AUDIT OF THE TRI-COUNTIES REGIONAL CENTER FOR FISCAL YEARS 2015-16 AND 2016-17

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of Tri-Counties Regional Center (TCRC) to ensure TCRC is compliant with the requirements set forth in the Lanterman Developmental Disabilities Services Act and Related Laws/Welfare and Institutions (W&I) Code; the Home and Community-based Services (HCBS) Waiver for the Developmentally Disabled; California Code of Regulations (CCR), Title 17; Federal Office of Management and Budget (OMB) Circulars A-122 and A-133; and the contract with DDS. Overall, the audit indicated that TCRC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2015, through June 30, 2017, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where TCRC'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 TCRC's operations. A follow-up review was performed to ensure TCRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings to be addressed.

Finding 1: <u>Parking Revenue Not Used to Offset Lease Expenses</u>

During the review of the Client Help fund account, it was found that TCRC provides four parking spaces to a neighboring business (Alliance Data) for $800 per month. TCRC should have used this amount to offset its lease expenses since these parking spaces are included as part of the lease agreement and for the use of its employees and invitees. Instead, TCRC donated this amount to its Client Help fund, a total of $26,400 from August 2015 through March 2018. This is not in compliance with the lease between Santa Barbara Business Center, LLC and Tri-Counties Regional Center, Paragraph 5.

Finding 2: <u>Family Cost Participation Program – Late Assessments</u> (Repeat)

The sampled review of 24 FCPP assessments revealed 10 instances in which TCRC did not assess the parent's share of cost participation concurrently with the consumer's IPP. This resulted in TCRC overpaying the share of cost for five consumers totaling $9,013.18 from September 2014 through April 2017, which was the responsibility of the parents. This is not in compliance with TCRC's FCPP Guide for Service Coordinators, W&I Code, Section 4783(g)(1) and (4), and CCR, Title 17, Section 50255(a) and 50257(c).

Finding 3: **<u>Annual Administrative Survey Did Not Reconcile to the General Ledger</u>**

The review of the Annual Administrative Survey worksheets revealed that Equipment Purchases and Life Insurance expenses reported in TCRC's 2016 Survey did not reconcile to the general ledger. This resulted in overstated expenses totaling $80,008.63 as reported in the 2016 Survey. This is not in compliance with the DDS Administrative Time Study Instructions for Federal Programs.

BACKGROUND

DDS is responsible, under the W&I Code, for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive, and integrated 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 (RCs). 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 Care Services (DHCS) and the 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 (CPAs) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

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

DDS and Tri-Counties Association for the Developmentally Disabled, Inc., entered into State Contract HD149020, effective July 1, 2014, through June 30, 2021. This contract specifies that Tri-Counties Association for the Developmentally Disabled, Inc., will operate an agency known as the TCRC to provide services to individuals with DD and their families in Ventura, Santa Barbara and San Luis Obispo Counties. The contract is funded by state and federal funds that are dependent upon TCRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at TCRC from April 9, 2018 through May 11, 2018, by the Audit Section of DDS.

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 between DDS and TCRC.

CRITERIA

The following criteria were used for this audit:

- W&I Code,
- “Approved Application for the HCBS Waiver for the Developmentally Disabled,”
- CCR, Title 17,
- OMB Circulars A-122 and A-133, and
- The State Contract between DDS and TCRC, effective July 1, 2014.

AUDIT PERIOD

The audit period was July 1, 2015, through June 30, 2017, 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 RCs' fiscal, administrative, and program operations. The objectives of this audit were:

- To determine compliance with the W&I Code,
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine compliance with CCR, Title 17 regulations,
- To determine compliance with OMB Circulars A-122 and A-133, and
- To determine that costs claimed were in compliance with the provisions of the State Contract between DDS and TCRC.

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 TCRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that TCRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis to determine whether TCRC was in compliance with the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and TCRC.

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

DDS reviewed the annual audit reports that were conducted by an independent CPA firm for Fiscal Years (FYs) 2015-16 and 2016-17, issued on February 3, 2017 and February 2, 2018, respectively. It was noted that no management letters were issued for TCRC. 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 TCRC. The rates charged for the services provided to individual consumers were reviewed to ensure compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and TCRC.

