4.88	\$0.00
28		HT0037	Work Inc Sloan Terrace	113		Jan-12	\$4.88	\$4.88	\$0.00
29		HT0037	Work Inc Sloan Terrace	113		Feb-12	\$4.88	\$4.88	\$0.00
30		HT0037	Work Inc Sloan Terrace	113		Feb-12	\$4.88	\$4.88	\$0.00
31		HT0037	Work Inc Sloan Terrace	113		Feb-12	\$4.88	\$4.88	\$0.00
32		HT0037	Work Inc Sloan Terrace	113		Feb-12	\$4.88	\$4.88	\$0.00
33		HT0037	Work Inc Sloan Terrace	113		Feb-12	\$4.88	\$4.88	\$0.00
34		HT0037	Work Inc Sloan Terrace	113		Apr-12	\$4.88	\$4.88	\$0.00
35		HT0037	Work Inc Sloan Terrace	113		Apr-12	\$4.88	\$4.88	\$0.00
36		HT0037	Work Inc Sloan Terrace	113		Apr-12	\$4.88	\$4.88	\$0.00
37		HT0037	Work Inc Sloan Terrace	113		Apr-12	\$4.88	\$4.88	\$0.00
38		HT0037	Work Inc Sloan Terrace	113		Apr-12	\$4.88	\$4.88	\$0.00
39		HT0037	Work Inc Sloan Terrace	113		Jun-12	\$4.88	\$4.88	\$0.00
40		HT0037	Work Inc Sloan Terrace	113		Jun-12	\$4.88	\$4.88	\$0.00
41		HT0037	Work Inc Sloan Terrace	113		Jun-12	\$4.88	\$4.88	\$0.00
42		HT0037	Work Inc Sloan Terrace	113		Jun-12	\$4.88	\$4.88	\$0.00
43		HT0037	Work Inc Sloan Terrace	113		Jun-12	\$4.88	\$4.88	\$0.00
44		HT0520	Toby Ranch Residence LLC	905		Mar-13	\$7.92	\$7.92	\$0.00
45		PK5241	Sails X	113		Jul-11	\$9.56	\$9.56	\$0.00
46		PK5241	Sails X	113		Aug-11	\$9.56	\$9.56	\$0.00
47		PK5241	Sails X	113		Sep-11	\$9.56	\$9.56	\$0.00

**Tri-Counties Regional Center
Overstated Claims-Payment Reduction
Fiscal Years 2011-12 and 2012-13**

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments	Resolved	Outstanding Balance
48		PK5241	Sails X	113		Oct-11	\$9.56	\$9.56	\$0.00
49		PK5241	Sails X	113		Nov-11	\$9.56	\$9.56	\$0.00
50		PK5241	Sails X	113		Dec-11	\$9.56	\$9.56	\$0.00
51		PK5241	Sails X	113		Jan-12	\$8.67	\$8.67	\$0.00
52		PK5241	Sails X	113		Feb-12	\$8.67	\$8.67	\$0.00
53		PK5241	Sails X	113		Mar-12	\$8.67	\$8.67	\$0.00
54		PK5241	Sails X	113		Apr-12	\$8.67	\$8.67	\$0.00
55		PK5241	Sails X	113		May-12	\$8.67	\$8.67	\$0.00
56		PK5241	Sails X	113		Jun-12	\$8.67	\$8.67	\$0.00
Total Overpayment Due to Incorrect Payment Reduction							\$347.84	\$347.84	\$0.00

**Tri-Counties Regional Center
Transportation Broker Providing Transportation Services
Fiscal Years 2011-12 and 2012-13**

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Sub Code	Authorization Number	Payment Period	Overpayments
1		PJ3262	Southwestern Transportation	883	ZONED		Dec-11	\$ 514.14
2		PJ3262	Southwestern Transportation	883	ZONED		Jan-12	\$ 514.14
3		PJ3262	Southwestern Transportation	883	ZONED		Feb-12	\$ 514.14
4		PJ3262	Southwestern Transportation	883	ZONED		Mar-12	\$ 514.14
Total Overpayment Due to Transportation Broker Providing Transportation Services								\$ 2,056.56

**Tri-Counties Regional Center
Family Cost Participation Program - Late Assessments
Fiscal Years 2011-12 and 2012-13**

No.	Unique Client Identification Number	Individual Program Plan Date	Assesment Date
1		4/12/2011	6/1/2011
2		7/11/2011	8/10/2011
3		3/20/2011	10/26/2011
4		2/15/2012	5/30/2012
5		12/7/2012	3/1/2013
6		1/21/2013	3/19/2013
7		7/22/2012	6/12/2013
8		8/30/2013	12/18/2013

