



**AUDIT OF THE
VALLEY MOUNTAIN REGIONAL CENTER
FOR FISCAL YEARS 2008-09 AND 2009-10 WITH
FOLLOW-UP REVIEW OF THE BSA AUDIT DATED
AUGUST 24, 2010**

Department of Developmental Service

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EXECUTIVE SUMMARY

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

I. Findings that need to be addressed.

Finding 1: Vendorization Approval - Conflict of Interest

A review of the BSA audit report identified that the VMRC's Assistant Director (AD) of Community Services had approved a higher rate for a vendor program owned by her sister. The BSA stated that the rate approved was higher than other comparable vendors' rate. DDS' follow-up review of this issue found that the rate was a temporary rate issued to the vendor based on a cost statement data analysis and was set by DDS for all comparable vendors. The AD did not participate in the rate setting process; however, the AD participated in the vendorization of her sister's program and was responsible for the finalization of the vendorization package. The AD's participation in these proceedings resulted in a conflict of interest. Further review of vendor files revealed that this vendor was vendorized in December 2005, but the AD did not file a Conflict of Interest Waiver statement until January 2007. This is not in compliance with CCR, title 17, section 54522(a), (b), and (c) and section 54523(a) and (b).

Finding 2: Over-Stated Claims

A detailed review of 34 Purchase of Services (POS) negotiated contracts revealed one instance in which VMRC did not adhere to the rate freeze that was in place as of June 30, 2008. The total overpayment during the service period of October 2008 through September 2010 was \$138,732.89. This is not in compliance with the requirements of the W&I Code, section 4691.9(a) and (b).

Finding 3: Targeted Case Management Time Study – Recording of Attendance

The review of the Targeted Case Management (TCM) time study revealed that for four of the 26 sampled employees, vacation and sick hours recorded on the timesheets did not properly reflect what was recorded on the Case Management Time Study Forms (DS 1916).

Finding 4: Family Cost Participation Program (FCPP) – Late Assessments

The sample review of 25 FCPP files revealed that three notification letters issued to inform parents of their assessed cost of participation were not sent within 10 working days of the parents' signing the Individual Program Plan (IPP). The Assessments were completed more than a month from the date the parents signed the IPP. This is not in compliance with W&I Code, section 4783(g)(4) and CCR, title 17, section 50261(a).

Finding 5: Unsupported Caseload Ratio

The review of Service Coordinator Caseload Ratios revealed that supporting documentation was not maintained to verify compliance with the caseload ratios for February 2009. This is not in compliance with W&I Code, section 4640.6(i)(2).

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

Finding 6: Medi-Cal Provider Agreement Forms (Repeat)

The review of 77 vendor files revealed nine Medi-Cal Provider Agreement forms that were not properly completed by VMRC. This is not in compliance with CCR, title 17, section 54326(a).

VMRC took corrective action to resolve this issue and provided properly completed Medi-Cal Provider Agreement forms for all nine vendors before the end of the audit.

BACKGROUND

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

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's Home and Community-Based Services (HCBS) Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS's 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 reviewed by DDS Federal Programs Operations Section staff to assess overall programmatic compliance with HCBS Waiver requirements. HCBS Waiver compliance monitoring review will have its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on the Regional Center's fiscal, administrative and program operations.

DDS and Valley Mountain Regional Center, Inc., entered into two contracts, HD049020, effective July 1, 2004, through June 30, 2009; and HD099021, effective July 1, 2009 through June 30, 2014. These contracts 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 contracts are funded by State and federal funds that are dependent upon the VMRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at VMRC by the DDS Audit Branch from July 26, 2010, through August 19, 2010, with a follow-up review from October 25, 2010, through October 29, 2010.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was from July 1, 2008, through June 30, 2010, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was conducted as part of the overall DDS monitoring system 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 Lanterman Act
- To determine compliance to Title 17, California Code of Regulations (CCR, title 17),
- To determine compliance to the provisions of HCBS Waiver for the Developmentally Disabled,
- To determine that costs claimed were in compliance to the provisions of the State Contracts, and
- To determine if corrective action has been taken to resolve issues identified 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 the VMRC's financial statements. DDS limited our 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 Contracts.

