# AUDIT OF THE
# GOLDEN GATE REGIONAL CENTER
# FOR FISCAL YEARS 2018-19 AND 2019-20

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**Department of Developmental Services**

**October 27, 2023**

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# EXECUTIVE SUMMARY

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

The audit period was July 1, 2018, through June 30, 2020, with follow-up, as needed, into prior and subsequent periods. This report identified an area where GGRC's administrative and operational controls could be strengthened, but the finding was not of a nature that would indicate systemic issues or constitute major concerns regarding GGRC's operations.

**Finding that needs to be addressed.**

**Finding 1: <u>Overpayments Due to Rate Increases</u>**

The sampled review of 128 POS vendor files revealed GGRC issued higher rates for three of its Family Home Agency (FHA) vendors, Service Code 904, than the Community Care Facility (CCF) rate model set by DDS. This resulted in apparent overpayments to the three vendors totaling $4,316,351.98 from July 2015 through March 2021. This would not in compliance with W&I Code, Sections 4681.1(a), 4689.1(7)(B) and CCR, Title 17, Section 56082(b)(1).

Based on further analysis of GGRC's response to the draft audit report, DDS will not seek reimbursement of these apparent overpayments.

# 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 Golden Gate Regional Center, Inc. entered into State Contract HD099006, effective July 1, 2014, through June 30, 2021. This contract specifies that Golden Gate Regional Center, Inc., will operate an agency known as GGRC to provide services to individuals with DD and their families in Marin, San Francisco, and San Mateo Counties. The contract is funded by state and federal funds that are dependent upon GGRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted remotely from February 22, 2021, through April 2, 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 GGRC.

## 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 GGRC, effective July 1, 2014.

## AUDIT PERIOD

The audit period was July 1, 2018, through June 30, 2020, 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 GGRC.

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

DDS' review of GGRC'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) 2018-19 and 2019-20, issued on November 26, 2019 and November 18, 2020. It was noted that no management letters were issued for GGRC. 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 GGRC. 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 GGRC.

- DDS analyzed all of GGRC'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 GGRC'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 GGRC'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 GGRC's Rate Study. DDS examined the months of April 2019 and May 2020 and traced the reported information to source documents.

- Reviewed GGRC'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 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 GGRC 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 GGRC 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 GGRC 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 GGRC 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 GGRC implemented the required RFP process, DDS performed the following procedures during the audit review:

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

- Reviewed sample vendor files to determine whether GGRC is using appropriately vendorized service providers and correct service codes, and that GGRC 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 GGRC 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 GGRC 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 GGRC'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;

- Self Determination; and

- CalFresh.

## XII. Follow-up Review on Prior DDS Audit Findings

A follow-up review was not conducted since DDS did not identify any findings in the prior audit report.

# CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the item identified in the Finding and Recommendation section, GGRC 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 GGRC for the audit period, July 1, 2018, through June 30, 2020.

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

# VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on January 27, 2023. The finding in the draft audit report were discussed at a formal exit conference with GGRC on February 2, 2023. The views of GGRC'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 GGRC. This restriction does not limit distribution of this audit report, which is a matter of public record.

# FINDING AND RECOMMENDATION

**Finding that needs to be addressed.**

**Finding 1: <u>Overpayments Due to Rate Increases</u>**

The sampled review of 128 POS vendor payments revealed GGRC issued higher rates for three of its FHA vendors (California Mentor Family, Golden State Residential and Leveraging Equal Access, Vendor Numbers PG1548, H89124, and HG0039, respectively) for Service Code 904 than the CCF rate set by DDS. This resulted in apparent overpayments to the three vendors totaling $4,316,351.98 from July 2015 through March 2021. GGRC explained that, based on its interpretation of the regulations, it was allowed to utilize rates that exceeded those of the CCFs to protect the consumers' health and safety, because "not all individuals served by the regional centers and the department have needs that may be met by the Level 1 to 4I homes." (See Attachment A)

Based on further analysis of GGRC's response to the draft audit report, DDS will not seek reimbursement of the apparent overpayments.

W&I Code, Section 4689.1(7)(B) states:

> "Regional center reimbursement to family home agencies for services in a family home shall not exceed rates for similar individuals when residing in other types of out-of-home care established pursuant to Section 4681.1."

W&I Code, Section 4681.1(a) states:

> "The department shall adopt regulations that specify rates for community care facilities serving persons with developmental disabilities. The implementation of the regulations shall be contingent upon an appropriation in the annual Budget Act for this purpose. These rates shall be calculated on the basis of a cost model designed by the department that ensures that aggregate facility payments support the provision of services to each person in accordance with his or her individual program plan and applicable program requirements."