APPENDIX A

Tri-Counties Regional Center

**RESPONSE
TO AUDIT FINDINGS**

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



September 29, 2015

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

RE: DDS AUDIT OF TRI-COUNTIES REGIONAL CENTER FY 2011-12 THROUGH FY 2012-13

Dear Ed,

Tri-Counties Regional Center (TCRC) herewith submits its response to the Department's Draft Fiscal Audit for the 2011-12 and 2012-13 fiscal years. The response has been prepared with input from staff having responsibility over the specific areas being audited. Our response is as follows:

FINDING 1: Overstated Claims

A. Duplicate Payments/Overlapping Authorizations

The review of TCRC's UFS Indicator Reports revealed 18 instances where TCRC overpaid eight vendors a total of \$6,237.67 due to duplicate payments or overlapping authorizations.

Recommendation:

TCRC must reimburse to DDS \$6,237.67 for the overpayments made to the eight vendors. Also, TCRC should review the indicator reports to ensure any payment errors that may have occurred in the course of doing business with its vendors are identified and corrected in a timely manner.

RESPONSE:

One of TCRC's POS accounting assistants is reviewing the duplicate/overlapping authorization report at minimum weekly, and sometimes up to three times per week. We discovered that a monthly review of this report was not enough as there are many duplicate or overlapping authorizations coming in from the service coordinators (SCs), particularly new staff. The POS manager will continue to train SCs on duplicate and overlapping authorizations throughout the year.

Another POS accounting assistant is running both a duplicate payment and a negative balance report monthly, and a third POS accounting assistant is also checking the eBilling system prior to re-issuing requested invoices. We recently implemented a practice that only deferred lines can be re-issued. Instructions will soon be sent to vendors.

Regarding the overpayments remaining, we have attempted to collect the amounts back from the identified vendors who are mostly parent vendors, multiple times. There is \$25.15 that is not an overpayment. There is also \$1,682.38 indicated that is for pending credits for two vendors. Please refer to Attachment A, Tab 1. This amount will be deducted from the next payments due to those specific vendors.

For vendors that have closed, moved or been deactivated, our POS manager will check if they are active vendors at other regional centers and if so, determine if the amount can be collected. If not, TCRC requests the uncollectable amount be written off, the net total of \$4,530.14. As a result of a prior DDS fiscal audit, DDS allowed TCRC to write off uncollectable amounts.

B. Residential Services – Partial Month Stays

The sampled review of 123 POS vendor files revealed TCRC incorrectly applied the 30.44 partial month proration factor for establishing a per day rate to calculate partial month stays. TCRC did not correctly apply the 30.44 prorate to four vendors, resulting in overpayments totaling \$363.55 and underpayments totaling \$449.70.

Recommendation:

TCRC must reimburse to DDS and the vendors, a total of \$363.55 and \$449.70, respectively. TCRC must also review to ensure that it is correctly applying the 30.44 proration factor for all partial month stays.

RESPONSE:

Our records show that two of the items indicated under this finding were paid correctly for vendor numbers PK5241 and HT0037. We have provided documentation to support our position in Attachment A, Tab 2. The correct overpayment amount is \$107.73 for vendor number HA0759. There are no open authorizations for this vendor. TCRC requested a refund from the vendor back in February 2014. The vendor has been deactivated and did not respond. The correct underpayment amount is \$441.72 for vendor number HL0080. We had a credit pending for the home that was greater than amount owed and the home has closed. The net amount of this finding is an underpayment of \$333.99. TCRC requests the net amount be written off.

C. Payment Reduction

The sampled review of 123 POS vendor files revealed TCRC incorrectly applied the 4.25 and 1.25 percent payment reductions, resulting in overpayments to three vendors totaling \$347.84. TCRC has since resolved \$238.46, resulting in \$109.38 in overpayments which remains outstanding.

Recommendation:

TCRC must reimburse the remaining \$109.38 to DDS for the overpayments made to Vendor Number K5241. TCRC must also review vendor payment rates to ensure the payment reductions are 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.

RESPONSE:

TCRC's accounting staff has had technical issues using the rate change program. The adjustments have been double checked and corrected. We previously collected the overpayment of \$109.38 back from the vendor on August 22, 2014 and reimbursed DDS. Please refer to Attachment A, Tab 3 and the check copy attached.