The DDS review of VMRC's internal control structure was limited to gaining 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 2008-09, issued on January 6, 2010.

There was no associated management letter that was issued by the independent accounting firm during this review.

The audit procedures performed included the following:

I. Purchase of Service

DDS selected a sample of Purchase of Service (POS) claimed and billed to DDS. The sample included consumer services, vendor rates, and Client Trust Management Services Vendor Contract for review. However it should be noted that as of FY 2008-09, VMRC has outsourced its Client Trust Account to a Trust Management Services Vendor. The sample also included consumers who were eligible for the HCBS Waiver. For POS 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 VMRC. The rates charged for services provided to individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17.
- DDS selected the Client Trust Management Services Vendor contract to determine if there were any unusual activities and that proper documentation for expenditures were proper, maintained and supported by source documentation.
- DDS analyzed all of VMRC's bank accounts to determine if DDS had signatory authority as required by the contract with DDS.
- DDS selected a sample of bank reconciliations for Operations bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

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

These tests included the following:

- A sample of 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 payroll deductions.

- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance to CCR, title 17 and the contract with DDS.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the contract with DDS.
- DDS reviewed VMRC's policies and procedures for compliance to the CCR, title 17, Conflict of Interest requirements and selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

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

- Reviewed applicable TCM records and VMRC's Rate Study. DDS examined the month of May 2010, and traced the reported information to source documents.
- Reviewed VMRC's Case Management Time Study. DDS selected a sample of payroll time sheets for this review and compared them 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 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 cost participation to parents based on income level and dependents. The Family Cost Participation assessments are only applied to respite, day care, and camping services that are included in the child's Individual Program Plan (IPP). To determine whether VMRC is in compliance with CCR, title 17 and the W&I Code, we performed the following procedures during our audit review:

- Reviewed the list of consumers who received respite, day care and camping services, for ages 0 through 17 who live with their parents and are not Medi-Cal eligible, to determine their contribution for the 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 ten (10) working days.

- Reviewed vendor payments to verify that VMRC is only paying for 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 Contracts as amended.

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

- Reviewed the VMRC 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 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 will be retained for the selection process and in instances which a vendor with a higher bid is selected there will be written documentation retained as justification for such a selection.
- Selected a sample of Operational, Start-Up and negotiated Purchase of Service (POS) contracts subject to competitive bidding to ensure VMRC notified the vendor community and the public of contracting opportunities available. DDS reviewed the contracts 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 contracts are properly signed and executed by both parties to the contract.

- Reviewed VMRC 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 VMRC's current RFP process 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 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 demonstrates it is necessary for the health and safety of the consumers. To determine whether VMRC is in compliance with the W&I Code, DDS performed the following procedures during our audit review:

- Reviewed sampled vendor files to determine whether Regional Centers are using appropriately vendorized service providers and correct service codes, that they are paying authorized contract rates and complying with the requirements of the W&I Code, section 4691.9 and VMRC's contract with DDS.
- Reviewed vendor contracts to verify VMRC are reimbursing vendors using authorized contract median rates, ensure rates paid represented the lower of the statewide or regional center median rate set after June 30, 2008.
- 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 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:

- Family Resource Center Program
- Early Start American Recovery and Reinvestment Act (ARRA)
- Foster Grandparent/Senior Companion Program
- Self Determination Program
- Start Up Programs
- Medicare Moderation Act (Part D Funding)

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 findings that were reported to VMRC and reviewed supporting documentation to determine the degree and completeness of the RC's implementation of corrective actions.

