



**AUDIT OF THE
TRI-COUNTIES REGIONAL CENTER
FOR FISCAL YEARS 2007-08 AND 2008-09 WITH
FOLLOW-UP REVIEW OF THE BSA AUDIT
DATED AUGUST 24, 2010**

Department of Developmental Services

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

Karyn Meyreles, Deputy Director, Administration Division
Edward Yan, Manager, Audit Branch
Luciah Ellen Nzima, Chief Regional Center, Audit Branch

Audit Staff: Oscar Perez, Grace Gwarada, Hanzhao Meng, Ermias Tecele and
Ikechukwu Uche

For more information, please call: (916) 654-3695

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EXECUTIVE SUMMARY

The fiscal compliance audit of Tri-Counties Regional Center (TCRC) revealed that TCRC was in compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare and Institutions (W&I) Code, the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services. The audit indicated that, overall, TCRC maintains accounting records and supporting documentation for transactions in an organized manner. However, this report identifies some areas where TCRC administrative, operational controls could be strengthened. In addition, DDS found that there was one repeat finding that TCRC has not taken corrective action to resolve. TCRC should take immediate action to remedy this finding and provide supporting documentation to DDS with its response to the current audit indicating that this repeat finding has been resolved and ensuring that this finding does not occur in the future.

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

I. Findings that need to be addressed.

Finding 1: Targeted Rate Level

The follow-up review of the BSA issue on the payment of a higher rate revealed that TCRC had awarded a higher rate to a Behavioral Management Program vendor, Koegel, vendor number PT0676, service code 620. It was found that TCRC approved a \$60 an hour rate to Koegel, even though documents from Koegel revealed that they would have accepted a \$55 an hour rate to provide the agreed upon services. This \$5 an hour rate difference resulted in an additional payment to the vendor totaling \$548,412.02 from April 2006 to November 2010. This is not in compliance with the W&I Code, section 4648(a)(6)(D).

Finding 2: Rate Increase After Rate Freeze

The follow-up review of the BSA issue regarding a rate increase during the rate freeze found that TCRC had increased a transportation provider's minimum number of hours per route which resulted in an increase of payments for the services. An analysis of the documents provided by TCRC did not support that the increase in the number of hours per route was warranted in providing the current transportation services as the contract was signed after the June 30, 2008 rate freeze was in effect. This resulted in an overpayment amount of \$145,782.28 from January 2009 to November 2010. This is not in compliance with the W&I Code, section 4648.4(b).

Finding 3: Over/Under-Stated Claims (Repeat)

A review of TCRC's Residential and Operational Indicator reports revealed 41 instances in which TCRC over-stated or under-stated claimed expenses to the State. These expenses were either due to duplicate payments, overlapping authorizations, or incorrect rate calculations. There were nine instances of overpayment totaling \$14,154.96 and 32 instances of underpayment totaling \$922.56. Of this amount, \$11,505.76 in overpayments and \$922.56 in underpayments have since been corrected with \$2,649.20 in overpayments still outstanding. This is not in compliance with CCR, title 17, section 54326(a)(10).

In addition, the review of the prior DDS audit finding for this issue revealed that TCRC had over/under claimed expenses totaling \$44,073.62 and \$1,439.05 respectively. TCRC has taken corrective action to resolve prior instances of overpayments totaling \$27,649.59. However, it was found that TCRC has not taken immediate action to resolve 17 overpayments totaling \$16,424.03 and six underpayments totaling \$1,439.05 that are still outstanding.

Finding 4: Operations Disbursement Policy Not Followed

The review of the Operations Disbursement policy and procedures revealed that TCRC's policy on processing Operations invoices has not been followed. The review found that 32 instances of credit card purchases totaling \$4,913.35 were not supported by receipts or memos, as required by TCRC's Operations Disbursement policy. This is not in compliance with TCRC's Policy Number 1507 - Agency Credit Card(s) Policy, section III.

Finding 5: Purchase of Service Authorizations Not Retained

The follow-up review of the BSA issue regarding TCRC's lack of Purchase of Service (POS) authorization retention, found that TCRC had discontinued the practice of generating and retaining paper copies of POS authorizations in July 2009. Currently, TCRC has implemented an electronic processing of the POS authorizations for retention and notification to its vendors. This is not in compliance with CCR, title 17, sections 50612(f) and 50612(c)(1)(A)(2).

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

Finding 6: Deceased Consumers Files - Multiple Dates of Death (Repeat)

The review of the Uniform Fiscal System (UFS) Death Report identified nine consumers with two different dates of death recorded. This is not in compliance with the State Contract, article IV, section 1(c)(1). This issue was identified in prior DDS audit reports.

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

Finding 7: Medi-Cal Provider Agreement Forms

The review of 40 vendor files from the Transportation and Residential Program revealed 11 Medi-Cal Provider Agreement forms that were not properly completed by TCRC. This is not in compliance with CCR, title 17, section 54326(a)(16).

TCRC has taken corrective action in resolving this issue by providing DDS with properly completed Medi-Cal Provider Agreement forms for all 11 vendors.

BACKGROUND

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

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

In addition to the fiscal compliance audit, each regional center is reviewed by the DDS Federal Programs Operations Section staff 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 center fiscal, administrative and program operations.

DDS and Tri-Counties Association for the Developmental Disabled, Inc., entered into contract, HD049019, effective July 1, 2004, through June 30, 2009. This contract specifies that Tri-Counties Association for the Developmental 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 the Ventura, Santa Barbara, and San Luis Obispo Counties. The contract is funded by State and federal funds that are dependent upon TCRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at TCRC from February 22, 2010, through March 26, 2010, and was conducted by the DDS's Audit Branch with a follow-up review from December 14, 2010, through December 17, 2010.

AUTHORITY

The audit was conducted under the authority of the W&I Code, section 4780.5, and Article IV, Provision Number 3 of TCRC's contract.