- DDS analyzed all of TCRC's bank accounts to determine whether DDS had signatory authority, as required by the State 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 that were reviewed to ensure TCRC's accounting staff properly input 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 TCRC's policies and procedures for compliance with the DDS Conflict of Interest regulations, and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management (TCM) and Regional Center Rate Study

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

- Reviewed applicable TCM records and TCRC's Rate Study. DDS examined the months of April 2016 and April 2017 and traced the reported information to source documents.

- Reviewed TCRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared timesheets to the Case Management Time Study Forms (DS 1916) to ensure that the forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under the 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)(1)(2)(3)(A)(B)(C):

"(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:

(1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.

(2) An average service coordinator-to-consumer ratio of 1 to 45 for all consumers who have moved from a developmental center to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 59 consumers for more than 60 days.

(3) Commencing January 1, 2004, the following coordinator-to-consumer ratios shall apply:

(A) All consumers three years of age and younger and for consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, an average service coordinator-to-consumer ratio of 1 to 62.

(B) 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, an average service coordinator-to-consumer ratio of 1 to 62.

(C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in subparagraph (A), an average service coordinator-to-consumer ratio of 1 to 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 (EIP; Part C Funding)

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

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 TCRC was in compliance with CCR, Title 17, and the W&I Code, Section 4783, DDS performed the following procedures during the audit review:

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

- Reviewed the parents' income documentation to verify their level of participation based on the FCPP Schedule.

- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' income documentation.

- Reviewed vendor payments to verify that TCRC was 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 the income level of families with children between the ages of 0 through 17 years 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 was assessed to the parents under FCPP. To determine whether TCRC was in compliance with the W&I Code, Section 4785, 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 DD 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 RC 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 an 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 child without DD at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether TCRC is in compliance with the W&I Code, Section 4782, 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 years;

(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.

- Provided parents a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope within 10 working days after placement of a minor child.

- Provided DDS a copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed.

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 TCRC implemented the required RFP process, DDS performed the following procedures during the audit review:

- Reviewed TCRC'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 included applicable dollar thresholds and comply with Article II of the State Contract, as amended.

- Reviewed the RFP notification process to verify that it is open to the public and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded, and authorized by appropriate officials at TCRC. The process was reviewed to ensure that the vendor selection process is transparent and 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, written documentation is retained as justification for such a selection.

DDS performed the following procedures to determine compliance with Article II of the State Contract for contracts in place as of January 1, 2011:

- Selected a sample of Operations, Community Placement Plan (CPP), and negotiated POS contracts subject to competitive bidding to ensure TCRC notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that TCRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals and written justification for final vendor selection decisions and that 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 contracts in place as of March 24, 2011: Reviewed to ensure TCRC 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 TCRC Board of Director's approved Operations, 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, the usage of funds is of direct benefit to consumers, and the contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess TCRC's current RFP process and Board approval for contracts of $250,000 or more, as well as to determine whether the process in place satisfies the W&I Code and TCRC's State Contract requirements, as amended.

X. Statewide/Regional Center Median Rates

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

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

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

- Reviewed vendor contracts to ensure that TCRC 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.

- Reviewed vendor contracts to ensure that TCRC did not negotiate rates with new service providers for services which are higher than the RC'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. DDS also ensured that units of service designations conformed with existing RC designations or, if none exists, ensured that units of service conformed to a designation used to calculate the statewide median rate for the same service code.

XI. <u>Other Sources of Funding from DDS</u>

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure TCRC's accounting staff were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- Start-Up Funds;

- CPP;

- Denti-Cal;

- Part C – Early Start Program;

- Family Resource Center;
- Foster Grandparent (FGP);
- 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 TCRC and reviewed supporting documentation to determine the degree of completeness of TCRC's implementation of corrective actions.

CONCLUSIONS

Based upon the audit procedures performed, DDS determined that except for the items identified in the Findings and Recommendations section, TCRC was in compliance with applicable sections of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and TCRC for the audit period, July 1, 2015, through June 30, 2017.

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

From the review of the two prior audit findings, it has been determined that TCRC has taken appropriate corrective action to resolve one finding.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on March 29, 2019. The findings in the draft audit report was discussed at a formal exit conference with TCRC on April 4, 2019. The views of TCRC's responsible officials are included in this final audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings to be addressed.