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 Bureau of State Audits (BSA) dated August 24, 2010. The objective of the follow-up review was to determine whether VMRC has instituted its corrective action plan to resolve findings noted in this report. Issues that have not been resolved are included in the Findings and Recommendation Section.

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 substantial compliance with applicable sections of CCR, title 17, HCBS Waiver, and the terms of VMRC's contracts with DDS for the audit period July 1, 2008, through June 30, 2010.

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 VMRC has taken appropriate corrective actions to resolve all prior audit issues, except for finding three which is included in the Findings and Recommendations Section.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on May 11, 2011. The findings in the report were discussed at an exit conference with VMRC on May 25, 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 Valley Mountain Regional Center. This restriction does not limit distribution of this report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

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

I. Findings that need to be addressed.

Finding 1: Vendorization Approval - Conflict of Interest

A review of the BSA audit report identified that VMRC's Assistant Director (AD) of Community Services had approved a higher rate for a vendor program owned by her sister. The BSA stated that the rate approved was higher than other comparable vendors' rate. DDS' follow-up review of this issue found that the rate was a temporary rate issued to the vendor based on a cost statement analysis and was set by DDS for all comparable vendors. The AD did not participate in the rate setting process; however, the AD participated in the vendorization of her sister's program and was responsible for the finalization of the vendorization package. The AD's participation in these proceedings resulted in a conflict of interest. Further review of vendor files revealed that this vendor was vendorized in December 2005, but the AD did not file a Conflict of Interest Waiver statement until January 2007.

CCR, title 17, section 54522(a), (b) and (c) states in part:

- (a) "...each regional center employee who has a decision or policy-making authority, as defined in Section 54505(e) herein, and each member of the governing board, including the board member designated by the regional center provider advisory committee pursuant to W&I Code, Section 4622(a)(7) shall prepare and file an initial conflict of interest statement pursuant to these regulations. ...Subsequent statements shall be filed thereafter whenever a change in status would create a present or potential conflict of interest situation as defined in these regulations.
- (b) If a present or potential conflict of interest exists, the statements of the regional center employees and governing board members, including the board member designated by the regional center provider advisory committee pursuant to W&I Code, Section 4622(a)(7), shall, if desired by the governing board member or regional center employee, also contain a request for waiver of the prohibitions of any present or potential conflict of interest, and a suggested plan of action for resolution of the present or potential conflict of interest, including limitations on the governing board member or regional center employee which will enable him or her to

avoid actions involving the conflict of interest during the period the waiver request is being reviewed pursuant to Section 54523 of these regulations.

- (c) The regional center or the regional center governing board shall review, respectively, the waiver request of all regional center employees and governing board members, and determine, in its discretion, whether to submit the request pursuant to the regulation, or require the individual to eliminate the conflict of interest or resign his or her position as stated therein.”

Also, CCR, title 17, section 54523(a) and (b) states:

- (a) “If the conflict of interest statement filed by the regional center governing board member or the regional center employee indicates that a present or potential conflict of interest exist and a waiver is being requested, then within 30 calendar days of receipt of such a statement, the governing board or regional center shall, unless it has elected to do otherwise pursuant to Section 54522(c), submit the request for waiver packet in accordance with the procedures set forth in this section.
- (b) All requests for waiver packets must be submitted to the Department. In addition, copies of the request for waiver packets involving the governing board members must also be sent to the area board in the area and to the State Council.”

Recommendation:

VMRC should implement policies and procedures to ensure that individuals who have present or potential conflicts of interest are properly reported and that VMRC either request a waiver pursuant to CCR, title 17 regulations, or eliminate any potential conflict of interest when such conflict exists.

Finding 2: Over-Stated Claims

A detailed review of 34 Purchase of Services (POS) negotiated contracts revealed one instance where VMRC did not adhere to the rate freeze that was in place as of June 30, 2008. As a result, VMRC over claimed expenses to the State for a total overpayment of \$138,732.89 during the service period of October 2008 through September 2010. (See Attachment A.)

