



**AUDIT OF THE
SAN GABRIEL/POMONA REGIONAL CENTER
FOR FISCAL YEARS 2019-20 AND 2020-21**

Department of Developmental Service

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of San Gabriel/Pomona Regional Center (SG/PRC) to ensure SG/PRC 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 SG/PRC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2019, through June 30, 2021, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where SG/PRC'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 SG/PRC's operations. A follow-up review was performed to ensure SG/PRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: Overpayments Due to Incorrect Rates

The sampled review of 134 POS vendor files revealed Arroyo Developmental Services, Vendor Number HP3742, Service Code 515, provided services at 1:1 and 1:2 ratios and was reimbursed at \$133.90 and \$120.86 per day, respectively. This is a vendor with a daily rate of \$80.58 set by DDS at a 1:3 ratio, and SG/PRC does not have the authority to negotiate rates for other ratios without a DDS Health and Safety Waiver approval. The rates paid were higher than the DDS approved rate of \$80.58 for day program services provided at a 1:3 ratio. This resulted in overpayments totaling \$432,208.66 from July 2016 through June 2021. This is not in compliance with W&I Code, Section 4691.6(b), CCR, Title 17, Sections 54342(a)(14), 56756(a) and (f), 57500(a) and 57300(c)(2).

DDS has since approved SG/PRC to reimburse the vendor health and safety waiver rates of \$133.90 and \$120.86 per day for FYs 2019-20 and 2020-21, but denied SG/PRC rate approvals for FYs 2016-17, 2017-18 and 2018-19. Therefore, the overpayments still remaining is \$260,154.34.

Finding 2: Equipment Inventory

The sampled review of 30 items selected from SG/PRC's inventory listing revealed one iPad, State tag number 00385142 was missing. In addition, SG/PRC did not adjust and reconcile the physical inventory records after the physical count of the equipment inventory was completed. This is not in compliance with the State Contract between DDS and SG/PRC, Article IV, Section 4(a); the State's Equipment Management System Guidelines, Section III, F; and the State Administrative Manual, Section 8652(3)(a) and (b).

Finding that has been addressed and corrected.

Finding 3: Vendor Files Not Reviewed Biennially

The review of 134 sampled POS vendor files revealed SG/PRC could not provide documentation indicating that DS1891 forms and exclusion search results for 37 sampled vendors were reviewed biennially. This is not in compliance with CCR, Title 17, Section 54332(a)(1) and (b)(1) and the Applicant/Vendor Disclosure Statement General Instructions.

SG/PRC took corrective action by providing updated DS1891 forms and exclusion search results for the 37 vendors.

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, SG/PRC will 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 SG/PRC's fiscal, administrative, and program operations.

DDS and San Gabriel/Pomona Valleys Developmental Services, Inc. (SG/PVDS) entered into State Contract HD199018, effective July 1, 2019, through June 30, 2026. This contract specifies that SG/PVDS will operate an agency known as SG/PRC to provide services to individuals with DD and their families in the El Monte, Monrovia, Pomona, and Foothill areas. The contract is funded by state and federal funds that are dependent upon SG/PRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted remotely from August 2, 2021, through October 12, 2021 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 SG/PRC.

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 SG/PRC, effective July 1, 2019.

AUDIT PERIOD

The audit period was July 1, 2019, through June 30, 2021, 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 SG/PRC.

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

DDS' review of SG/PRC'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 Year (FY) 2019-20. It was noted that no management letter was issued for SG/PRC. 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 SG/PRC. 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 SG/PRC.
- 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.
- 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 SG/PRC staff revealed that SG/PRC 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 sources 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 SG/PRC'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 SG/PRC'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 SG/PRC'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 SG/PRC's Rate Study. DDS examined the months of April 2020 and May 2021 and traced the reported information to source documents.

The last Case Management Time Study, performed in May 2019, was reviewed in the prior DDS audit that included FY 2018-19. As a result, there was no Case Management Time Study to review for this audit period.