CRITERIA

The following criteria were used for this audit:

- California Welfare and Institutions (W&I) Code
- "Approved Application for the Home and Community-Based Services Waiver for the Developmentally Disabled"
- Title 17 of the California Code of Regulations (CCR, title 17)
- Federal Office of Management Budget (OMB) Circular A-133
- State Contract

AUDIT PERIOD

The audit period was July 1, 2007, through June 30, 2009, 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 with a follow-up review of the Bureau of State Audits (BSA) findings. The audit and follow-up reviews provide information on regional centers' fiscal, administrative, and program operations. The objectives of this audit and follow-up review are:

- To determine compliance with the Welfare and Institution (W&I) Code (or the Lanterman Act)
- To determine compliance with Title 17, of the California Code of Regulations (CCR, title 17),
- To determine compliance with the provisions of HCBS Waiver Program for the Developmentally Disabled,
- To determine that costs claimed were in compliance with the provisions of the State Contract.
- To determine if corrective action has been taken to resolve issues indicated in the BSA audit.

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 W&I Code (or 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 report that was conducted by an independent accounting firm for fiscal year (FY) 2007-08, issued on February 9, 2009.

In addition, DDS reviewed the associated management letter that was issued by the independent accounting firm for FY 2007-08. 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 Purchase of Service (POS) claims billed to DDS. The sample included consumer services, vendor rates, and consumer trust accounts. The sample also included consumers who were eligible for the HCBS Waiver Program. For POS claims the following procedures were performed:

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by the 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.
- 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 (SSA). In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the SSA in a timely manner. An interview with TCRC staff revealed that TCRC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to SSA (or other source) in a timely manner.
- DDS selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of TCRC's bank accounts to determine whether DDS had signatory authority as required by the State Contract.

- 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 the TCRC operations and conducted tests to determine compliance with State Contracts. The tests included various expenditures claimed for administration to ensure that TCRC 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 was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance 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 the TCRC's policies and procedures for compliance with the CCR, title 17 Conflict of Interest requirements 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 DDS' rate of reimbursement from the Federal Government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and verified that the information submitted by TCRC was correct and traceable to the general ledgers and payroll registers.
- Reviewed TCRC's Case Management Time Study. DDS selected a sample of payroll time sheets for this review and compared it to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under the W&I Code, section 4640.6(e), regional centers are required to provide service coordinator caseload data to DDS annually for each fiscal year. Prior to January 1, 2004, the survey required regional centers to have an average service coordinator-to-consumer

ratio of 1:62 for all consumers who have not moved from developmental centers to the community since April 14, 1993, and an average ratio of 1:45 ratio for all consumers who have moved from developmental centers to the community since April 14, 1993. Commencing January 1, 2004, the following average service coordinator-to-consumer ratios apply:

- A. For all consumers that are three years of age and younger and for consumers enrolled in the HCBS 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.
- 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.

However, commencing February 1, 2009, to June 30, 2010, under W&I Code, section 4640.6(i), regional centers are no longer required to provide service coordinator caseload data to DDS on an annual basis. Instead, regional centers are to maintain service coordinator caseload data on file to document compliance with the service coordinator-to-consumer ratio requirements.

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

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program

The 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 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 who live with their parents and are not Medi-Cal eligible, to determine their contribution for the Family Cost Participation.
- Reviewed the parents' income documentation to verify their level of participation based on the Family Cost Participation Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days.
- Reviewed vendor payments to verify that TCRC is paying for only its assessed share of cost.

VII. Procurement

The Request for Proposal (RFP) process was implemented to ensure regional centers outline the vendor selection process or uniform procurement process for all negotiated service codes by requiring an RFP. 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 TCRC was working towards implementing the required RFP process by January 1, 2011, DDS performed the following procedures during the DDS 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 per the W&I Code, section 4648(a)(6)(D), and Article II of the State Contract as amended.
- Reviewed the RFP contracting guidelines to determine whether the protocols in place include reasonable dollar thresholds based on the average dollar amount of all negotiated contracts.
- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicates to all vendors. All submitted proposals will be evaluated by a team of individuals, to determine whether proposals are properly documented, recorded and authorized by appropriate officials at TCRC. The process was reviewed to ensure that the vendor selection process is transparent, impartial, and avoids the appearance of favoritism. Also verify that supporting documentation will be retained for the selection process and in instances in which

a vendor with a higher bid is selected, written documentation is retained as justification for such a selection.

- Selected a sample of Operational, Start-Up and negotiated Purchase of Service (POS) contracts subject to competitive bidding to ensure TCRC notified the vendor community and the public of contracting opportunities available. DDS 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 that contracts are properly signed and executed by both parties to the contract.
- Reviewed TCRC board approved POS, Start-Up and Operational vendor contracts, and disbursement policies and procedures to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. DDS verified that the funds provided are specifically used to establish new or additional services to consumers and that the usage of funds are of direct benefit to consumers, and that contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess TCRC's current RFP process as well as to determine whether the process in place satisfies the W&I Code and TCRC's State Contract requirements as amended.

VIII. Statewide/Regional Center Median Rates and Rate Freeze

The Statewide or Regional Center Median Rates were implemented on July 1, 2008 to ensure regional centers are not negotiating rates higher than the Statewide or Regional Center median rate whichever is lower. Increases in rates may be warranted through a Health and Safety Waiver from DDS for circumstances where regional centers demonstrate that it is necessary for the health and safety of the consumers.

To determine whether TCRC was in compliance with the W&I Code, DDS performed the following procedures during the audit review:

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

IX. Other Sources of Funding

Regional centers may receive many other sources of funding. DDS performed sample tests on the other identified sources of TCRC funding 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 other sources of funding identified for this audit are:

- Start-Up Programs.
- Family Resource Center Program.
- Foster Grandparent (FGP) and Senior Companion (SC).

X. Follow-Up Review on Prior DDS's 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 finding that was reported to TCRC and reviewed supporting documentation to determine the degree and completeness of TCRC's implementation of corrective actions. DDS's review indicated one finding that has not been resolved.