W&I Code, section 4691.9(a) and (b) state:

- (a) “no regional center may pay an existing service provider, for services where rates are determined through a negotiation between the regional center and the provider, a rate higher than the rate in effect on June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008.
- (b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center’s median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower.”

Recommendation:

VMRC should recover the improper payments from the vendor and reimburse DDS the total overpayment amount of \$138,732.89. In addition, VMRC should develop and implement policies and procedures to ensure that negotiated rates for vendors vendorized after June 30, 2008 are equal to or lower than the Statewide/VMRC’s Median rate. Further, VMRC should ensure that the vendor rate is reduced to the rate that was in effect before July 1, 2008

Finding 3: Targeted Case Management Time Study – Recording of Attendance

The review of the TCM time study revealed that four of the 26 sampled employees, vacation and sick leave hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM time study forms (DS 1916). The difference between the employee timesheets and the TCM study forms was a total of 16 hours. Although the difference did not have a significant impact on the TCM rate, hours recorded incorrectly in the TCM study can affect the TCM rate billed to the Federal Government.

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

Recommendation:

VMRC should implement policies and procedures to include a review of employees’ vacation and sick hours on the TCM study forms (DS 1916). This would ensure that the hours reported for the TCM Time Study are accurate.

Finding 4: Family Cost Participation Program (FCPP) – Late Assessments

The sample review of 25 FCPP files revealed that three notification letters informing parents of their assessed cost of participation were not sent within 10 working days from the date of the parents' signatures on the IPP. In addition, the assessments were completed more than a month after the date the parents signed the IPP. The individual responsible for the FCPP was not aware of the regulations in place for FCPP. (See Attachment B.)

W&I Code, section 4783(g)(4) states in part:

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

CCR, title 17, section 50261(a) states:

“Each parent shall provide the regional center with his or her proof of gross annual income pursuant to Section 4783(g)(2) and (i) of the Welfare and Institutions Code, within ten (10) working days from the date of the parents' signatures on the Individual Program Plan. The regional center may grant a ten (10) working day extension to provide documentation, if parents have acted in good faith. In no event shall more than one ten (10) working day extension be granted. Failure to provide the information will result in the regional center setting the cost participation at the maximum amount, pursuant to Section 4783(g)(4) of the Welfare and Institutions Code.”

Recommendation:

VMRC should ensure that staff responsible for the FCPP, are aware of the policies and procedures for the assessment and notification of parents' assessed cost participation. In particular, staff should be aware that notification letters detailing the parents' assessed share of cost are to be sent within 10 working days of signing the IPP. VMRC should also be aware that the submission of income documentation after 10 working days from the IPP signature date does not automatically result in the parents' cost participation being set at the maximum amount.

Finding 5: Unsupported Caseload Ratio

The review of Service Coordinator Caseload Ratios revealed that supporting documentation was not maintained to verify compliance with the caseload ratios for February 2009.

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.”

Recommendation:

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

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

Finding 6: Medi-Cal Provider Agreement Forms (Repeat)

The review of 77 Residential and State Median rate vendor files revealed nine Medi-Cal Provider Agreement forms that were not properly completed by VMRC. The forms were either altered, missing a vendor number, had multiple vendor numbers, and or had multiple service codes.

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

“All vendors shall...

(16) Sign the Home and Community Based Service provider Agreement (6/99), if applicable, pursuant to Section 54310(a)(10)(I)(d).”

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

VMRC took corrective action to resolve this issue and provided properly completed Medi-Cal Provider Agreement forms for all nine vendors before the end of the audit.

Recommendation:

VMRC should continue to enforce its 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, VMRC has been provided with a draft report and was requested to provide a response to each finding. VMRC's response dated June 17, 2011, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section as well as a summary of the findings in the Executive Summary section.