Finding 1: Parking Revenue Not Used to Offset Lease Expenses

During the review of the Client Help fund account, it was found that TCRC provides four parking spaces to Alliance Data for $800 per month, but there was no formal agreement in place. The amount received from Alliance Data totaled $26,400 from August 2015 through March 2018. TCRC deposited this amount into its Client Help fund and stated that it considered the amount a donation since it does not have a separate lease agreement for the parking spaces. However, TCRC should have used this amount to offset its lease expenses, since these parking spaces are included as part of the lease agreement and for the use of its employees and invitees. In addition, the absence of a written agreement could expose TCRC to unnecessary financial liabilities in case of any disputes that may occur regarding the parking spaces.

The Lease between Santa Barbara Business Center, LLC and Tri-Counties Regional Center, Paragraph 5 states in part:

> "5. Parking Rights. Lessor shall at all times during the Term (and any extension thereof) provide 67 parking spaces for the exclusive use of Lessee, its employees and invitees, at no additional cost to Lessee."

Recommendation:

TCRC should cease depositing the rental revenue to the Client Help fund and use the amount to offset its monthly lease expenses. In addition, the $26,400 accumulated in parking space revenue should be used to offset lease expenses. Lastly, TCRC should enter into a written agreement with Alliance Data for the sublease of the four parking spaces.

Finding 2: Family Cost Participation Program - Late Assessments (Repeat)

The sampled review of 24 FCPP assessments revealed TCRC had 10 instances in which it did not assess the parent's share of cost participation concurrently with the consumer's IPP. This resulted in TCRC overpaying the share of cost for five consumers totaling $9,013.18, from September 2014 through April 2017, that was the responsibility of the parents. In its response to the prior DDS' audit report, TCRC stated that it has conducted training to staff addressing that assessments need to take place at the time of the IPP and that parents have ten working days from the date of the IPP to provide income information. However, TCRC stated that due to the timing of implementation of the revised FCPP procedures this issue reoccurred. (See Attachments A and B)

TCRC's FCPP Guide for Service Coordinators, IPP/IFSP, 4 states:

> "Accounting has ten (10) days to assess a family's FCPP share of costs."

W&I Code, Section 4783(g)(1) and (4) states in part:

> "(g) Family cost participation assessments or reassessments shall be conducted as follows:
>
> (1) (A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.
>
> (B) A regional center shall assess the cost participation for parents of newly identified consumers at the time of the initial individual program plan or individualized family service plan.
>
> (C) Reassessments for cost participation shall be conducted as part of the individual program plan or individual family service plan review….
>
> (4) Parents who have not provided copies of income documentation pursuant to paragraph (2) shall be assessed the maximum cost participation based on the highest income level adjusted for family size until such time as the appropriate income documentation is provided."

CCR, Title 17, Section 50255(a) states in part:

> "(a) The parents of a child who meet the definition under Section 4783(a)(1) of the Welfare and Institutions Code shall be jointly and severally responsible for the assessed amount of family cost participation."

CCR, Title 17, Section 50257(c) states in part:

> “(c) Regional centers are responsible for funding their authorized share of services without regard to the family's cost participation assessment.”

Recommendation:

TCRC must follow its FCPP procedures to ensure its staff assess the parents’ share of cost concurrently with the consumer's IPP and do not authorize payment for services that are the responsibility of the family. In addition, TCRC must reimburse DDS for the overpayment totaling $9,013.18.

Finding 3: **Annual Administrative Survey Does Not Match to the General Ledger**

The review of the Annual Administrative Survey worksheets revealed that Equipment Purchases and Life Insurance expenses reported in the 2016 Survey did not reconcile to its general ledger. TCRC reported Equipment Purchases and Life Insurance expenses twice, which resulted in overstated expenses totaling $80,008.63 as shown in the 2016 Survey. (See Attachment C)

Department of Developmental Services Administrative Time Study Instructions for Federal Programs for 2016, Section II(B)(1) states:

> “1. Attachment B must agree to the regional center’s general ledger or be reconcilable to the general ledger for the fiscal year ending June 30, 2015.”

Recommendation:

TCRC should follow the Annual Administrative Survey instructions to ensure all administrative expenses reported in the survey accurately reflect the amounts recorded in the general ledger.

EVALUATION OF RESPONSE

As part of the audit report process, TCRC was provided with a draft audit report and requested to provide a response to the findings. TCRC's response dated May 6, 2019, is provided as Appendix A.

DDS' Audit Section has evaluated TCRC's responses and will confirm the appropriate corrective actions have been taken during the next scheduled audit.