XI. Follow-Up Review on the Bureau of State Audits (BSA) Findings

This audit also included a follow-up review of issues identified in the BSA audit report, dated August 24, 2010. The objective of the follow-up review was to determine whether TCRC has instituted its corrective action plan to resolve findings noted in the BSA report and determine if any repayment is appropriate.

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 the applicable sections of the W&I Code, CCR, title 17, HCBS waiver, and the terms of the State Contract for the audit period July 1, 2007, through June 30, 2009.

Except for those items described in the Findings and Recommendations Section, 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 one prior audit issue. TCRC reported in its prior response the corrective action it is taking to remediate this audit finding; however, it was found during the DDS audit that this finding has not been resolved.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on May 23, 2011. The findings in the report were discussed at an exit conference with TCRC on June 7, 2011. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, the Centers for Medicare and Medicaid Services, and the Tri-Counties Regional Center. It is not intended and should not be used by anyone other than these specified parties. 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: Targeted Rate Level

The follow-up review of the BSA issue on the payment of a higher rate revealed that TCRC had awarded a higher rate to a Behavioral Management Program vendor, Koegel, vendor number PT0676, service code 620. It was found that TCRC approved a \$60 an hour rate to Koegel, even though documents from Koegel revealed that they would have accepted a \$55 an hour rate to provide the agreed upon services to TCRC. TCRC stated that \$60 an hour was the target rate it would pay all vendors providing this type of service. However, this action limits potential price competition among its vendors as well as impedes TCRC's ability to receive the most cost efficient rate. This \$5 an hour rate difference resulted in an additional payment to the vendor totaling \$548,412.02 from April 2006 to November 2010. (See Attachment A.)

W&I Code, section 4648(a)(6)(D) states:

“The cost of providing services or supports of comparable quality by different providers, if available, shall be reviewed, and the least costly available provider of comparable service, including the cost of transportation, who is able to accomplish all or part of the consumer's individual program plan, consistent with the particular needs of the consumer and family as indentified in the individual program plan, shall be selected. In determining the least costly provider, the availability of federal financial participation shall be considered. The consumer shall not be required to use the least costly provider if it will result in the consumer moving from an existing provider of services or supports to more restrictive or less integrated services or supports.”

In addition, for good business and internal control practices, securing the lowest rate of compensation for services received should always be sought when the rate maximizes cost effectiveness and is consistent with providing the agreed upon services.

Recommendation:

TCRC must establish controls to ensure that negotiated rates paid to vendors for services provided are the most cost effective. TCRC shall reset its current rate with Koegel to the lower rate, and remit the overpayments totaling \$548,412.02 to DDS. Furthermore, in an attempt to maintain uniform rates for a particular

service, TCRC should not hesitate to accept lower rates from its vendors if the services could be provided below the median rates.

Finding 2: Rate Increase After Rate Freeze

The follow-up review of the BSA issue on a rate increase during the rate freeze found that TCRC had increased a transportation provider's minimum number of hours per route which resulted in an increase of payments for the services. An analysis of the documents provided by TCRC did not support that the increase in the number of hours per route was warranted in providing the current transportation services as the contract was signed after the June 30, 2008 rate freeze was in effect. It was found that this provider had no increase in the number of consumers or routes. This resulted in an overpayment amount of \$145,782.28 from January 2009 to November 2010. (See Attachment B.)

W&I Code, section 4648.4(b) states in relevant 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:...”

Recommendation:

TCRC must remit to DDS the overpayment amount of \$145,782.28 paid to the transportation vendor. In addition, TCRC must develop and implement proper controls that ensure negotiated compensation rates for vendors are appropriately warranted, justifiable and in compliance with the W&I Code.

Finding 3: Over/Under-Stated Claims (Repeat)

A review of TCRC's Residential and Operational Indicator reports revealed 41 instances in which TCRC over-stated or under-stated claimed expenses to the State. These expenses were either due to duplicate payments, overlapping authorizations, or incorrect rate calculations. There were nine instances of overpayment totaling \$14,154.96 and 32 instances of underpayment totaling \$922.56. Of this amount, \$11,505.76 in overpayments and \$922.56 in underpayments have since been corrected with \$2,649.20 in overpayments still outstanding. TCRC stated that since the last audit, monthly reviews of the Operational Indicator reports are now being performed to detect and correct over or underpayments. TCRC also stated that the overpayments are being researched to ensure outstanding overpayments are recoverable and that adjustments are made to vendor invoices as amounts are recovered. (See Attachment C1.)

In addition, the review of the prior DDS finding for this issue revealed that TCRC has taken corrective action to resolve prior instances of overpayments totaling \$27,649.59. However, it was found that 17 overpayments totaling \$16,424.03 and six underpayments totaling \$1,439.05 are still outstanding. These payments were due to incorrect rates, duplicate payments, overlapping authorizations, or inappropriate payments made to consumers after the date of death. TCRC stated that it is still in the process of attempting to recover the amounts identified in the prior audit. (See Attachment C2.)

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

“(a) All vendors shall...

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

In addition, for good business and internal control practices, TCRC must continue to generate and monitor the Operational Indicator reports periodically to detect and correct any overpayments that may have occurred in the course of doing business with its vendors.

Recommendation:

TCRC must recover the improper overpayments made to the respective vendors and reimburse DDS the total amount of \$19,073.23 overpaid to vendors and a total of \$1,439.05 for the underpayments to vendors identified from the prior and current audit reviews. TCRC needs to take this issue seriously and enforce its procedures to ensure that staff is monitoring the Operational Indicator reports and rate changes to detect and correct any over or underpayments that may have occurred in the course of doing business with vendors. TCRC needs to submit supporting documentation to DDS with its audit response indicating that they have implemented a plan of corrective action to address this issue.

Finding 4: Operations Disbursement Policy Not Followed

The review of the Operations Disbursement policy and procedures revealed that TCRC’s policy on processing Operations invoices has not been followed. The review found 32 instances of credit card purchases totaling \$4,913.35 that were not supported by receipts or memos as required by TCRC’s Operations Disbursement policy. (See Attachment D.)