DDS's Audit Branch has evaluated VMRC's response. Except as noted below, VMRC's response addressed the audit findings; however, supporting documentation was not provided to DDS to assure corrective action had been taken to resolve the issues. As a result, VMRC should provide supporting documentation to DDS by October 31, 2011 indicating these issues are resolved. In addition, a follow-up review will be performed in the next scheduled audit to confirm VMRC's corrective actions identified in the response.

Finding 1: Vendorization Approval - Conflict of Interest

VMRC stated in its response they reviewed its Conflict of Interest policies with the individual involved and reiterated the importance of strict compliance with these policies. VMRC believes this matter has been completely resolved, but did not provide supporting documentation to DDS as verification that the issue is completely resolved. As a result, VMRC should provide supporting documentation to DDS by October 31, 2011 indicating that this issue is resolved. In addition, a follow-up review will be performed in the next scheduled audit to ensure that individuals who have present or potential conflicts of interest are properly reported.

Finding 2: Over-Stated Claims

VMRC concurs with finding and stated it complied with the rate freeze requirements once the law was passed and acknowledges that due to oversight on its part, it did not retroactively review all contracts that had been executed prior to the enactment of the law to assure retroactive compliance. VMRC stated it will comply with the law by putting forth its best efforts to recover the overpayment, but did not provide supporting documentation to DDS to show an effort has been made to recover the funds. As a result, VMRC should provide supporting documentation to DDS by October 31, 2011 indicating that an effort has been made to resolve this issue. In addition, a follow-up review will be performed in the next scheduled audit to ensure negotiated rates for vendors that are vendorized after June 30, 2008 are equivalent to or lower than the Statewide/VMRC's Median rate.

Finding 3: Targeted Case Management Time Study – Recording of Attendance

VMRC explained that it has given service coordinator instruction to ensure proper completion of the DS 1916 forms in the future. In addition, VMRC stated it has reiterated to its managers the importance of verifying that the TCM Time Study forms tie to attendance records. DDS will conduct a follow-up review during the next scheduled audit to verify VMRC implemented policies and procedures to include a review of employees' vacation and sick hours on the TCM Time Study forms (DS 1916).

Finding 4: Family Cost Participation Program (FCPP) – Late Assessments

VMRC explained that it has given service coordinator instruction to ensure timely notifications are made going forward. In addition, VMRC stated it has reiterated to managers the importance of compliance with the FCPP rules and regulations. DDS will conduct a follow-up during the next scheduled audit to ensure staff is aware that parents should be notified of their assessed share of cost within 10 working days of signing the IPP. Further follow-up will be conducted to ensure VMRC is also aware that the submission of income documentation after 10 working days from the IPP signature date does not automatically result in the parents' cost participation being set at the maximum amount.

Finding 5: Unsupported Caseload Ratio

VMRC stated in its response it had been monitoring caseload ratios on an ongoing basis throughout the audit period until the reporting requirement had been suspended, VMRC thought the requirement to compute the ratios on a specific date was eliminated. This statement is correct; however, caseload ratio data is to be retained even though the computation deadlines and reporting requirements were suspended. DDS will conduct a follow-up review during the next scheduled audit to verify VMRC implemented policies and procedures to maintain the caseload data.

**Valley Mountain Regional Center
Over-Stated Claims
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
1		HV0019	Community Catalysts of CA (Ray Hyde House)	090		07/08	\$4,875.06
2		HV0019	Community Catalysts of CA (Ray Hyde House)	090		07/08	\$392.15
3		HV0019	Community Catalysts of CA (Ray Hyde House)	090		07/08	\$3,749.76
4		HV0019	Community Catalysts of CA (Ray Hyde House)	090		08/08	\$4,353.33
5		HV0019	Community Catalysts of CA (Ray Hyde House)	090		08/08	\$1,794.18
6		HV0019	Community Catalysts of CA (Ray Hyde House)	090		09/08	\$4,291.95
7		HV0019	Community Catalysts of CA (Ray Hyde House)	090		09/08	\$1,589.30
8		HV0019	Community Catalysts of CA (Ray Hyde House)	090		10/08	\$3,899.80
9		HV0019	Community Catalysts of CA (Ray Hyde House)	090		10/08	\$3,449.68
10		HV0019	Community Catalysts of CA (Ray Hyde House)	090		11/08	\$3,865.70
11		HV0019	Community Catalysts of CA (Ray Hyde House)	090		11/08	\$3,933.90

