



**AUDIT OF THE
CENTRAL VALLEY REGIONAL CENTER
FOR FISCAL YEARS 2013-14 AND 2014-15**

Department of Developmental Services

This audit report was prepared by the
California Department of Developmental Services
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EXECUTIVE SUMMARY

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

Findings that need to be addressed.

Finding 1: Deleted

After further analysis of the additional documentation provided by CVRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

Finding 2: Deleted

After further analysis of the additional documentation provided by CVRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

BACKGROUND

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

DDS is also responsible for providing assurance to the Department of Health and Human Services and 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 Section conducts fiscal compliance audits of each RC no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires RCs to contract with independent Certified Public Accountants (CPA) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

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

DDS and Central Valley Regional Center, Inc., entered into State Contract, HD099002 effective July 1, 2009, through June 30, 2016. This contract specifies that Central Valley Regional Center, Inc. will operate an agency known as the Central Valley Regional Center (CVRC) to provide services to individuals with DD and their families in the Fresno, Kings, Madera, Mariposa, Merced and Tulare counties. The contract is funded by state and federal funds that are dependent upon CVRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at CVRC from January 25, 2016, through February 19, 2016, and was conducted by the Audit Section of DDS.

AUTHORITY

The audit was conducted under the authority of California's 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, and the
- State Contract between DDS and CVRC, effective July 1, 2009.

AUDIT PERIOD

The audit period was July 1, 2013, through June 30, 2015, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

- To determine compliance with the W&I Code (or the Lanterman Act),
- To determine compliance with CCR, Title 17 regulations,
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine compliances with OMB Circular A-133, and
- To determine that costs claimed were in compliance with the provisions of the State Contract.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of CVRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that CVRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis, to determine whether CVRC was in compliance with the Lanterman Act, CCR, Title 17, the HCBS Waiver for the Developmentally Disabled, OMB Circular A-133, and the State Contract.

DDS' review of CVRC'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 Fiscals Year (FY) 2013-14, issued on March 5, 2015. It was noted that no management letter was issued for CVRC. 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 CVRC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, Title 17 and the W&I Code.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000, as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with CVRC staff revealed that CVRC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to the Social Security Administration, or other source, in a timely manner.
- DDS selected a sample of 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 CVRC's bank accounts to determine whether DDS had signatory authority as required by the contract with DDS.

- DDS selected a sample of bank reconciliations for Operations (OPS) accounts and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

DDS selected a sample of OPS claims billed to DDS to determine compliance with the State Contract. The sample included various expenditures claimed for administration to ensure that CVRC's accounting staff had been properly inputting data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, payroll ledgers, and other support documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of OPS expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17 and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed CVRC'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 (TCM) and Regional Center Rate Study

The TCM Rate Study is the study that determines the DDS rate of reimbursement from the federal government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and CVRC's Rate Study. DDS examined the months of March 2014 and April 2015, and traced the reported information to source documents.
- Reviewed CVRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared it to the Case Management Time Study Forms (DS 1916) to ensure that the forms were properly completed and supported.

The last Case Management Time Study was performed in May 2013, which was reviewed in the prior DDS audit that included FY 2012-13. 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), RCs are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code, section 4640.6(c)(3):

- A. For all consumers that are three years of age or 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 subparagraph A above, the required average ratio shall be 1:66.

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

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program (FCPP)

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

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

- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' complete income documentation.
- Reviewed vendor payments to verify that CVRC is paying for only its assessed share of cost.