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 SG/PRC 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 SG/PRC 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 SG/PRC 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 SG/PRC 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 SG/PRC implemented the required RFP process, DDS performed the following procedures during the audit review:

- Reviewed SG/PRC'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 SG/PRC. 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 SG/PRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that SG/PRC 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 SG/PRC 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 SG/PRC 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 SG/PRC'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 SG/PRC'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 SG/PRC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether SG/PRC is using appropriately vendorized service providers and correct service codes, and that SG/PRC 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 SG/PRC 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 SG/PRC 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 SG/PRC'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:

- CPP;
- Part C – Early Start Program;
- Family Resource Center;
- Foster Grandparent (FGP);
- Senior Companion (SC);
- Self Determination; and
- CalFresh

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 SG/PRC and reviewed supporting documentation to determine the degree of completeness of SG/PRC'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, SG/PRC 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 SG/PRC for the audit period, July 1, 2019, through June 30, 2021.

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 SG/PRC has taken appropriate corrective action to resolve both findings.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on May 3, 2022. The findings in the draft audit report were discussed at a formal exit conference with SG/PRC on June 13, 2022. The views of SG/PRC'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 SG/PRC. 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: Overpayments Due to Incorrect Rates

The sampled review of 134 POS vendor files revealed Arroyo Developmental Services, Vendor Number HP3742, Service Code 515 was reimbursed by SG/PRC utilizing rates that were higher than the approved DDS rate for a day program. Arroyo Developmental Services provided services at 1:1 and 1:2 ratios and was reimbursed at payment rates of \$133.90 and \$120.86 per day, respectively. This is a vendor with a daily rate of \$80.58 set by DDS at a 1:3 ratio, and this rate should be increased only when the regional center demonstrates that the increase is necessary to protect the consumer's health or safety and DDS has granted prior written authorization. This occurred when SG/PRC established 1:1 and 1:2 day program services for Arroyo Developmental Services that were not approved by DDS. This resulted in overpayments totaling \$432,208.66 from July 2016 through June 2021. (See Attachment A)

DDS has since approved SG/PRC to reimburse the vendor health and safety waiver rates of \$133.90 and \$120.86 per day, for FYs 2019-20 and 2020-21 but denied SG/PRC rate approvals for FYs 2016-17, 2017-18 and 2018-19. Therefore, the overpayments still remaining is \$260,154.34.

W&I Code, Section 4691.6(b) states:

“(b) Notwithstanding any other law or regulation, the department shall not establish any permanent payment rate for a community-based day program or in-home respite service agency provider that has a temporary payment rate in effect on June 30, 2008, if the permanent payment rate would be greater than the temporary payment rate in effect on or after June 30, 2008, unless the regional center demonstrates to the department that the permanent payment rate is necessary to protect the consumers' health or safety.”

CCR, Title 17, Section 54342(a)(14) states:

“(a) The following service codes shall be assigned to the following types of services:

(14) Behavior Management Program - Service Code 515.
Behavior Management Programs shall meet the

requirements in Sections 56710 through 56756 of these regulations for the specific service being vendored.”

CCR, Title 17, Section 56756(a) and (f) states:

“(a) A staffing ratio shall be approved for each adult day program by the Department pursuant to this section. This ratio shall be based on the program design, the curriculum as vendored, the characteristics and needs of the consumers to be served, and the number of consumers enrolled.”

“(f) Behavior management programs shall provide a direct care staff-to-consumer ratio of 1:3.”

CCR, Title 17, Section 57500(a) states:

“(a) The methodology for computing permanent payment rates is based on program, cost, vendor income, and as applicable, regional center payment information submitted by all vendors receiving permanent payment rates. The Department shall use each vendor's program, cost, vendor income, and as applicable, regional center payment information to establish that vendor's permanent payment rate pursuant to this methodology.”

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.”

Recommendation:

SG/PRC must reimburse to DDS the overpayments totaling \$260,154.34.

Finding 2: Equipment Inventory

The sampled review of 30 items selected from SG/RC's inventory listing revealed one iPad, State tag number 00385142 is missing. In addition, SG/PRC did not adjust and reconcile its physical inventory records after the physical count of the equipment inventory was completed. SG/PRC indicated that it was not aware that an adjustment and reconciliation of the records after the physical count of the equipment was required.