TCRC’s Policy Number 1507, Agency Credit Card(s) Policy, section III states:

“All agency credit card users must retain receipts and submit them monthly to accounting for processing payment to the card issuer. Failure to submit receipts on a timely basis will result in the termination of the credit card account. If a

receipt is lost, the employee shall write a memorandum explaining the charge, have his/her supervisor sign this and submit it to the Accounting Assistant.”

Recommendation:

TCRC should ensure its staff is trained to the current policies and procedures on credit card purchases and reimbursements as outlined in TCRC’s policy manual and abides by the procedures detailed there.

Finding 5: Purchase of Services Authorizations Not Retained

The follow-up review of the BSA issue regarding the lack of POS authorization retention, found that TCRC had discontinued the practice of generating and retaining paper copies of POS authorizations in July 2009. Currently, TCRC has implemented an electronic processing of the POS authorizations for retention and notification to its vendors. This electronic processing of the authorizations consists of notifying vendors through emails or by telephone contact.

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

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

In addition, CCR, title 17, section 50612(c)(1)(A)(2) states:

“The verbal authorization is confirmed with a written authorization from the regional center as soon as possible, but no later than the regional center's next cyclical production of purchase of service authorization documents.”

Recommendation:

TCRC should comply with the CCR, title 17 regulations and that any verbal or telephone authorizations are used only in emergency situations and must be followed with written authorizations. This will ensure the authorizations of service payments are consistent with the actual service payments.

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

Finding 6: Deceased Consumers Files - Multiple Dates of Death (Repeat)

The review of the Uniform Fiscal System (UFS) Death Report identified nine consumers with two different dates of death recorded. Further review found that no payments were made beyond the actual date of death for the nine consumers. This issue was identified in the prior DDS audit reports.

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

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

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

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

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

Recommendation:

TCRC should ensure its staff is provided with written policies and procedures, and training on the recording of deceased consumers in the UFS. Staff should continue to review all current deceased consumer files to ensure that only the actual date of death is recorded in the UFS.

Finding 7: Medi-Cal Provider Agreement Forms

The review of 40 vendor files from the Transportation and Residential Programs revealed 11 Medi-Cal Provider Agreement forms that were not properly completed by TCRC. The Medi-Cal Agreement forms were either missing the service code, vendor number, had multiple vendor numbers and/or multiple service codes.

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

“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).”

In addition, for good internal practices, all required forms shall be properly completed and retained on file.

TCRC has taken corrective action by providing DDS with the properly completed Medi-Cal Provider Agreement forms for all 11 vendors.

Recommendation:

TCRC should implement policies and procedures to ensure there is a properly completed Medi-Cal Provider Agreement form on file for every vendor providing services to consumers.

EVALUATION OF RESPONSE

As part of the audit report process, the Tri-Counties Regional Center has been provided with a draft report and was requested to provide a response to each finding. The response to the draft audit report, dated July 7, 2011, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations Section as well as the summary of the findings in the Executive Summary Section.

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

Finding 1: Targeted Rate Level

TCRC concurs with the finding and has renegotiated a rate of \$52.55 with this provider, effective June 1, 2011. This rate is lower than the \$55 per hour rate initially offered by the vendor. TCRC states that by reducing the vendor's rate to \$52.55 it will save the State \$230,000 annually and requests that DDS accept the negotiated rate of \$52.55. This would allow TCRC to recoup the \$548,412.02 in overpayments within two and a half years. However, the evaluation of TCRC's response shows that TCRC is continuing to reimburse vendors at higher rates when lower rates can be secured. This action impedes TCRC's ability to receive the most cost efficient rates for services provided.

TCRC should review rates for all vendors providing this service to ensure rates issued are equivalent to or below the Statewide Median rate for this type of service. Furthermore, TCRC should strive to secure lower rates if vendors are willing to accept a rate below the \$60 per hour Statewide Median rate. In addition, TCRC should recover the \$548,412.02 overpaid to the vendor and remit it to DDS. DDS will conduct a follow-up review during the next scheduled audit to ensure this issue has been resolved.

Finding 2: Rate Increase After Rate Freeze

In its response, TCRC agrees that after conducting a thorough data analysis, it increased the minimum hours of one route from 3 hours to 5 hours and for another route, changed the hours from 4.5 to 5 hours. TCRC's current data analysis, conducted one year after the routes were changed, discovered that the actual utilization in the number of these two routes did not reach the projected number of hours authorized. TCRC states it will restore the minimum number of hours for these two routes back to 3 and 4.5 hours respectively.

TCRC must remit to DDS the overpayment amount of \$145,782.28 paid to the transportation vendor. In addition, TCRC must develop and implement proper controls to ensure negotiated compensation rates for vendors are appropriately warranted, justifiable and in compliance with the W&I Code. DDS will conduct a follow-up review during the next scheduled audit to ensure this issue has been resolved.

Finding 3: Over/Under-Stated Claims (Repeat)

TCRC states it has researched each of the over/underpayments indicated on the draft audit report. TCRC explained that several vendors are no longer in business or are deactivated and that they have contacted the vendors that are still in business who were issued overpayments has either collected the overpayments from the vendor in full, established repayment plans or has offset current claims. Also, TCRC states that credit claims along with repayment checks will be issued to DDS each month until overpayments had been paid in full. TCRC states it has set up a monthly tracking spreadsheet to monitor over/underpayments and collection activity. TCRC provided documentation supporting TCRC's efforts to resolve this issue. DDS will conduct a review during the next scheduled audit to ensure that this issue has been resolved.

Finding 4: Operations Disbursement Policy Not Followed

TCRC provided supporting receipts for each of the credit card purchases indicated in the report and/or a written description of the item and purpose of the purchase which was reviewed and signed by the card holder's supervisor. In addition, TCRC states that in instances where individuals are unable to provide a receipt or memorandum within one month, the discrepancies are forwarded to the Executive Director for further action. This may include stricter monitoring, reduced authority and/or the discontinuation of credit card privileges for the individual. DDS will conduct a follow-up review during the next scheduled audit to ensure credit card purchases are supported by receipts.