**Valley Mountain Regional Center
Over-Stated Claims
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
12		HV0019	Community Catalysts of CA (Ray Hyde House)	090		12/08	\$1,818.05
13		HV0019	Community Catalysts of CA (Ray Hyde House)	090		12/08	\$2,216.16
14		HV0019	Community Catalysts of CA (Ray Hyde House)	090		12/08	\$1,871.18
15		HV0019	Community Catalysts of CA (Ray Hyde House)	090		12/08	\$1,583.61
16		HV0019	Community Catalysts of CA (Ray Hyde House)	090		1/09	\$1,173.58
17		HV0019	Community Catalysts of CA (Ray Hyde House)	090		1/09	\$982.47
18		HV0019	Community Catalysts of CA (Ray Hyde House)	090		1/09	\$1,364.54
19		HV0019	Community Catalysts of CA (Ray Hyde House)	090		1/09	\$3,451.12
20		HV0019	Community Catalysts of CA (Ray Hyde House)	090		2/09	\$3,103.68
21		HV0019	Community Catalysts of CA (Ray Hyde House)	090		2/09	\$2,465.21
22		HV0019	Community Catalysts of CA (Ray Hyde House)	090		3/09	\$3,895.98

**Valley Mountain Regional Center
Over-Stated Claims
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
23		HV0019	Community Catalysts of CA (Ray Hyde House)	090		3/09	\$565.69
24		HV0019	Community Catalysts of CA (Ray Hyde House)	090		3/09	\$617.54
25		HV0019	Community Catalysts of CA (Ray Hyde House)	090		4/09	\$3,895.98
26		HV0019	Community Catalysts of CA (Ray Hyde House)	090		4/09	\$433.37
27		HV0019	Community Catalysts of CA (Ray Hyde House)	090		5/09	\$1,705.56
28		HV0019	Community Catalysts of CA (Ray Hyde House)	090		5/09	\$3,924.10
29		HV0019	Community Catalysts of CA (Ray Hyde House)	090		6/09	\$3,229.39
30		HV0019	Community Catalysts of CA (Ray Hyde House)	090		6/09	\$3,255.86
31		HV0019	Community Catalysts of CA (Ray Hyde House)	090		7/09	\$3,260.82
32		HV0019	Community Catalysts of CA (Ray Hyde House)	090		7/09	\$3,695.84
33		HV0019	Community Catalysts of CA (Ray Hyde House)	090		8/09	\$62.70

**Valley Mountain Regional Center
Over-Stated Claims
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
34		HV0019	Community Catalysts of CA (Ray Hyde House)	090		8/09	\$244.34
35		HV0019	Community Catalysts of CA (Ray Hyde House)	090		8/09	\$2,830.76
36		HV0019	Community Catalysts of CA (Ray Hyde House)	090		8/09	\$4,006.80
37		HV0019	Community Catalysts of CA (Ray Hyde House)	090		9/09	\$3,044.13
38		HV0019	Community Catalysts of CA (Ray Hyde House)	090		200909	\$3,728.92
39		HV0019	Community Catalysts of CA (Ray Hyde House)	090		10/09	\$2,820.84
40		HV0019	Community Catalysts of CA (Ray Hyde House)	090		10/09	\$3,115.26
41		HV0019	Community Catalysts of CA (Ray Hyde House)	090		10/09	\$454.25
42		HV0019	Community Catalysts of CA (Ray Hyde House)	090		11/09	\$2,812.57
43		HV0019	Community Catalysts of CA (Ray Hyde House)	090		11/09	\$3,823.20
44		HV0019	Community Catalysts of CA (Ray Hyde House)	090		12/09	\$2,877.07