CCR, Title 17, Section 56082 (b) also states:

> "Regional center reimbursement to FHAs shall not exceed rates for similar individuals when residing in other types of out-of-home care established pursuant to Welfare and Institutions Code Section 4681.1.
>
> (1) The FHA shall ensure that family homes receive a sufficient portion of the rate of reimbursement to provide the services and supports specified in a consumer's IPP."

**Recommendation:**

GGRC must follow W&I Code Section 4681.5, or seek approval from DDS for any rate increase that may be required in the future. DDS notes that recent rate increases have mooted this particular issue relative to the three vendors.

# EVALUATION OF RESPONSE

As part of the audit report process, GGRC was provided with a draft audit report and requested to provide a response to the finding. GGRC's response dated March 1, 2023, is provided as Appendix A.

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

**Finding 1: Overpayments Due to Rate Increases**

GGRC stated in its response that as of August 2018, all its FHAs had rates established for up to seven tiers. The first five tiers were tied to the ARM rates, while FHA Tiers six and seven rates are based on the 2016 median rate cap for Miscellaneous Service Code 113. In implementing this structure, GGRC indicated that it reimbursed the three FHAs for amounts that exceeded the Level 4I ARM rates, but did not exceed negotiated rates for residential care under Service Code 113. In addition, GGRC stated that it determined the rates of payment to the FHAs by adopting the same rates for similar individuals who resided in CCFs. GGRC also stated that these rates are justified and sustainable for the applicable consumers' level of behavioral, health and wellness support, whose needs cannot be met with lower tiers.

GGRC explained in its response that based on its legal interpretation of the regulations, it was allowed to utilize rates that exceeded those of the CCFs since "not all individuals served by the regional centers and the department have needs that may be met by the Level 1 to 4I homes and by regulation FHAs cannot accommodate more than two consumers." Therefore, GGRC is requesting DDS to fully rescind its overpayment finding. GGRC states that even if DDS disagrees with the GGRC legal rationale, it should reduce the overpayment from $4,316,351.98 to $1,439,639.50 as DDS calculated the overpayments utilizing the CCF rate for five bed facilities rates rather than the one to four bed rate. GGRC also indicated that DDS calculated the overpayments commencing in 2015, which is outside the scope of the audit.

DDS disagrees with GGRC's legal explanation provided in its response and stands by its finding that GGRC issued rates for three FHAs that were higher than the CCF rate model set by DDS. As indicated in its response, GGRC created Tier six and seven and reimbursed the FHAs even though W&I Code, Section 4689.1(7)(B), states "Regional center reimbursement to family home agencies for service in a family home shall not exceed rates for similar individuals when residing in other types of out-of-home care. . ." In addition, per W&I Code 4681.1(a), "… these rates shall be

calculated on the basis of a cost model designed by the department that ensures that aggregate facility payments support the provision of services to each person in accordance with his or her individual program plan and applicable program requirements."

However, the rates did not adhere to these requirements, and there are no regulations allowing Regional Centers to negotiate with the FHA vendors for consumers needing services in excess of the Alternative Residential Model (ARM) service levels, GGRC should have sought guidance from DDS prior to creating and implementing their new tier levels and requested Regional Center Alternatives for Service Delivery pursuant to W&I Code, Sections 4669.2 and 4669.75 (known as an "AB 637 waiver") for DDS' approval prior to implementation. This would have allowed GGRC to develop an alternative innovative means of providing the needed services, while being compliant with statute.

Alternatively, GGRC could have vendored the FHAs for the additional services separately as a supplement to the FHA services. GGRC did not choose either option therefore, DDS will not rescind the finding. Also, DDS took into consideration the new statute enacted 2023, which states, "Regional center reimbursement to family home agencies for services in a family home shall not exceed rates established pursuant to subdivision (b) of Section 4681.5 for individuals who reside in a community care facility, as defined in Section 1502 of the Health and Safety Code, vendored for four beds or fewer." Since the rates for Tiers 6 and 7 are currently lower or equivalent to the ARM Level 4I four-bed threshold amount and are no longer out of compliance, DDS will not seek the apparent overpayment totaling $4,316,351.98 paid to the vendors from July 2015 through March 2021. DDS recommends that GGRC follow W&I Code, Section 4681.5 or seek approval from DDS for any rate increase that may be required in the future.

# ATTACHMENT A

## GOLDEN GATE 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

## GGRC'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.**