Finding 5: Purchase of Service Authorizations Not Retained

TCRC explained that it has implemented an electronic system of processing POS authorizations for retention and notification to its vendors. The Portal allows vendors to view and print authorizations and allows TCRC to e-mail PDF copies of newly generated Purchase Orders to vendors who are not on the Portal. DDS will conduct a follow-up review during the next scheduled audit to ensure copies of the POS authorizations are retained by TCRC. This will ensure the authorizations of service payments are consistent with actual service payments.

**Tri-Counties Regional Center
Overpayments Due to Targeted Rate Level
Fiscal Years 2007-08 and 2008-09**

	Vendor Number	Vendor Name	Service Code	Payment Period	Units Paid	Overpayments
1	PT0676	Koegel	620	04/06	480	\$2,400.00
2	PT0676	Koegel	620	05/06	732	\$3,660.00
3	PT0676	Koegel	620	06/06	825	\$4,125.00
4	PT0676	Koegel	620	07/06	873	\$4,365.00
5	PT0676	Koegel	620	08/06	895	\$4,472.50
6	PT0676	Koegel	620	09/06	903	\$4,512.50
7	PT0676	Koegel	620	10/06	1,258	\$6,287.50
8	PT0676	Koegel	620	11/06	1,220	\$6,097.50
9	PT0676	Koegel	620	12/06	1,196	\$5,977.50
10	PT0676	Koegel	620	01/07	1,230	\$6,150.00
11	PT0676	Koegel	620	02/07	1,399	\$6,995.00
12	PT0676	Koegel	620	03/07	1,474	\$7,370.00
13	PT0676	Koegel	620	04/07	1,557	\$7,782.50
14	PT0676	Koegel	620	05/07	1,628	\$8,140.00
15	PT0676	Koegel	620	06/07	1,626	\$8,127.50
16	PT0676	Koegel	620	07/07	1,852	\$9,257.50
17	PT0676	Koegel	620	08/07	1,815	\$9,076.25
18	PT0676	Koegel	620	09/07	1,423	\$7,115.00
19	PT0676	Koegel	620	10/07	1,701	\$8,505.00
20	PT0676	Koegel	620	11/07	1,757	\$8,785.00
21	PT0676	Koegel	620	12/07	1,520	\$7,597.50
22	PT0676	Koegel	620	01/08	1,859	\$9,295.00
23	PT0676	Koegel	620	02/08	1,907	\$9,535.00
24	PT0676	Koegel	620	03/08	1,936	\$9,679.20
25	PT0676	Koegel	620	04/08	2,463	\$12,317.10
26	PT0676	Koegel	620	05/08	2,421	\$12,103.75
27	PT0676	Koegel	620	06/08	2,314	\$11,571.25
28	PT0676	Koegel	620	07/08	2,298	\$11,492.30
29	PT0676	Koegel	620	08/08	1,941	\$9,705.45

**Tri-Counties Regional Center
Overpayments Due to Targeted Rate Level
Fiscal Years 2007-08 and 2008-09**

	Vendor Number	Vendor Name	Service Code	Payment Period	Units Paid	Overpayments
30	PT0676	Koegel	620	09/08	2,195	\$10,976.25
31	PT0676	Koegel	620	10/08	2,520	\$12,599.20
32	PT0676	Koegel	620	11/08	2,160	\$10,797.50
33	PT0676	Koegel	620	12/08	2,160	\$10,798.75
34	PT0676	Koegel	620	01/09	2,438	\$12,190.85
35	PT0676	Koegel	620	02/09	2,475	\$12,372.50
36	PT0676	Koegel	620	03/09	2,686	\$13,430.00
37	PT0676	Koegel	620	04/09	2,600	\$12,997.50
38	PT0676	Koegel	620	05/09	2,692	\$13,458.75
39	PT0676	Koegel	620	06/09	2,832	\$14,157.50
40	PT0676	Koegel	620	07/09	2,743	\$13,715.00
41	PT0676	Koegel	620	08/09	2,413	\$12,065.00
42	PT0676	Koegel	620	09/09	2,393	\$11,963.75
43	PT0676	Koegel	620	10/09	2,589	\$12,942.50
44	PT0676	Koegel	620	11/09	1,945	\$9,726.99
45	PT0676	Koegel	620	12/09	2,357	\$11,783.75
46	PT0676	Koegel	620	01/10	2,305	\$11,526.25
47	PT0676	Koegel	620	02/10	2,394	\$11,968.75
48	PT0676	Koegel	620	03/10	2,788	\$13,938.75
49	PT0676	Koegel	620	04/10	2,798	\$13,988.75
50	PT0676	Koegel	620	05/10	2,623	\$13,116.25
51	PT0676	Koegel	620	06/10	2,574	\$12,871.25
52	PT0676	Koegel	620	07/10	2,447	\$12,236.25
53	PT0676	Koegel	620	08/10	2,394	\$11,971.25
54	PT0676	Koegel	620	09/10	2,217	\$11,083.42
55	PT0676	Koegel	620	10/10	1,806	\$9,028.75
56	PT0676	Koegel	620	11/10	1,642	\$8,208.75
Total Overpayment Due to Targeted Rate Level						\$548,412.02