State Contract between DDS and SG/PRC, Article IV, Section 4(a) states:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. Contractor shall comply with the State's Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”

State’s Equipment Management System Guidelines, Section III, F. Inventory of State-Owned Equipment states in part:

“The inventory will be conducted per State Administrative Manual (SAM) Section 8652.”

State Administrative Manual, Section 8652(3)(a) and (b) states in part:

“Agencies/Departments will make a physical count of all property and reconcile the count with accounting records at least once every three years. Inventory counting does not need to be performed at one time for an entire agency’s/department's capital assets/property. Agencies/departments may take a rotating inventory according to an inventory calendar.

Inventory Plan

Agencies/departments are responsible for developing and carrying out an inventory plan which will include:

3. Reporting and Approval of Inventory Adjustments;
 - a. Adjustment and reconciliation of the records will take place after the physical count has been completed.
 - b. Review and approval of all inventory adjustments will be made by the agency/department director or the director's designee. This review and approval will be documented on a Property Inventory Listing Adjustment Sheet (Std. Form 157).”

Recommendation:

SG/PRC must locate the missing iPad. If the iPad cannot be located, SG/PRC must take proper measures and complete form Std.152, as required by State's Equipment Management System Guidelines. In addition, SG/PRC should ensure its staff are properly trained to ensure compliance with the State's Equipment Management System Guidelines.

Finding that has been addressed and corrected.

Finding 3: Vendor Files not Reviewed Biennially

The review of 134 sampled POS vendor files revealed SG/PRC could not provide documentation indicating that DS1891 forms and exclusion search results for 37 sampled vendors were reviewed biennially. This occurred due to an oversight on SG/PRC's part. These forms are to be reviewed to ensure information in the vendor file is current, complete and accurate.

SG/PRC took corrective action by providing updated DS1891 and exclusion search results for the 37 vendors.

CCR, Title 17, Section 54332(a)(1) and (b)(1) states:

“(a) The vendoring regional center shall maintain a file for each vendor which includes copies of:

(1) The vendor application as described in Section 54310(a) of these regulations;”

(b) Regional centers shall review, at least biennially or sooner upon notification by the Department of Developmental Services, Department of Health Care Services, or any governing licensing or certification board or entity, all vendor files maintained by the regional center to determine that:

(1) The information required for vendorization is current, completed and accurate.”

Applicant/Vendor Disclosure Statement General Instructions states:

“Every applicant or vendor must complete and submit a current Applicant/Vendor Disclosure Statement, DS 1891 (disclosure statement) as part of a complete application packet for vendorization or upon request of the vendoring regional center.”

Recommendation:

SG/PRC must review the vendor files at least biennially to ensure the information required for vendorization is current, complete and accurate.

EVALUATION OF RESPONSE

As part of the audit report process, SG/PRC was provided with a draft audit report and requested to provide a response to the findings. SG/PRC's response dated July 14, 2022, is provided as Appendix A.

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

Findings that need to be addressed.

Finding 1: Overpayments Due to Incorrect Rates

SG/PRC stated it discontinued the 1:1 and 1:2 ratios immediately after it was notified of the issue and submitted health and safety request to DDS on June 29, 2022, for the 1:1 and 1:2 ratios to meet the needs of the individuals attending Arroyo Developmental Services. DDS received SG/PRC's health and safety request and approved the rates for the individual consumers for FYs 2019-20 and 2020-21 in August 2022, but did not approve the rates for FYs 2016-17, 2017-18 and 2018-19. Therefore, the overpayments still remaining is \$260,154.34.

Finding 2: Equipment Inventory

SG/PRC concurs with the finding and stated it has installed a barcoding system to facilitate the physical inventory reporting, which will then be reconciled with SG/PRC's master equipment inventory. In addition, SG/PRC provided documentation indicating the one missing iPad was surveyed but did not provide documentation indicating the item was removed from the inventory listing; therefore, DDS will follow up on this issue during the next scheduled audit.

ATTACHMENT A

SAN GABRIEL/POMONA REGIONAL CENTER

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

Appendix A

SG/PRC'S 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.