AUDIT OF THE REGIONAL CENTER OF ORANGE COUNTY FOR FISCAL YEARS 2017-18 AND 2018-19

Department of Developmental Services

April 20, 2021

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of the Regional Center of Orange County (RCOC) to ensure RCOC 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 RCOC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2017, through June 30, 2019, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where RCOC's administrative and operational controls could be strengthened. The only finding that would indicate a systemic issue was the need to ensure that vendors provide independent audits or reviews, when applicable. No findings were identified that would constitute major concerns regarding RCOC's operations. Also, a follow-up review was performed to ensure RCOC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: **<u>Out-of-State Services Provided Without DDS Extension Approval</u>**

The review of 20 sampled consumer authorizations revealed RCOC did not request approvals from the DDS Director or her designee to extend three consumers' services after the initial six-month approval to receive services out of state had expired. These three consumers' services were provided in Texas, Florida and New Mexico without approved extensions between April 2016 and March 2020. This resulted in payments to three vendors totaling $1,006,311. This is not in compliance with W&I Code, Section 4519(a).

Finding 2: **<u>Over/Understated Claims</u>**

The review of 100 sampled purchase of service (POS) vendor files revealed eight vendors were reimbursed for services provided to consumers at incorrect rates. The rates paid to the vendors were not the same as the rates listed in the contracts or rate letters issued by RCOC and/or by DDS. In addition, RCOC incorrectly applied the 30.44 proration factor for partial-month stays for six vendors. This resulted in over/understated claims totaling $3,450.99 and $24,216.04, respectively. This is not in compliance with CCR, Title 17, Sections 57300(c)(2) and 56917(i).

RCOC took corrective action to resolve $3,450.99 and $23,428.83 of the over/understated claims, respectively. Therefore, an underpayment of $781.21 remains outstanding.

Finding 3: Deleted

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

Finding 4: Remaining Trust Balances (Repeat)

The review of the deceased consumer trust accounts revealed RCOC has not taken action to resolve $11,649.95 remaining in one consumer's trust account. This account has been inactive since May 2014. The trust account should have been closed and the remaining funds forwarded to the consumer's beneficiaries, transferred to the Department of Health Care Services (DHCS) if required by Medicaid, or escheated to the State if unclaimed for over three years. This issue was identified in the past two DDS audit reports. This is not in compliance with the California Code of Civil Procedure, Article 2, Section 1518(a)(1).

Finding 5: Client Trust Balance Over $2,000 (Repeat)

The review of RCOC's client trust accounts revealed four consumer accounts with balances that exceeded the $2,000 resource limit. This issue was identified in the prior DDS audit report. This is not in compliance with the Social Security Handbook, Chapter 21, Section 2113.2.

RCOC provided documentation indicating that two consumers were not subject to the $2,000 resource limit.

Finding 6: Policies and Procedures for Vendor Audits and Reviews

RCOC does not have procedures in place to follow up with vendors who are required to, but have not, submitted an independent audit or independent review report. It was noted that 135 out of 170 vendors who were required to contract with an independent accounting firm for an independent audit or independent review report of their financial statements did not submit an independent audit or independent review report within nine months of the end of the vendor's fiscal year. This is not in compliance with Title 17 Section 54370(a).

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 and Human Services, Centers for Medicare and Medicaid Services (CMS), that services billed under California's HCBS Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit 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 Regional Center of Orange County, Inc., entered into State Contract HD149014, effective July 1, 2014, through June 30, 2021. This contract specifies that Regional Center of Orange County, Inc. will operate an agency known as the Regional Center of Orange County (RCOC) to provide services to individuals with DD and their families in Orange County. The contract is funded by state and federal funds that are dependent upon RCOC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at RCOC from January 13, 2020, through February 12, 2020, 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 RCOC.

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 RCOC, effective July 1, 2014.

AUDIT PERIOD

The audit period was July 1, 2017, through June 30, 2019, 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 RCOC.

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 RCOC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that RCOC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis to determine whether RCOC 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 RCOC.

DDS' review of RCOC'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 CPA firm for Fiscal Year (FY) 2017-18, issued on August 23, 2019. It was noted that no management letter was issued for RCOC. 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 RCOC. 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 RCOC.