VII. Annual Family Program Fee (AFPF)

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

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

VIII. Parental Fee Program (PFP)

The PFP was created for the purpose of prescribing financial responsibility to parents of children under the age of 18 years who are receiving 24-hour out-of-home care services through a RC or who are residents of a state hospital or on leave from a state hospital. Parents shall be required to pay a fee depending upon their ability to pay, but not to exceed (1) the cost of caring for a normal child at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether CVRC is in compliance with the W&I Code, DDS requested a list of PFP assessments and verified the following:

- Identified all children with DD who are receiving the following services:

- (a) All 24-hour out-of-home community care received through an RC for children under the age of 18;
 - (b) 24-hour care for such minor children in state hospitals. Provided, however, that no ability to pay determination shall be made for services required by state or federal law, or both, to be provided to children without charge to their parents.
- Provided DDS with a listing of new placements, terminated cases, and client deaths for those clients. Such listings shall be provided not later than the 20th day of the month following the month of such occurrence.
 - Informed parents of children who will be receiving services, that DDS is required to determine parents' ability to pay, and to assess, bill, and collect parental fees.
 - Within 10-working days after placement of a minor child, provide the parent(s) a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope.
 - A copy of each informational letter given or sent to parent(s), indicating the addressee and the date given or mailed, shall be submitted to DDS.

IX. Procurement

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

- Reviewed the CVRC contracting process to ensure the existence of a Board approved procurement policy and to verify that the RFP process ensures competitive bidding, as required by Article II of the State Contract, as amended.
- Reviewed the RFP contracting policy to determine whether the protocols in place included applicable dollar thresholds, and comply with Article II of the State Contract, as amended.
- Reviewed the RFP notification process to verify that it is open to the public and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded, and authorized by appropriate officials at CVRC. 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:

- Selected a sample of Operational, Start-Up, and negotiated POS contracts subject to competitive bidding to ensure CVRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that CVRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and those contracts were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures to determine compliance with the W&I Code, Section 4625.5 for new contracts:

- Reviewed to ensure CVRC 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 CVRC board approved Operational, Start-Up, and POS vendor contracts of \$250,000 or more, to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. Verified that the funds provided were specifically used to establish new or additional services to consumers, that the usage of funds 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 CVRC's current RFP process and Board approval of contracts over \$250,000 or more, as well as to determine whether the process in place satisfies the W&I Code and CVRC's State Contract requirements, as amended.

X. Statewide/Regional Center Median Rates

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

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

- Reviewed sample vendor files to determine whether CVRC is using appropriately vendorized service providers and correct service codes, and that CVRC is paying authorized contract rates and complying with the medium rate requirements of W&I Code, Section 4691.9.
- Reviewed vendor contracts to verify that CVRC is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or RC 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 required by regulation, or health and safety exemptions were granted by DDS.

XI. Other Sources of Funding from DDS

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure CVRC'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.
- Denti-Cal.
- Part C.
- Family Resource Center.
- Foster Grandparent (FGP) and Senior Companion (SC).
- Self Determination.

XII. 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 CVRC and reviewed supporting documentation to determine the degree and completeness of CVRC's implementation of corrective actions.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, CVRC was in compliance with applicable sections of the CCR, Title 17, the HCBS Waiver, and the State Contract with DDS for the audit period, July 1, 2013, through June 30, 2015

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

From the review the of prior audit issues, it has been determined that CVRC has taken appropriate corrective action to resolve prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft audit report on September 28, 2016. The findings in the audit report were discussed at a formal exit conference with CVRC on October 4, 2016. The views of the responsible officials are included in this audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: Deleted

After further analysis of the additional documentation provided by CVRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

Finding 2: Deleted

After further analysis of the additional documentation provided by CVRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

EVALUATION OF RESPONSE

As part of the audit report process, CVRC was provided with a draft audit report and was asked to provide a response to each finding. CVRC's response dated November 7, 2016, is provided as Appendix A.

DDS' Audit Branch has evaluated CVRC's response and has confirmed the corrective actions identified in the response.