**Tri-Counties Regional Center
Overpayment Due to Rate Increase After Rate Freeze
Fiscal Years 2007-08 and 2008-09**

	Vendor Number	Vendor Name	Payment Period	Service Code	Sub Code	Authorization Number	Overpayments
1	H15198	Santa Barbara Transportation Company	01/09	875	CBUS		\$6,628.44
2	H15198	Santa Barbara Transportation Company	02/09	875	CBUS		\$5,817.25
3	H15198	Santa Barbara Transportation Company	03/09	875	CBUS		\$6,735.76
4	H15198	Santa Barbara Transportation Company	04/09	875	CBUS		\$6,735.76
5	H15198	Santa Barbara Transportation Company	05/09	875	CBUS		\$6,123.42
6	H15198	Santa Barbara Transportation Company	06/09	875	CBUS		\$6,735.76
7	H15198	Santa Barbara Transportation Company	07/09	875	CBUS		\$6,735.76
8	H15198	Santa Barbara Transportation Company	08/09	875	CBUS		\$6,429.59
9	H15198	Santa Barbara Transportation Company	09/09	875	CBUS		\$6,429.59
10	H15198	Santa Barbara Transportation Company	10/09	875	CBUS		\$6,735.76
11	H15198	Santa Barbara Transportation Company	11/09	875	CBUS		\$5,511.08
12	H15198	Santa Barbara Transportation Company	12/09	875	CBUS		\$6,123.42
13	H15198	Santa Barbara Transportation Company	01/10	875	CBUS		\$5,817.24
14	H15198	Santa Barbara Transportation Company	02/10	875	CBUS		\$5,817.24
15	H15198	Santa Barbara Transportation Company	03/10	875	CBUS		\$6,735.76
16	H15198	Santa Barbara Transportation Company	04/10	875	CBUS		\$6,429.59
17	H15198	Santa Barbara Transportation Company	05/10	875	CBUS		\$6,123.42
18	H15198	Santa Barbara Transportation Company	06/10	875	CBUS		\$6,735.76

**Tri-Counties Regional Center
Overpayment Due to Rate Increase After Rate Freeze
Fiscal Years 2007-08 and 2008-09**

	Vendor Number	Vendor Name	Payment Period	Service Code	Sub Code	Authorization Number	Overpayments
19	H15198	Santa Barbara Transportation Company	07/10	875	CBUS		\$6,429.59
20	H15198	Santa Barbara Transportation Company	08/10	875	CBUS		\$6,735.76
21	H15198	Santa Barbara Transportation Company	09/10	875	CBUS		\$6,429.59
22	H15198	Santa Barbara Transportation Company	10/10	875	CBUS		\$6,044.51
23	H15198	Santa Barbara Transportation Company	11/10	875	CBUS		\$5,742.28
Total Overpayment Due to Rate Increase After the Freeze							\$145,782.28

**Tri-Counties Regional Center
Over-Stated Claims
Fiscal Years 2007-08 and 2008-09**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period Month/Year	Overpayments
Overpayments Due to Duplicate Payments							
1		H15238	Bailey's Adult Fac. - Prune	915		3/08	\$1,496.00
2		H31724	Life Steps Found 1-1 AMB	520		3/08	\$225.20
Total Due to Duplicate Payments							\$1,721.20
Overpayment Due to Overlapping Authorizations							
1		H08255	Ward Guest	915		3/08	\$928.00
Total Due to Overlapping Authorizations							\$928.00
Grand Total of Overpayments							\$2,649.20

Tri-Counties Regional Center
Follow-Up on the Over/Under-Stated Claims Finding from Prior DDS Audit Report
Fiscal Years 2007-08 and 2008-09

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period Month/Yr	Unresolved Over/Underpayments
Overpayments to Vendors							
1		H57778	Pritchard Home II	915		9/05	\$634.00
2		H57778	Pritchard Home II	915		10/05	\$1,904.00
3		H57778	Pritchard Home II	915		11/05	\$1,904.00
4		H57778	Pritchard Home II	915		12/05	\$1,904.00
5		H30999	Pathway Enterprises, Inc.	510		8/06	\$18.72
6		H30999	Pathway Enterprises, Inc.	510		10/05	\$971.72
7		H57789	Kumskow Home	905		3/06	\$1,674.45
8		HT0086	Roldan Adult Res Fac	400		7/05	\$114.00
9		HT0086	Roldan Adult Res Fac	400		8/05	\$114.00
10		HT0086	Roldan Adult Res Fac	400		10/05	\$114.00
11		H57755	Caring Home, The	400		12/06	\$117.00
12		PT0334	Roldan Adult Res Fac #2	109		12/05	\$2,866.88
13		HC0507	Farroll Home	915		9/05	\$152.77
14		H15291	Simmons Residential Care	915		9/05	\$877.00
15		H15504	Terry's Care Home	915		8/06	\$943.63
T						ments to Vendors	\$14,310.17
Overpayments to Deceased Consumers							
1		H57778	Pritchard Home II	915		8/06	\$1,352.86
2		H00553	Casa Davida	400		7/05	\$761.00
Total Overpayments to Deceased Consumers							\$2,113.86
Grand Total of Unresolved Overpayments							\$16,424.03

Tri-Counties Regional Center
Follow-Up on the Over/Under-Stated Claims Finding from Prior DDS Audit Report
Fiscal Years 2007-08 and 2008-09

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period Month/Yr	Unresolved Over/Underpayments
Underpayments to Vendors							
1		H14611	Stein Educ Center ADC	510		7/06	(\$117.00)
2		H14611	Stein Educ Center ADC	510		8/06	(\$134.55)
3		H14611	Stein Educ Center ADC	510		9/06	(\$111.15)
4		H14611	Stein Educ Center ADC	510		10/06	(\$111.15)
5		HT0333	St. Andrew's Residence	915		8/06	(\$898.00)
6		H57692	Vocational Skills	515		7/05-11/05	(\$67.20)
Grand Total of Unresolved Underpayments							(\$1,439.05)