Finding 1: <u>Parking Revenue Not Used to Offset Lease Expenses</u>

TCRC stated it will coordinate with Alliance Data to establish a formal agreement for the parking spaces. TCRC will issue a check in the amount of $35,200 from the Client Help Fund for the parking space revenue received from August 2015 through April 2019 to the Operating Account. The $35,200 includes $26,400 from August 2015 through March 2018 and $8,800 from April 2018 through April 2019, which was identified after completion of the audit fieldwork. TCRC stated that it will issue a check totaling $20,800 to DDS from the closed fiscal years, August 2015 through June 2017, once the final audit report and invoice are issued. In addition, TCRC will offset $14,400 from July 2017 through April 2019 to the state claim since these years are still open. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 2: <u>Family Cost Participation Program - Late Assessments</u> (Repeat)

TCRC's response did not address the share of cost overpayment. However, TCRC stated that the children's team service coordinators have been trained on the FCPP procedures that assessments are to be completed at the time of the IPP and parents have ten working days to provide income information to the regional center from the date of the IPP. TCRC must reimburse DDS for the overpayment totaling $9,013.18. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 3: <u>Annual Administrative Survey Does Not Match to the General Ledger</u>

TCRC stated it has been following DDS' instructions for over ten years without any audit exceptions and that the overstatement of expenses of $80,008 was due to an error in the Excel worksheet. Furthermore, TCRC states that the error was immaterial and represents only 0.31 percent of the total operating costs indicated on this survey and requests that this issue be removed from the report.

DDS acknowledges TCRC has been following DDS' instructions without any Administrative Survey exceptions and the impact on the survey was minimal; however, DDS does not base findings on materiality thresholds and considers this a compliance issue that should be reported in the audit report.

Tri-Counties Regional Center
Family Cost Participation Program - Late Assessments (Repeat)
Fiscal Years 2015-16 and 2016-17

No.	Unique Client Identification Number	IPP/ Amendment Date	Assessement Date
1	[redacted]	7/15/16	4/5/17
2	[redacted]	9/21/15	6/28/17
3	[redacted]	8/27/14	6/29/16
4	[redacted]	11/30/15	6/27/16
5	[redacted]	8/29/16	11/4/16
6	[redacted]	7/15/16	11/30/16
7	[redacted]	5/8/15	8/18/16
8	[redacted]	11/13/14	1/6/17
9	[redacted]	11/14/16	6/27/17
10	[redacted]	10/23/14	7/2/15

Tri-Counties Regional Center
Family Cost Participation Program - Late Assessments (Repeat)
Fiscal Years 2015-16 and 2016-17

No.	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization	Payment Period	Over-Payment
1	[redacted]	HT0271	Maxim Healthcare - VTA	862	[redacted]	Apr-17	$75.33
2	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Oct-15	$289.09
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Nov-15	$293.13
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Dec-15	$293.12
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Jan-16	$310.72
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Feb-16	$310.72
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Mar-16	$310.72
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Apr-16	$310.72
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	May-16	$310.72
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Jun-16	$310.72
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Jul-16	$354.88
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Aug-16	$354.88
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Sep-16	$354.88
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Oct-16	$354.88
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Nov-16	$354.88
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Dec-16	$354.88
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Jan-17	$354.88
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Feb-17	$354.88
	[redacted]	HT0568	24HR Homecare LLC	862	[redacted]	Mar-17	$354.88
3	[redacted]	HT0176	Respite, Inc.	862	[redacted]	Sep-14	$608.76
	[redacted]	HT0176	Respite, Inc.	862	[redacted]	Oct-14	$608.76
	[redacted]	HT0176	Respite, Inc.	862	[redacted]	Nov-15	$1,073.65
4	[redacted]	PT1349	24HR Homecare	455	[redacted]	Jul-16	$280.10
5	[redacted]	HT0176	Respite, Inc.	862	[redacted]	Jan-17	$433.00
					Total Family Share of Cost Paid by TCRC		**$9,013.18**

Tri-Counties Regional Center
Annual Administrative Survey
Fiscal Years 2015-16 and 2016-17

No.	Account	Per Administrative Survey	Per GL	Difference
2016 Annual Administrative Survey				
1.	Life Insurance	$3,149.00	$3,029.30	$119.70
2.	Equipment Purchases	$547,827.00	$467,938.07	$79,888.93
Total Overstated in the 2016 Annual Administrative Survey				**$80,008.63**

