



**AUDIT OF THE  
VALLEY MOUNTAIN REGIONAL CENTER  
FOR FISCAL YEARS 2010-11 AND 2011-12**

---

**Department of Developmental Services**

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

Jean Johnson, Deputy Director, Administration Division  
Edward Yan, Manager, Audit Branch  
Luciah Ellen Nzima, Chief of Regional Center Audits, Audit Branch  
Staci Yasui, Supervisor, Audit Branch

Audit Staff: Soi Ly, Nathan Oates, Adam Smarte, Nestor Tuazon and Carlos  
Whylesmenchaca

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

# TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY .....	1
BACKGROUND .....	3
Authority .....	4
Criteria .....	4
Audit Period .....	4
OBJECTIVES, SCOPE, AND METHODOLOGY .....	5
I. Purchase of Service .....	6
II. Regional Center Operations .....	6
III. Targeted Case Management and Regional Center Rate Study .....	7
IV. Service Coordinator Caseload Survey .....	7
V. Early Intervention Program.....	8
VI. Family Cost Participation Program .....	8
VII. Procurement.....	8
VIII. Statewide/Regional Center Median Rates.....	10
IX. Other Sources of Funding from DDS .....	10
X. Follow-Up Review on Prior DDS Audit Findings.....	11
CONCLUSIONS.....	12
VIEWS OF RESPONSIBLE OFFICIALS .....	13
RESTRICTED USE.....	14
FINDINGS AND RECOMMENDATIONS.....	15
EVALUATION OF RESPONSE .....	18
REGIONAL CENTER'S RESPONSE.....	Appendix A

# EXECUTIVE SUMMARY

---

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

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

## **I. Findings that need to be addressed.**

### **Finding 1: Consultant Expenses Exceed Contract Amount**

The review of eight sampled Operational (OPS) vendor contracts revealed one OPS vendor, vendor number 10780, that was paid above the contracted amount. This resulted in overpayments totaling \$3,250.00. This is not in compliance with VMRC's contract agreement with the OPS vendor.

### **Finding 2: Unsupported Caseload Ratios (Repeat)**

The review of the Service Coordinator Caseload Ratios revealed that supporting documentation was not maintained to verify compliance with the caseload ratios for March 2011 and March 2012. This issue was also reported in the prior audit report, which noted supporting documentation was not maintained for February 2009. This is not in compliance with W&I Code, section 4640.6(i)(2).

VMRC has taken corrective action and provided DDS supporting documentation with its response to the draft audit report to verify the reported caseload ratios.

### **Finding 3: Vendors Not Enrolled in Electronic Billing**

During the review of the electronic billing process, it was found that seven vendors have not been enrolled in electronic billing as of July 1, 2012. This is not in compliance with W&I Code, section 4641.5 (a) and (b).

## **II. Finding that has been addressed and corrected by VMRC.**

### **Finding 4: Overstated Claims (Repeat)**

The review of VMRC's Operational Indicator reports revealed 14 instances in which VMRC overstated claims to DDS for services provided to consumers. This resulted in overpayments totaling \$1,747.55. This is not in compliance with CCR, title 17, section 54326 (a)(10).

VMRC has taken corrective action and provided DDS support documentation indicating that the overpayments totaling \$1,747.55 have been corrected.

## BACKGROUND

---

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

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

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

DDS and Valley Mountain Regional Center, Inc., entered into contract HD099021, (State Contract) effective July 1, 2009, through June 30, 2014. The contract specifies that Valley Mountain Regional Center, Inc. will operate an agency known as the Valley Mountain Regional Center (VMRC) to provide services to persons with DD and their families in the Amador, Calaveras, San Joaquin, Stanislaus, and Tuolumne Counties. The contract is funded by State and Federal funds that are dependent upon VMRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at VMRC from July 16, 2012, through August 10, 2012, and was conducted by DDS' Audit Branch.

## **AUTHORITY**

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

## **CRITERIA**

The following criteria were used for this audit:

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

## **AUDIT PERIOD**

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

## OBJECTIVES, SCOPE, AND METHODOLOGY

---

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

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

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

DDS' review of VMRC'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) 2010-11, issued on February 6, 2012. In addition, DDS noted no management letter issued for VMRC. 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 and vendor rates. 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 VMRC. 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 analyzed all of VMRC's bank accounts to determine whether DDS had signatory authority as required by the contracts with DDS.
- DDS selected a sample of bank reconciliations for operation accounts to determine if the reconciliations were properly completed on a monthly basis.