**Tri-Counties Regional Center
Missing Credit Card Receipts
Fiscal Years 2007-08 and 2008-09**

	Credit Card Name	Transaction	Transaction Date	Purchase Amount
1	First Bank Card	ORB AP	7/25/08	\$6.99
2	First Bank Card	Lazy Acres	10/30/08	\$7.11
3	First Bank Card	Starbucks	10/30/08	\$3.65
4	First Bank Card	Delta Orlando	3/11/09	\$15.00
5	First Bank Card	Alaska Air	5/23/09	\$360.40
6	American Express	The Home Depot	7/9/08	\$76.23
7	American Express	The Home Depot	4/1/09	\$7.15
8	American Express	Sony EMCS	4/2/09	\$99.99
9	American Express	Santa Barbara HME IM	4/4/09	\$6.30
10	American Express	Sony EMCS DT SVS	4/14/09	\$180.00
11	American Express	The Home Depot	5/5/09	\$30.43
12	American Express	Rite Aid	7/18/07	\$65.70
13	American Express	Circuit City	8/22/07	\$247.78
14	American Express	CompUSA	9/20/07	\$123.89
15	American Express	NTS Inc	9/20/07	\$650.00
16	American Express	The Home Depot	8/27/07	\$25.13
17	American Express	PC Universe	10/10/07	\$1,334.83
18	American Express	twacomm.com	12/4/07	\$135.76
19	American Express	AMZ Amazon Pmts	12/12/07	\$81.40
20	American Express	Sonicwall	12/18/07	\$569.00
21	American Express	The Home Depot	1/31/08	\$41.67
22	American Express	The Home Depot	1/31/08	\$16.74
23	American Express	Twister	2/11/08	\$141.54
24	American Express	Ergonomicto	3/7/08	\$74.90
25	American Express	Badcopy Pro	3/19/08	\$39.50
26	American Express	Summitsoft Corp	4/11/08	\$75.06
27	American Express	The Printer Works	5/20/08	\$129.30
28	First Bank Card	Hotel Mar Monte	9/14/07	\$145.60
29	First Bank Card	Agent Fee	9/14/07	\$70.00
30	First Bank Card	SuperShuttle	9/19/07	\$80.50
31	First Bank Card	SuperShuttle	9/19/09	\$59.80
32	First Bank Card	SuperShuttle	8/23/07	\$12.00
Total Amount				\$4,913.35

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 to the detailed and sometimes confidential nature of the information.)



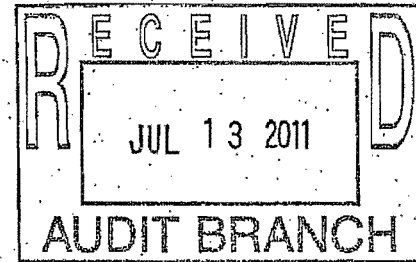
Tri-Counties Regional Center

SAN LUIS OBISPO • SANTA BARBARA • VENTURA

520 E. Montecito Street
Santa Barbara, CA 93103
T/ 800.322.6994
F/ 805.884.7229
www.tri-counties.org

July 7, 2011

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 2007-08 THROUGH FY 2008-09

Dear Ed,

Tri-Counties Regional Center (TCRC) herewith submits its response to the Department's Fiscal Audit for the 2007-08 and 2008-09 fiscal years. Our response is as follows:

FINDING 1:

The follow-up review of the BSA issue on the payment of a higher rate revealed that TCRC had awarded a higher rate to a Behavioral Management Program vendor, Koegel, vendor number PT0676, service code 620. It was found that TCRC approved a \$60 an hour rate to Koegel, even though documents from Koegel revealed that they would have accepted a \$55 an hour rate to provide the agreed upon services. This \$5 an hour rate difference resulted in an additional payment to the vendor totaling \$548,412.02 from April 2006 to November 2010. This is not in compliance with the W&I Code, section 4648(a)(6)(D).

Recommendation: TCRC must establish controls to ensure that negotiated rates paid to vendors for services provided are the most cost effective. TCRC shall reset its current rate with Koegel to the lower rate, and remit the overpayments totaling \$548,412.02 to DDS. Furthermore, in an attempt to maintain uniform rates for a particular service, TCRC should not hesitate to accept lower rates from its vendors if the services could be provided below the median rates.

RESPONSE:

TCRC currently utilizes cost statements for negotiated rates, with the objective of negotiating below the median or SMA rate with the rate ceiling being the median rate, SMA rate or a negotiated Usual and Customary.

TCRC has negotiated a rate of \$52.55 with this provider, effective June 1, 2011. TCRC anticipates the annual ongoing savings of reducing the provider's rate from \$60 to \$52.55 to be approximately \$230,000 (including the 4.25% payment reduction).

In resolution of this audit finding, TCRC requests that DDS accept the negotiated rate of \$52.55 on a go forward basis. The overpayment amount of \$548,412.02 as indicated in the audit report will be recouped within two and one half years.

FINDING 2:

The follow-up review of the BSA issue regarding a rate increase during the rate freeze found that TCRC had increased a transportation provider's minimum number of hours per route which resulted in an increase of payments for the services. An analysis of the documents provided by TCRC did not support that the increase in the number of hours per route was warranted in providing the current transportation services as the contract was signed after the June 30, 2008 rate freeze was in effect. This resulted in an overpayment amount of \$145,782.28 from January 2009 to November 2010. This is not in compliance with the W&I Code, section 4648(b).

Recommendation: TCRC must remit to DDS the overpayment amount of \$145,782.28 paid to the transportation vendor. In addition, TCRC must develop and implement proper controls that ensure negotiated compensation rates for vendors are appropriately warranted, justifiable and in compliance with the W&I Code.

RESPONSE:

The vendor did not receive a change in the hourly rate after the rate freeze was implemented. For two routes, TCRC believed additional service hours would be utilized. After thorough data analysis, TCRC increased the minimum hours for one route from 3 to 5 hours and for another route from 4.5 to 5 hours.

Upon review over a year after the routes were changed, it was discovered that the actual utilization in the number of hours for these two routes did not reach the projected amounts. Therefore, TCRC will restore the minimums for these two routes back to 3 and 4.5 hours.

As mentioned in our response to Finding 1, TCRC currently utilizes cost statements for negotiated rates, with the objective of negotiating below the median or SMA rate with the rate ceiling being the median rate, SMA rate or a negotiated Usual and Customary.

FINDING 3:

A review of TCRC's Residential and Operational Indicator reports revealed 41 instances in which TCRC over-stated or under-stated claimed expenses to the State. These expenses were either due to duplicate payments, overlapping authorizations, or incorrect rate calculations.

Recommendation: TCRC must recover the improper overpayments to the respective vendors and reimburse DDS the total amount of \$19,073.23 overpaid to vendors and a total of \$1,439.05 for the underpayments to vendors identified from the prior and current audit reviews. TCRC needs to take this issue seriously and enforce its procedures to ensure that staff is monitoring the Operational Indicator reports and rate changes to detect and correct any over or underpayments that may have occurred in the course of doing business with vendors. TCRC needs to submit supporting documentation to DDS with its audit response indicating that they have implemented a plan of corrective action to address this issue.