Finding 1: Deleted

After further analysis of the additional documentation provided by CVRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

Finding 2: Deleted

After further analysis of the additional documentation provided by CVRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

APPENDIX A

Central Valley Regional Center

**RESPONSE
TO AUDIT FINDINGS**

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



November 7, 2016

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

Dear Mr. Yan:

We are in receipt of your draft report entitled "Audit of the Central Valley Regional Center for the Fiscal Years 2013-14 and 2014-15" dated September 28, 2016. We welcome the opportunity to respond to the issues included in the draft report.

Listed below are the findings and recommendations from the draft report in addition to our responses to the issues presented.

Finding 1: Rate Increase After Rate Freeze

A review of 145 sampled purchase of service (POS) vendor files revealed CVRC issued a rate increase for one vendor after the July 1, 2008 rate freeze was in effect. Tulare county office of education – Bright Start (TCOE), Vendor Number HC0523, Service Code 083, received a rate increase when its contract changed from \$39,062.50 per month for serving up to 25 consumers, to monthly rate of \$ 1700 per consumer. This resulted in a total overpayment of \$402,455.73. This is not in compliance with W&I Code, Section 4691.9(a)(1).

Recommendation:

CVRC must reimburse to DDS the \$402,455.73 overpaid to vendor. In addition, CVRC must revert to the original rate specified in terms of the contract prior to the implementation of the rate freeze order.

CVRC Response

We reviewed the findings from the vendor TCOE Bright Start and we dispute all findings. CVRC submits that moving from a flat dollar monthly reimbursement to a per client/per month capitated reimbursement rate was in accordance with DDS' recommendations at the time. The rate was negotiated in good faith with the program and in consultation with DDS. A fair and equitable per child/per month capitated reimbursement rate was determined which effectively is less than the overall contracted amount at that time. The rate of \$1,700 per child/per month became the contracted rate from that point forward and the flat dollar monthly reimbursement model was no longer implemented.

The DDS Audit Finding no. 1 claims CVRC made overpayments in the amount of \$402,455.73 to vendor TCOE Bright Start. CVRC disputes this interpretation of its contracts with vendor TCOE Bright Start. While not a model of clarity, it was CVRC's intent, and indeed practice, to pay a monthly rate for each consumer enrolled in the TCOE Bright Start program for each full month, and a partial payment when enrolled in only partial months. CVRC initiated a very successful **cost-saving measure** in its original TCOE contract (by changing payment from a flat monthly contract rate to a per-person capitated rate). CVRC also deployed another significant cost-saving measure in its TCOE Bright Start program in which the capitated per-person payment of \$1,700 was **reduced/prorated** in two situations:

1. If, in the first month a child entered the program, the child's first day of enrollment was **not** on the first available program day of the month (otherwise known as beginning a program "mid-month")
2. If, in a child's last month of service, the child exited the program "mid-month" prior to the last available program day of that month

As the chart below illustrates, deploying this proration provision with the TCOE Bright Start program produced an "effective" payment rate of **\$1,537** for FY14 and **\$1,530** for FY15, both less than the \$1,700 "contracted" rate.

Fiscal Year	(1) Actual payments with proration used	(2) Hypothetical payments without proration used	(3) Actual POS Savings (2) – (1)	(4) Number of children served	(5) "Effective" payment rate realized (1)/(4)
13-14	\$1,256,000	\$1,389,000	\$133,000	817	\$1,537
14-15	\$1,323,000	\$1,471,000	\$148,000	865	\$1,530

We argued successfully in response to the last audit finding, with Julian Mullen's backup and support, that cost saving measures like this were allowable under the law and gave CVRC flexibility in how to achieve mandated rate reductions. Rita Walker also provided similar support, saying these measures are acceptable so long as CVRC was able to remain under the "contracted dollar amount".

The TCOE Bright Start program is unique and cost effective in that it blends Applied Behavior Analysis (ABA) services with early intervention services for children who have been identified as being at-risk of a diagnosis of autism. Typically, these services would be provided separately at a much higher cost. CVRC submits that it did not "overpay" TCOE Bright Start, but paid them what was authorized under the contract and Payment Authorization.