## **II. Regional Center Operations**

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

- A sample of the personnel files, time sheets, payroll ledgers and other support documents 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 VMRC'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 procedure was performed upon the study:

- Reviewed applicable TCM records and VMRC's Rate Study. DDS examined the month of June 2011 and traced the reported information to source documents.

The last Case Management Time Study was performed in May 2010 which was reviewed in the FY 2010-11 DDS audit. As a result, there was no Case Management Time Study to review for this audit period.

### **IV. Service Coordinator Caseload Survey**

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

- A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.
- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent operations reduction to regional centers as required per W&I Code, section 4640.6(i) and (j). The ratio continued to be lifted in July 2010 and July 2012 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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

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

**V. Early Intervention Program (Part C Funding)**

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

For this program, DDS reviewed the Early Intervention Program, including the Early Start Plan and 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 VMRC is in compliance with CCR, title 17 and the W&I Code, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care and camping services, for ages 0 through 17 who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents' income documentation to verify their level of participation based on the 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 VMRC is paying for only its assessed share of cost.

**VII. Procurement**

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

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

- Reviewed VMRC's 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 include applicable dollar thresholds and complied with Article II of the State Contract as amended.
- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicates to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded and authorized by appropriate officials at VMRC. 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 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 VMRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contract to ensure that VMRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and that those contracts are properly signed and executed by both parties to the contract.

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

- Reviewed to ensure VMRC has a written policy requiring the Board to review and approve any of its contracts of two hundred fifty thousand dollars (\$250,000) or more, before entering into a contract with the vendor.
- Reviewed VMRC's Board approved POS, Start-Up and Operational vendor contracts over \$250,000 to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. Verified that the funds provided were specifically used to establish new or additional services to consumers and that the usage of funds is 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 VMRC's current RFP process and Board approval of contracts over \$250,000 as well as to determine whether the process in place satisfies the W&I Code and VMRC's State Contract requirements as amended.

### **VIII. Statewide/Regional Center Median Rates**

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

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

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

### **IX. Other Sources of Funding from DDS**

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure VMRC'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.
- Foster Grandparent/Senior Companion.
- First Five.

**X. Follow-Up Review on Prior DDS Audit Findings**

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to VMRC and reviewed supporting documentation to determine the degree and completeness of VMRC's implementation of corrective actions. The review indicated a prior issue that has not been resolved by VMRC.

## CONCLUSIONS

---

Based upon the audit procedures performed, DDS has determined that, except for the items identified in the Findings and Recommendations section, VMRC was in compliance with applicable sections of CCR, title 17, the HCBS Waiver, and the State Contract with DDS for the audit period, July 1, 2010, through June 30, 2012.

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

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

## **VIEWS OF RESPONSIBLE OFFICIALS**

---

DDS issued a draft report on January 22, 2013. The findings in the report were discussed at a formal exit conference with VMRC on February 4, 2013. At the exit conference, DDS stated it would incorporate the views of responsible officials in the final report.



## **RESTRICTED USE**

---

This report is solely for the information and use of the DDS, Department of Health Care Services, Centers for Medicare and Medicaid Services, and VMRC. 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: Consultant Expenses Exceed Contract Amount**

The review of eight sampled Operational (OPS) vendor contracts revealed one OPS vendor, vendor number 10780, was paid above the contracted amount of \$2,600 per year. VMRC overpaid the vendor \$325.00 in fiscal year 2010-11 and \$2,925.00 in FY 2011-12. This resulted in a total overpayment of \$3,250.00. VMRC stated that it was an oversight on its part that the vendor was paid over the contracted amount. (See Attachment A.)

VMRC's contract with the vendor, section 5(A) states in part:

“Center shall pay Contractor at the rate of \$65.00 per hour, which shall constitute the total amount of compensation for Contractor's performance of this Contract. \$2,600 is the maximum amount which can be paid by Center to Contractor under this Contract, unless otherwise agreed to in writing by the Parties.”

#### **Recommendation:**

VMRC must reimburse DDS \$3,250.00 in total overpayments made to the vendor. In addition, VMRC must ensure that any future invoice payments are less than or equal to, the amount stated in the contract agreement between the vendor and VMRC.

#### **Finding 2: Unsupported Caseload Ratios (Repeat)**

A review of the Service Coordinator Caseload ratios revealed that supporting documentation for March 2011 and March 2012 was not maintained to verify compliance with the caseload ratios. This issue was also reported in the prior audit report, which noted supporting documentation was not maintained for February 2009. VMRC stated that support documentation could not be located since the staff responsible for compiling the ratio was no longer employed with VMRC.