RESPONSE:

TCRC has researched each of the over/under payments on the draft audit report. Several vendors are no longer in business or are deactivated. The POS Manager has contacted each of the vendors having overpayments that are still in business.

TCRC has offset current claims, collected the overpayment from the vendor in full, or established a repayment plan. Credit claims along with repayment checks will be issued to DDS each month until paid in full.

TCRC's accounting staff has set up a tracking spreadsheet to monitor over/under payments and collection activity monthly. Documentation supporting TCRC's efforts on this issue is attached.

FINDING 4:

The review of the Operations Disbursement policy and procedures revealed that TCRC's policy on processing Operations invoices has not been followed. The review found 32 instances of credit card purchases totaling \$4,913.35 that were not supported by receipts or memos as required by TCRC's Operations Disbursement Policy.

TCRC's Policy Number 1507, Agency Credit Card(s) Policy, section III states:

"All Agency credit card users must retain receipts and submit them monthly to accounting for processing payment to the card issuer. Failure to submit receipts on a timely basis will result in the termination of the credit card account. If a receipt is lost, the employee shall write a memorandum explaining the charge, have his/her supervisor sign this and submit it to the Accounting Assistant."

Recommendation: TCRC should ensure its staff is trained to the current policies and procedures on credit card purchases and reimbursements as outlined in TCRC's policy manual and abides by the procedures detailed there.

RESPONSE:

Staff has either located missing receipts on each of the credit card purchases indicated in Attachment D or has received a written description of the item and purpose from the card holder (see attached documentation). These statements are signed by the cardholder's supervisor. Acceptance of such signed statements in lieu of actual receipts is in accordance with TCRC's credit card policy and procedure, Section III.

TCRC has improved the credit card purchasing process. Two dedicated staff in the Finance & Administration Department contact the cardholder upon receipt of the credit card invoice if receipts have not been previously submitted. Staff receives the monthly statements and matches receipts to the statements. If a receipt is not provided by a cardholder, staff follows up with the cardholder to either obtain the receipt, or if the receipt is not locatable, the cardholder must submit a memorandum describing the purchase and this is signed by his/her supervisor.

In addition, TCRC forwards instances of no receipt or no memorandum within one month of the staff's request, to the Executive Director for further action. This may include stricter monitoring, reduced authority and/or discontinuation of credit card privileges.

FINDING 5:

The follow-up review of the BSA issue regarding the lack of POS authorization retention, found that TCRC had discontinued the practice of generating and retaining paper copies of POS authorizations in July 2009. Currently, TCRC has implemented electronic processing of the POS authorizations for retention and notification to its vendors. This electronic processing of the authorizations consists of notifying vendors through emails or by telephone contact.

Recommendation: TCRC should comply with the CCR, Title 17 regulations and that any verbal or telephone authorizations are used only in emergency situations and must be followed with written authorizations. This will ensure the authorizations of service payments are consistent with the actual service payments.

RESPONSE:

Authorization data is available electronically in SANDIS and the Uniform Fiscal System (UFS). Since July 2009, service providers were receiving authorization information in either their copy of the written IPP or in a report emailed upon request. TCRC discontinued mailing authorizations due to inadequate staffing and due to implementation of the SANDIS Service Provider Portal which TCRC expected in early FY 09/10.

TCRC launched the SANDIS Service Provider Portal on June 1, 2011. The Portal allows vendors to view and print authorizations. It also allows TCRC to e-mail PDF copies of newly generated Purchase Orders. For vendors who are not enrolled to use the Portal – TCRC has resumed printing the Purchase Order and mailing a copy to the provider.

FINDING 6:

The review of the Uniform Fiscal System (UFS) Death Report identified nine consumers with two different dates of death recorded. Further review found that no payments were made beyond the actual date of death for the nine consumers.

Recommendation: TCRC should ensure its staff is provided with written policies and procedures and training on the recording of deceased consumers in the UFS. Staff should continue to review all current deceased consumer files to ensure that only the actual date of death is recorded in the UFS.

RESPONSE:

When a consumer passes away, a SIR Death Report is completed which includes the date of death. SIR Death Reports are transmitted to DDS and the date of death is automatically recorded in the SANDIS Consumer History file. When the case is subsequently closed, the date of death appears on a pop-up, and (until recently) could be changed. The program has been updated so this date can no longer be modified. If the date of death is incorrect, the SIR Death Report shall be corrected by support staff. The Assistant Director of Federal Programs will ensure Support Services staff is trained on this procedure.

FINDING 7:

The review of 40 vendor files from the Transportation and Residential Programs revealed 11 Medi-Cal Provider Agreement forms that were not properly completed by TCRC. The Medi-Cal Agreement forms were either missing the service code, vendor number, had multiple vendor numbers and/or multiple service codes.

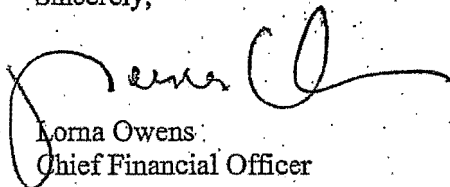
Recommendation: TCRC should implement policies and procedures to ensure there is a properly completed Medi-Cal Provider Agreement form on file for every vendor providing services to consumers.

RESPONSE:

TCRC will review its current procedures and update as needed. We will retrain vendorization staff and periodically monitor staff performance to ensure completion of the Medi-Cal Provider Agreement forms for all vendors.

We appreciate the DDS auditors' efforts and suggestions in improving internal controls and accounting processes at TCRC. If you or your staff needs additional information, please contact me at [REDACTED]

Sincerely,



Korna Owens
Chief Financial Officer

c: Omar Noorzad, Ph.D., Executive Director
Phil Stucky, Controller
Leslie Burton, POS Manager
Ellen Nzima, DDS

Attachments