FINDING 2: Transportation Broker Providing Transportation Services

The sampled review of 123 POS vendor files revealed TCRC utilized a transportation broker vendored by Inland Regional Center to provide transportation services totaling \$2,056.56. Vendors who are classified as transportation brokers are not permitted to provide transportation services.

Recommendation:

TCRC must reimburse to DDS \$2,056.56 for improperly utilizing a transportation broker to perform the duties of a transportation provider. In addition, TCRC must perform its due diligence when utilizing courtesy vendors to ensure that vendors are vendored under the correct service code, comply with the median rate requirements and are properly licensed and insured.

RESPONSE:

TCRC's POS Manager contacted the Manager of Vendorization and Rates at Inland Regional Center (IRC) and was informed that IRC is no longer doing business with this transportation broker. In addition, IRC does not have a different service code for this vendor nor can they issue one now that TCRC could use to correctly classify these expenditures. Also, since these payments were made in closed fiscal years, TCRC is unable to make a correction in UFS.

TCRC's POS Manager has confirmed that the authorizations were set up to provide transportation to a day program and the day program billed for the same time period. Given that the necessary services were actually provided to an individual served by TCRC, and the payment amount was correct, we disagree that TCRC must reimburse DDS the amount of \$2,056.56. Going forward, TCRC shall review information on vendors that are vendored by other regional centers to ensure the service codes and rates are appropriate and other applicable requirements met.

FINDING 3: Family Cost Participation Program

A. Late Assessments

Finding:

The sampled review of 15 Family Cost Participation (FCPP) assessments revealed eight instances where TCRC did not assess the parents' share of cost participation concurrently with the consumer's IPP. The eight assessments were completed after signing the IPP.

Recommendation:

TCRC must ensure that the service coordinators assess the parents' share of cost currently with the consumer's IPP. This would ensure compliance with the W&I Code, Section 4783(g)(1).

RESPONSE:

When TCRC implemented the FCPP program back in 2009, staff attempted to assess the cost at the time of the IPP, however in most cases the income information was not provided by the family at the time of the IPP. TCRC did not want to delay the IPP and subsequent services, and therefore worked with the family to assess cost participation after the IPP was completed. Going forward, TCRC's FCPP Cost Assessment (CA) Specialist will work with the service coordinators to assess cost at the time of the IPP. If income information is not provided by the IPP date in order to do the assessment, the parent's share of cost will be determined to be 100%. If after the IPP date and 100% share of cost assessment the parents provide income information, TCRC's FCPP CA Specialist will reassess the cost participation and any adjustment in the share of cost, and the authorization for services will be effective the date of the reassessment.

B. Late Notification

Finding:

The sampled review of 15 FCPP consumer files revealed nine instances where TCRC did not notify the parents of their assessed share of cost within 10 working days of receipt of the income documentation.

Recommendation:

TCRC must ensure its staff is aware of, and are following, the FCPP procedures, especially the assessments and notification processes to eliminate delays on sending notification letters.

RESPONSE:

TCRC has adjusted its internal procedures to comply with this section of the W&I code. The service coordinator informs the family of the FCP program and provides them with a packet of information. The FCPP packet completed by the family is sent back to the TCRC Cost Assessment (CA) Specialist with the family's latest tax return or other income documentation. After the FCPP packet is received, the FCPP CA Specialist performs the cost assessment within the 10 day deadline, beginning from the date the completed packet was received by the FCPP CA Specialist, and notifies the service coordinator to complete the authorization with the appropriate share of cost. The FCPP CA Specialist then sends a letter to the family informing them of their share of cost for services relating to FCPP within the 10 day deadline. The FCPP CA Specialist keeps a spreadsheet indicating data on each person served, the family information, the date of the IPP, the date the completed packet was received from the family, the date the cost participation was assessed and the date the family was notified.

C. Improper Income Documentation

Finding:

The sampled review of 15 FCPP consumer files revealed that TCRC assessed one family's share of cost based on incomplete income documentation. The family submitted a form 1120S for the business tax return of their S Corporation which indicated they had a business loss of \$12,978; however, the family did not include the income tax return or other documentation to determine the family's gross annual income.

Recommendation:

TCRC should require the family to submit the appropriate income documentation to re-assess the family's share of cost. Any overpayments should be reimbursed to DDS as a result of the re-assessment.