W&I Code, section 4640.6(i)(2) states:

“The requirements of subdivision (e). The regional centers shall, instead, maintain sufficient service coordinator caseload data to document compliance with the service coordinator-to-consumer ratio requirements in effect pursuant to this section.”

VMRC has taken corrective action by providing supporting documentation with its response to the draft audit report to verify the reported caseload ratios.

**Recommendation:**

VMRC should maintain sufficient service coordinator caseload data to document compliance with the service coordinator-to-consumer ratio requirements.

**Finding 3: Vendors Not Enrolled in Electronic Billing**

During the review of the electronic billing process, it was identified, from a list of 782 eligible vendors provided by VMRC, that seven vendors have not been enrolled in electronic billing as of July 1, 2012. Exemptions are granted for vendors paid by vouchers if enrolling in electronic billing will present financial hardships. However, it was found that none of the seven vendors were paid by vouchers or demonstrated financial hardship by submitting billings electronically. VMRC stated that it has made attempts to convert the vendors by providing the application forms, but have been unsuccessful.

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

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

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

**Recommendation:**

VMRC should continue to work on enrolling these seven vendors to the electronic billing process, to be in compliance with W&I Code, section 4641.5.

**II. Finding that has been addressed and corrected by VMRC.**

**Finding 4: Overstated Claims (Repeat)**

The review of VMRC’s Operational Indicator reports revealed 14 instances in which VMRC overstated claims to DDS for services provided to consumers due to duplicate payments. This resulted in overpayments totaling \$1,747.55.

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.”

VMRC has taken corrective action by collecting the overpayments.

**Recommendation:**

VMRC must ensure the staff is monitoring all its Operational Indicator reports quarterly to more efficiently detect duplicate payments and correct any overpayments that may have occurred in the course of doing business with the vendors.

## EVALUATION OF RESPONSE

---

As part of the audit report process, VMRC has been provided with a draft audit report and was requested to provide a response to each finding. VMRC's response dated February 27, 2013, 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 VMRC's response. Except as noted below, VMRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. During the follow-up review of the next scheduled audit, the DDS Audit Branch will confirm VMRC's corrective actions in their response to the draft audit report.

**Finding 1: Consultant Expenses Exceed Contract Amount**

VMRC agrees the consultant contract exceeded the maximum amount, but disagrees with DDS' recommendation to reimburse the \$3,250.00 to DDS for excess payments. VMRC states that services were rendered and the amounts were otherwise legally due and payable. DDS agrees that the consultant should be paid for services rendered; however, the payments should not exceed \$2,600.00. Any amount paid in excess of \$2,600.00 to this consultant should be funded from sources other than the State. VMRC's contract with the consultant states that "\$2,600 is the maximum amount which can be paid by Center to Contractor, unless otherwise agreed to in writing by both the Parties." VMRC failed to amend its contract with the consultant on the increase of the maximum amount payable. Therefore, VMRC must reimburse DDS the \$3,250.00 in excess payments to the contractor.

**Finding 2: Unsupported Caseload Ratios (Repeat)**

VMRC disagrees with the characterization of this finding as a "Repeat" issue since the prior finding dealt with the lack of clarity about the changes in the requirements to submit caseload ratio reports to the Department, which VMRC considers to be a different finding. However, DDS does not agree with VMRC's request to remove it as a "Repeat" finding since the main issue is the lack of supporting documentation for the caseload ratios. VMRC has since addressed the current issue by providing supporting documentation to verify the reported caseload ratios. Therefore, DDS will consider this issue resolved.

**Finding 3: Vendors Not Enrolled in Electronic Billing**

VMRC objects to this finding and states that the W&I Code, section 4641.5 indicates that regional centers must transition vendors, but does not direct vendors to transition to e-billing. VMRC also states that the regulation does not provide

provisions for consequences for vendors who refuse to transition to e-billing and that regional centers have no legal authority to enforce this section of the law. DDS acknowledges and commends VMRC's efforts for converting 775 vendors to e-billing thus far; however, the law states that regional centers shall transition "all vendors of regional center services to electronic billing for services purchased through a regional center." During DDS' audit, it was found that VMRC still had seven vendors not enrolled in the e-billing process. The law places the responsibility on the regional center to transition vendors to e-billing. Therefore, it is the regional centers' responsibility to work with its vendors to transition into the e-billing process. DDS will conduct a follow-up review during the next scheduled audit to ensure all vendors are enrolled in the e-billing process.