- 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 10th of each month, and proper documentation for expenditures was maintained.

- 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 RCOC'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 RCOC'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 RCOC'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 RCOC's Rate Study. DDS examined the months of April 2018 and April 2019 and traced the reported information to source documents.

- Reviewed RCOC'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 RCOC 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 RCOC 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 RCOC 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 RCOC 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. To determine whether RCOC implemented the required RFP process, DDS performed the following procedures during the audit review:

- Reviewed RCOC'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 RCOC. 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 RCOC notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that RCOC 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 RCOC 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 RCOC Board-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 RCOC'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 RCOC'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 and July 1, 2016, 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 RCOC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether RCOC is using appropriately vendorized service providers and correct service codes, and that RCOC 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 RCOC 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 RCOC 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. 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 RCOC'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;
- Part C – Early Start Program;
- Family Resource Center;

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 RCOC and reviewed supporting documentation to determine the degree of completeness of RCOC'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, RCOC 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 RCOC for the audit period, July 1, 2017, through June 30, 2019.

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 RCOC has not taken appropriate corrective action to resolve the two findings.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on October 23, 2020. The findings in the draft audit report were discussed at a formal exit conference with RCOC on October 28, 2020. The views of RCOC's responsible officials are included in this final audit report.

RESTRICTED USE

This audit report is solely for the information and use of DDS, CMS, Department of Health Care Services, and RCOC. 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: **<u>Out-of-State Services Provided Without DDS Extension Approval</u>**

The review of 20 sampled consumer authorizations revealed RCOC did not request approvals from the DDS Director or her designee to extend three consumers' services after the initial six-month approval to receive services out of state had expired. The three consumers, Unique Consumer Identification (UCI) numbers [redacted] [redacted] and [redacted] received services without approved extensions from June 2018 through October 2019, April 2016 through February 2020, and June 2018 through March 2020, in Texas, Florida and New Mexico, respectively. This resulted in payments totaling $1,006,311 made to three vendors without approved extensions. RCOC stated that two of the consumers, UCI numbers [redacted] and [redacted] have since relocated and are now receiving services in California. RCOC also stated that it is working diligently to relocate the remaining consumer, UCI number [redacted] In addition, RCOC indicated that it has retroactively requested extensions for the periods each consumer received services out of state without DDS approvals. (See Attachment A)

W&I Code, Section 4519(a) states in part:

> "(a) The department shall not expend funds, and a regional center shall not expend funds allocated to it by the department, for the purchase of any service outside the state unless the Director of Developmental Services or the director's designee has received, reviewed, and approved a plan for out–of–state service in the client's individual program plan. …
>
> The request shall include details regarding all options considered and an explanation of why these options cannot meet the consumer's needs. The department shall authorize for no more than six months the purchase of out–of–state services when the director determines the proposed service or an appropriate alternative, as determined by the director, is not available from resources and facilities within the state. Any extension beyond six months shall be based on a new and complete comprehensive assessment of the consumer's needs, review of available options, and determination that the consumer's needs cannot be met in California. An extension shall not exceed six months."

Recommendation:

RCOC must reimburse DDS $1,006,311 for services provided without an extension. In addition, RCOC must ensure it complies with the W&I Code, Section 4519 which requires the Director of DDS or her designee to receive, review and approve extensions for out-of-state services as stated in the consumer's Individual Program Plan.

Finding 2: Over/Understated Claims

The review of 100 sampled POS vendor files revealed eight vendors that were reimbursed for services provided to consumers at incorrect rates. The rates paid to the vendors were not the same as the rates listed in the contracts or rate letters issued by RCOC and/or by DDS. This resulted in over/understated claims totaling $2,315.28 and $14,240.19, respectively.

In addition, RCOC incorrectly applied the 30.44 proration factor for partial-month stays for six vendors. This resulted in over/understated claims totaling $1,135.71 and $9,975.85, respectively.

The total over/understated claims from incorrect rates and incorrectly applying the 30.44 proration rate were $3,450.99 and $24,216.04, respectively.