Finding 2: Policies and Procedures for Vendor Audits and Reviews.

The review of the list of CVRC vendors required to contract with an independent accounting firm for an audit or review of its financial statements, revealed 98 out of 140 vendors did not submit an audit or review. It was found that CVRC has no procedures in place to follow-up with vendors who required to submit an audit report or review, but has not yet done so. This is not in compliance with the W&I Code, Section 4652.5(a)(1) and (b).

Recommendation:

CVRC must develop policies and procedures to ensure it is properly tracking and following-up with vendors who are required to submit an audit report or review, but have not yet done so. Failure to receive these reports limits CVRC's ability to detect vendor issues that may adversely affect services.

CVRC Response

A review of Finding 2 reveals that it is incorrect in its application of the law and CVRC's procedures.

Welfare and Institutions code section 4652.5(a)(1) (hereinafter Section 4652.5) **obligates Vendors to provide** Audits and financial statements (Reports) to Regional Centers. Section 4652.5(c) mandates that Regional Centers (RC's) **receive and analyze** the reports. Section 4652.5(c) also provides Regional Centers with enforcement authority when Vendors do not adequately address issues identified in Reports. Section 4652.5(d) provides that Regional Centers shall notify DDS as to significant issues identified in such Reports that may impact a Regional Center.

The relevant code section is silent on the issue of the procedure RCs are to use to implement and enforce the Vendor's obligation to provide Reports, or the remedies RCs may utilize when Vendors are dilatory or wholly non-compliant with providing such Reports. Section 4652.5 places the burden on providing the Reports squarely and solely on the Vendors. Once the reports are provided, then the burden shifts to the Regional Centers to analyze for issues, address them and notify DDS.

If the Legislature had intended for Regional Centers to have the burden of enforcement of collection of the Reports, it would have so stated. It could easily have stated that Vendors that fail to provide Reports in a timely manner are subject to termination of vendorization by a Regional Center. But it did not. The Statue clearly provides for enforcement provisions by Regional Centers **only** when Vendors fail to address the issues once analyzed by the Regional Center.

'The expression of some things in a statute necessarily means the exclusion of other things not expressed.' [Citation.]" (Le Francois v. Goel (2005) 35 Cal.4th 1094, 1105, 29 Cal.Rptr.3d 249, 112 P.3d 636.)

However, regardless of the lack of any requirement in Section 4652.5 for Regional Centers to enforce collection of financial audits and Reports, CVRC did implement and maintain reasonable and adequate procedures and efforts at **following-up** with Vendors that did not provide mandated audit Reports as set forth below. To suggest that CVRC had “no procedure in place to follow-up with vendors” is simply not accurate.

CVRC followed its own procedures since May 2011 for requesting, tracking and following up with Vendors.

Exhibit “A” clearly describes CVRC’s policies and procedures for tracking and monitoring vendors who receives amounts more than or equal to \$250,000. Exhibit “A” includes our procedures and sample templates of our documents. CVRC has copies of the actual letters sent to non-compliant vendors and can produce them upon request.

1. Vendor review/Audit Procedure. Pg.1-2.
2. Sample letter to vendors when review/audit are overdue. Pg. 3-5.
3. Sample of follow up memo given to CVRC Liaisons for vendors. Pg. 6.
4. Sample of letter notification to department of developmental Service. Pg. 7.
5. Sample of initial letter notifying vendor of audit and review requirements. Pg. 8-9.

Thank you very much for the opportunity to respond to your draft report. I look forward to your review of our responses. Please feel free to contact me if you should have any questions.

Sincerely,



Ed Aram
Director of Operations

cc: Heather Flores, CVRC
Darryll Walker, CVRC
Rachel Hagans, CVRC
Jean Johnson, DDS
Nancy Bargmann, DDS
Brian Winfield, DDS,
Luciah Ellen Nzima, DDS
Oscar Perez, DDS