**Valley Mountain Regional Center  
Consultant Expenses Exceed Contract Amount  
Fiscal Years 2010-11 and 2011-12**

<b>Vendor Number 10780</b>				
<b>Fiscal Year</b>	<b>Payment Date</b>	<b>Amount Paid</b>	<b>Contract Amount</b>	<b>Overpayment Amount</b>
2010-11	11/24/2010	\$ 1,755.00		
	2/28/2011	\$ 1,170.00		
	<b>Total</b>	\$ 2,925.00	\$ 2,600.00	\$ 325.00
2011-12	7/14/2011	\$ 1,950.00		
	9/22/2011	\$ 877.50		
	11/17/2011	\$ 845.00		
	12/15/2011	\$ 390.00		
	2/9/2012	\$ 162.50		
	3/15/2012	\$ 845.00		
	4/26/2012	\$ 455.00		
	<b>Total</b>	\$ 5,525.00	\$ 2,600.00	\$ 2,925.00

**Total Overpayment \$ 3,250.00**

**APPENDIX A**

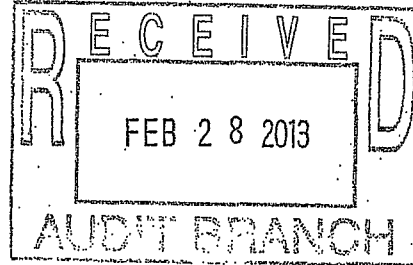
**VALLEY MOUNTAIN REGIONAL CENTER**

**RESPONSE  
TO AUDIT FINDINGS**





Valley Mountain Regional Center  
Post Office Box 692290  
Stockton, California 95269-2290



February 27, 2013

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

Dear Mr. Yan:

This is to advise you that we reviewed a copy of the draft audit report dated January 22, 2013. In addition, the exit conference call has occurred. Your letter advised us of our opportunity to respond to the report in writing, noting any concerns or clarifications we might have. This is our response.

**I. FINDINGS THAT NEED TO BE ADDRESSED.**

**Finding 1: Consultant Expenses Exceed Contract Amount**

While the amount disbursed under one consultant contract did indeed exceed the "not-to-exceed" amount, VMRC disagrees with the characterization of this as an overpayment. The services were rendered, and the amounts were otherwise legally due and payable. VMRC does not concur with the auditors' recommendation to refund the \$3,250.

**Finding 2: Unsupported Caseload Ratios**

VMRC disagrees with the characterization of this as a "Repeat" item as the finding in the prior year dealt with a lack of clarity about the change in the requirement to submit caseload ratio reports to the Department. VMRC's understanding at that time was that the computations were administrative relief in a period of significantly reduced funding and no longer required. DDS audit personnel advised us during the audit that the change only removed the requirement to submit and not the requirement to prepare. That finding was corrected during the current audit period because VMRC did indeed make the computations and provide the results to the auditors.

Management will stipulate, that due to turnover in a key management position, VMRC was initially unable to produce the source documents for the current computations, However, the information has now been submitted, and VMRC believes that this finding should be considered resolved.

**Finding 3: Vendors Not Enrolled in Electronic Billing**

VMRC is disappointed that DDS has included this as an audit finding as we believe our staff put forth an extraordinary effort to transition vendors to a DDS provided electronic billing system that remains deeply flawed to this day. Instead of commending VMRC for having converted 775 vendors to e-billing and 6 vendors to e-attendance by the deadline, the six who did not transition are cited as a finding.

Although Welfare and Institutions Code section 4641.5 says that *regional centers* must transition vendors, it did not similarly direct vendors to transition. Both parties must collaborate for the transition to occur. In addition, no provision for consequences for vendors who refuse to transition was included, and so regional centers have no legal authority to enforce this section of the law. Regional centers cannot unilaterally transition vendors to e-billing without legal authority to compel compliance.

VMRC vehemently objects to this finding and respectfully requests that it be removed from the report in its entirety.

If you have any questions or are in need of additional information, please feel free to contact me directly at 209/955-3207.

Very truly yours,



Debra Roth, CPA  
Chief Financial Officer

Cc: L. Paul Billodeau, Executive Director  
Karen Meyreles, DDS  
Nancy Bargmann, DDS  
Brian Winfield, DDS  
Luciah Ellen Nzima, DDS  
Staci Yasui, DDS