**Valley Mountain Regional Center
Over-Stated Claims
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
45		HV0019	Community Catalysts of CA (Ray Hyde House)	090		12/09	\$3,679.30
46		HV0019	Community Catalysts of CA (Ray Hyde House)	090		1/10	\$3,252.55
47		HV0019	Community Catalysts of CA (Ray Hyde House)	090		1/10	\$3,872.82
48		HV0019	Community Catalysts of CA (Ray Hyde House)	090		2/10	\$1,930.95
49		HV0019	Community Catalysts of CA (Ray Hyde House)	090		2/10	\$3,500.66
50		HV0019	Community Catalysts of CA (Ray Hyde House)	090		3/10	\$3,409.68
51		HV0019	Community Catalysts of CA (Ray Hyde House)	090		3/10	\$1,439.69
52		HV0019	Community Catalysts of CA (Ray Hyde House)	090		4/10	\$3,121.88
Total Overpayments For Transportation							\$138,732.89

**Valley Mountain Regional Center
Late Assessments
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	IPP Date	Assessment Date
1		12/3/2009	1/12/2010
2		10/22/2009	1/12/2010
3		5/10/2010	6/18/2010

APPENDIX A

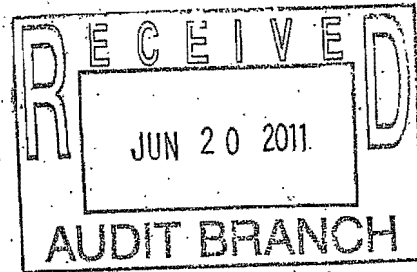
VALLEY MOUNTAIN REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**

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



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



June 17, 2011

Mr. Ed Yan, Audit Branch Manager
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 May 11, 2011. 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: Vendorization Approval-Conflict of Interest
VMRC reviewed its Conflict of Interest policies with the individual involved and reiterated the importance of strict compliance with those policies. We believe that this matter has been completely resolved.

Finding 2: Over-Stated Claims
VMRC complied with the rate freeze requirements once the law was passed. However, we acknowledge the oversight of failing to retroactively review all contracts fully executed prior to a change in law to assure retroactive compliance, as well. VMRC will put forth its best efforts to recover the funds.

Finding 3: Targeted Case Management Time Study-Recording of Attendance
VMRC has completed service coordinator instruction to ensure proper completion of these forms going forward. In addition, VMRC has reiterated to managers the importance of verifying that the time study records tie to attendance records.

Finding 4: Family Cost Participation Program (FCPP)-Late Assessments

VMRC has completed service coordinator instruction to ensure timely notifications are made going forward. In addition, VMRC has reiterated to managers the importance of compliance with the FCPP rules and regulations.

Finding 5: Unsupported Caseload Ratio

VMRC monitored its compliance with caseload ratios on an ongoing basis throughout the audit period. However, when the reporting requirement to submit the caseload ratio report on a specific date (February) was eliminated, we understood that to mean that the requirement to compute the ratios on a specific date was eliminated as well. We will compute the ratios in February going forward.

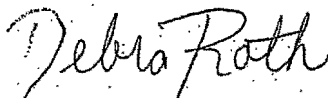
II. FINDING THAT HAS BEEN ADDRESSED AND CORRECTED BY VMRC.

Finding 6: Med-Cal Provider Agreement Forms

VMRC took corrective action to resolve this issue and provided properly completed Medi-Cal Provider Agreement forms for all nine vendors before the end of the audit.

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: Richard Jacobs, Executive Director
Rita Walker, DDS
Karen Meyreles, DDS