RCOC took corrective action to resolve $3,450.99 and $23,428.83 of the over/understated claims, respectively. Therefore, an underpayment of $781.21 to one vendor remain outstanding. (See Attachment B)

CCR, Title 17, Section 57300(c)(2) states:

> "(c) Regional Centers shall not reimburse vendors:
>
> (2) For services in an amount greater than the rate established pursuant to these regulations."

CCR, Title 17, Section 56917(i) states:

> "(i) The established rate shall be prorated for a partial month of service in all other cases by dividing the established rate by 30.44, then multiplying the number of days the consumer resided in the facility."

Recommendation:

RCOC must reimburse the underpayment of $781.21 to the vendor. In addition, RCOC should ensure the rates paid to vendors match the rates specified in the contracts and/or rate letters and the 30.44 proration factor is applied for any partial-month stays.

Finding 3: **<u>Deleted</u>**

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

Finding 4: **<u>Remaining Trust Balances</u> (Repeat)**

The review of the deceased consumer trust accounts revealed RCOC has not taken corrective action to resolve $11,649.95 remaining in a consumer's account. This trust account has been inactive since May 2014; it should have been closed and the remaining balance forwarded to the consumer's beneficiaries, transferred to the Department of Health Care Services (DHCS) if required by Medicaid, or escheated to the State if unclaimed for more than three years. This issue was also identified in the past two DDS audit reports. RCOC stated it has not taken corrective action to resolve this issue since it is still waiting for feedback from DHCS indicating that there are no outstanding bills to be paid for the consumer. California Code of Civil Procedure (CCP), Article 2, Section 1518(a)(1), states:

> "All intangible personal property, including intangible personal property maintained in a deposit or account, and the income or increment on such tangible or intangible property, held in a fiduciary capacity for the benefit of another person escheats to this state if for more than three years after it becomes payable or distributable, the owner has not done any of the following:
>
> (A) Increased or decreased the principal.
>
> (B) Accepted payment of principal or income.
>
> (C) Corresponded in writing concerning the property.
>
> (D) Otherwise indicated an interest in the property as evidenced by a memorandum or other record on file with the fiduciary."

Recommendation:

RCOC must follow up to determine whether DHCS will collect the $11,649.95 from the deceased consumer's trust account. If DHCS is not seeking repayment from the deceased consumer, the funds must be escheated to the State.

Finding 5: **Client Trust Balance Over $2,000 (Repeat)**

The review of RCOC's client trust accounts revealed four consumer accounts with balances that exceeded the $2,000 resource limit. By exceeding the resource limit, consumers are at risk of losing SSI benefits that are used to offset the costs of residential services. Any residential costs not offset by SSI benefits are charged in full to the State. In its prior response, RCOC agreed with the finding and stated that it took corrective action to resolve two of the consumer balances. However, RCOC stated that the current issue occurred because RCOC did not have enough staff to monitor consumer accounts and ensure balances remain below the resource limit.

RCOC provided documentation which indicated that two consumers were not subject to the resource limit. (See Attachment C)

Social Security Handbook, Chapter 21, Section 2113.2 states:

> "In order to receive SSI benefits, you cannot own countable real or personal property (including cash) in excess of a specified amount at the beginning of each month. For an individual with an eligible or ineligible spouse, the applicable limit is one and one-half times as much as that for an individual without a spouse. These limits are set by law, and they are not subject to regular cost-of-living adjustments. But they are subject to change. The limits for January 2009 are $2,000 for an individual and $3,000 for a couple."

Recommendation:

RCOC should ensure all consumer balances remain within the resource limits established by the Social Security guidelines. If necessary or helpful, consumers or their trust account administrators could be informed about CalABLE accounts (www.calable.ca.gov), which could be used to diminish the risk of exceeding the asset limit.

Finding 6: **Policies and Procedures for Vendor Audits and Reviews**

RCOC does not have procedures in place to follow up with vendors who are required to, but have not, submitted an annual independent audit or annual independent review report. It was noted that 135 out of 170 vendors who were required to contract with an independent accounting firm for an audit or review of their financial statements did not submit an audit or review within nine months of the end of the vendor's fiscal year. Failure to receive these reports limits RCOC's ability to detect vendor issues that may adversely affect services. RCOC stated it will implement written policies and procedures and ensure follow-ups are conducted.