APPENDIX A

TRI-COUNTIES REGIONAL CENTER

RESPONSE
TO AUDIT FINDINGS

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

Tri-Counties Regional Center
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May 6, 2019

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

RE: DDS AUDIT OF TRI-COUNTIES REGIONAL CENTER FY 2015-16 THROUGH FY 2016-17

Dear Ed,

Tri-Counties Regional Center (TCRC) herewith submits its response to the Department's Draft Fiscal Audit for the 2015-16 and 2016-17 fiscal years. The response has been prepared with input from staff having responsibility over the specific areas being audited. Our response is as follows:

Finding 1: Parking Revenue Not Used to Offset Lease Expenses
During the review of the Client Help Fund account, it was found that TCRC provides four parking spaces to Alliance Data for $800 per month, but there was no formal agreement in place. The amount received from Alliance Data totaled $26,400 from August 2015 through March 2018. TCRC deposited this amount into its Client Help Fund and stated that it considered the amount a donation since it does not have a separate lease agreement for the parking spaces.

Recommendation:

TCRC should cease depositing the rental revenue to the Client Help Fund and use the amount to offset its monthly lease expenses. In addition, the $26,400 accumulated in parking space revenue should be used to offset lease expenses. Lastly, TCRC should enter into a written agreement with Alliance Data for the sublease of the four parking spaces.

TCRC Response
TCRC will work with Alliance Data on establishing a formal agreement for the parking space revenue. TCRC will write a check in the amount of $35,200 from the Client Help Fund to the Operating Account. The deposits from August 2015 through June 2017 in the amount of $20,800 are from closed fiscal years. This amount will be sent to DDS after the final audit report is completed and an invoice is received from DDS. The deposits from July 2017 through April 2019 in the amount of $14,400 will be offset to Santa Barbara lease expenses.

Finding 2 - Family Cost Participation – Late Assessments (Repeat)
The sampled review of 24 FCPP assessments revealed TCRC had 10 instances in which it did not assess the parent's share of cost participation concurrently with the consumer's IPP. This resulted in TCRC overpaying the share of cost for five consumers totaling $9,013.18, from September 2014 through April 2017, that was the responsibility of the parents. In its response to the prior DDS' audit report, TCRC stated that it has conducted training to staff addressing that assessments need to take place at the time of the IPP and that parents have ten working days from the date of 17 the IPP to provide income information. However, TCRC stated that due to the timing of implementation of the revised FCPP procedures this issue reoccurred.

Recommendation:

TCRC must follow its FCPP procedures to ensure its staff assess the parents' share of cost concurrently with the consumer's IPP and do not authorize payment for services that are the responsibility of the family. In addition, TCRC must reimburse DDS for the overpayment totaling $9,013.18.

TCRC Response

TCRC has completed training for all of the children's team service coordinators on the procedures for FCPP including that the assessment needs to take place at the IPP. Parents have ten working days, per Title 17, Section 50261, to provide the income information to the regional center from the date of the IPP.

Finding 3: Annual Administrative Survey Does Not Match to the General Ledger

The review of the Annual Administrative Survey worksheets revealed that Equipment Purchases and Life Insurance expenses reported in the 2016 Survey did not reconcile to its general ledger. TCRC reported Equipment Purchases and Life Insurance expenses twice which resulted in overstated expenses totaling $80,008.63 as shown in the 2016 Survey.

Recommendation:

TCRC should follow the Annual Administrative Survey instructions to ensure all administrative expenses reported in the survey accurately reflect the amounts recorded in the general ledger.

TCRC Response

TCRC has been following the DDS instructions for completing this survey each year for over ten years and has not had any prior errors or findings in earlier audit reports. The total amount of operating expenses reported on the 2016 survey was $25.4 million. The overstated expenses of $80,008 was due to a formula cell error in the Excel worksheet that was not caught and represents only 0.31% of the total operating costs indicated on this survey. Since this is not a material amount and does not have a profound effect on reporting or on any rate of reimbursement paid to TCRC, we are requesting that this finding be removed from the final audit report. TCRC will continue to review the completed Annual Administrative Survey thoroughly before it is submitted to DDS.

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

Sincerely,

[redacted]

c: [redacted]

Ellen Nzima, DDS
Staci Yasui, DDS