RESPONSE:

W&I Code, Section 4783(g)(1)(D)(2) states that "Parents shall self-certify their gross annual income to the regional center by providing copies of W-2 Wage Earners Statements, payroll stubs, a copy of the prior year's state income tax return, or other documents and proof of other income." The family referred to in this finding would not provide copies of their W-2 statements, payroll stubs or tax returns. Therefore, their S Corporation filing was the only source of income documentation available. While TCRC's practices are to request the tax returns, wages statements or payroll stubs, TCRC believes the S Corporation tax return is acceptable as alternative income documentation per this section of regulation which does not specify the types of other documents or proof of other income.

FINDING 4: Improper Record Keeping

The review of the Family Resource Center (FRC) program at the Oxnard office revealed that TCRC could not provide referral forms for the Fiscal Years 2011-12 and 2012-13. FRC staff stated that the referrals were scanned and stored on a hard drive, and the original documents were shredded; however, the data could not be retrieved due to a hard drive failure. In addition, it was noted that the TCRC's staff at the Oxnard office does not consistently utilize questionnaires or the sign-in sheets to track referrals of families who receive FRC services.

Recommendation:

TCRC must ensure supporting documentation for its FRCs, including but not limited to referral forms, sign in sheets, and telephone logs, are retained. TCRC must also ensure to consistently utilize questionnaires and the sign-in sheets to track referrals of families who receive FRC services. In addition, TCRC must ensure that all scanned documents are legible and backed-up before shredding the original documentation.

RESPONSE:

The FRC does fill out intake and referral forms. All intake and referral forms collected will be scanned into Box mitigating the risk of loss. The FRC will establish a sign in sheet to track families that walk-in. Staff training will be provided to better capture all phone calls and walk-ins.

FINDING 5: Expired Contract

The sampled review of 123 POS vendor files revealed that TCRC continues to utilize a vendor, Employer's Depot, Vendor Number PT0329, Service Code 034, after its contract expired on June 30, 2009. TCRC has stated it has made efforts to enter into a new agreement but Employer's Depot will not agree to new terms.

Recommendation:

TCRC must either amend or execute a new contract with Employer's Depot if it is to continue to utilize Employer's Depot services. If TCRC cannot come to an agreement with Employer's Depot, it should contract with another service provider to act as fiscal intermediary for direct service workers. TCRC cannot allow the vendor to continue to provide services to its consumers without a valid contract in place.

RESPONSE:

TCRC will send the vendor a new contract with a 30 day notice to sign the contract or the services cannot continue. In the interim, the appropriate service coordinators will be informed that the three persons served by this vendor may possibly need to move to another service provider if the vendor will not sign the contract. TCRC's resource development staff is identifying possible other options for alternative service providers.

FINDING 6: Equipment Capitalization

The review of the inventory listing and equipment general ledger account revealed that TCRC capitalized all of its equipment rather than items valued at or above \$5,000. This is not in compliance with the State Equipment Management Guidelines.

Recommendation:

TCRC must make adjusting entries to the general ledger to only include items valued at or above \$5,000. This will ensure compliance with the State's Equipment System Guidelines and the State Administrative Manual as required by its contract with DDS.

RESPONSE:

TCRC agrees with the finding and has adjusted its procedures to only capitalize equipment that is over \$5,000 in value. Any equipment under this amount is coded to a Non-Capitalized General Ledger account.

FINDING 7: Closed Board Minutes Not Retained

The request for TCRC's closed board minutes revealed that TCRC did not record any minutes for the closed board sessions.

Recommendation:

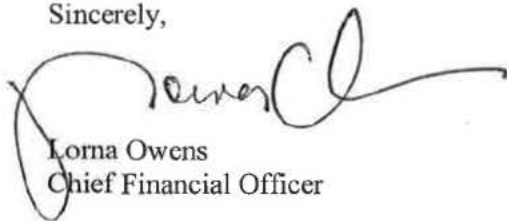
TCRC must ensure all minutes of closed Board sessions are recorded and kept by a designated officer or employee of TCRC. In addition, prior to, and directly after holding any closed sessions, TCRC's Board shall state the specific reason or reasons for the closed session.

RESPONSE:

TCRC will ensure that minutes are taken for all closed Board sessions and the reason for the closed session stated.

We appreciate your staff's efforts and suggestions in improving internal controls and accounting processes at TCRC. If you or your staff needs additional information, please contact me at (805) 884-7292.

Sincerely,



Lorna Owens
Chief Financial Officer

c: Omar Noorzad, Ph.D., Executive Director
Phil Stucky, Controller
Leslie Burton, POS Manager
Pamela Crabaugh, Director of Services & Supports
Diva Johnson, Director of Community Development
Ellen Nzima, DDS
Soi Ly, DDS