CCR, Title 17, Section 54370(a) states:

> “(a) The vendoring regional center shall be responsible for ensuring that vendors within its service catchment area comply with the vendorization requirements."

Recommendation:

RCOC should ensure it follows its procedures to follow up with vendors who are required to, but have not, submitted an annual independent audit report or review.

EVALUATION OF RESPONSE

As part of the audit report process, RCOC was provided with a draft audit report and requested to provide a response to the findings. RCOC's response dated November 10, 2020, is provided as Appendix A.

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

Finding 1: Out-of-State Services Provided Without DDS Extension Approval

RCOC stated that it understood the requirement to request approvals from DDS but disagrees with DDS' recommendation to reimburse $1,006,311. In addition, RCOC questioned how DDS derived the amount of the finding since it provided essential services for the consumers. DDS agrees that RCOC provided essential services for the consumers, but as stated in its response it knowingly failed to request extensions from the DDS' Director or designee, which violates the W&I Code, Section 4519. The amount requested by DDS covers the period when the three consumers (UCI numbers [redacted] [redacted] and [redacted] received services without approved extensions: from June 2018 through October 2019, April 2016 through February 2020, and June 2018 through March 2020, in Texas, Florida and New Mexico, respectively. In addition, RCOC did not provide documentation indicating that it was unable to find appropriate placements in California at the time services were provided. Therefore, RCOC must reimburse $1,006,311 to DDS for services provided without extensions.

Finding 2: Over/Understated Claims

RCOC agreed with finding and took corrective action to resolve the overstated claims totaling $3,450.99 and reimbursed $23,428.83 of the understated claims to its vendors before the issuance of the draft report. As a result, that leaves the remaining underpayment totaling $781.21 to one vendor.

Finding 3: Deleted

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

Finding 4: Remaining Trust Balances (Repeat)

RCOC agreed with the finding as stated in its prior response. RCOC's current response states it took corrective action but could not find any known beneficiaries. Further, RCOC claimed again that it submitted another Estate Recovery Questionnaire to DHCS, sent the funds to DHCS and had the check returned. DDS appreciates the efforts RCOC took to resolve this finding. However, if RCOC's efforts have been unsuccessful, rather than repeat the same steps, it should follow DDS' recommendation and escheat the $11,649.95 remaining in the consumer's account to the State. This will ensure compliance with the California Code of Civil Procedure, Article 2, Section 1518(a)(1).

Finding 5: Client Trust Balance Over $2,000 (Repeat)

RCOC provided documentation indicating that two consumers were not subject to the $2,000 resource limit since they received SSA benefits only. RCOC agreed that the remaining two consumers that received SSI benefits were subject to the $2,000 resource limit. However, RCOC did not provide information on how it will resolve the resource limits. If necessary or helpful, consumers or their trust account administrators could be informed about CalABLE accounts (www.calable.ca.gov), which could be used to diminish the risk of exceeding the asset limit. DDS will conduct a follow-up review during the next scheduled audit to ensure these two consumers are below the resource limit.

Finding 6: Policies and Procedures for Vendor Audits and Reviews

RCOC agreed with the finding and provided follow up procedures for vendors who are required to, but have not, submitted an annual independent audit report or review. RCOC stated that it will send first, second and final notices to vendors that fail to provide CPA audit reports or reviews. In addition, RCOC indicated that it will put the vendors who fail to provide a CPA report or review on a "Do Not Refer" status until the required audit or review are submitted. DDS will conduct a follow-up review during the next scheduled audit to ensure RCOC is enforcing the newly implemented procedures.

ATTACHMENTS A - C

REGIONAL CENTER OF ORANGE COUNTY

To request a copy of the attachments for this audit report, please contact the DDS Audit Section at (916) 654-3695.

APPENDIX A

REGIONAL CENTER OF ORANGE COUNTY

RESPONSE
TO AUDIT FINDINGS

To request a copy of the regional center response to the audit findings, please contact the DDS Audit Section at (916) 654-3695.