AUDIT OF THE
SAN ANDREAS REGIONAL CENTER
FOR FISCAL YEARS 2017-18 AND 2018-19

Department of Developmental Services

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This audit report was prepared by the
California Department of Developmental Services
1600 Ninth Street
Sacramento, CA 95814

Pete Cervinka, Chief Deputy Director, Data Analytics and Strategy
Vicky Lovell, Chief, Research, Audit, and Evaluation Branch
Edward Yan, Manager, Audit Section
Luciah Ellen Nzima, Chief, Regional Center Audit Unit
Staci Yasui, Supervisor, Regional Center Audit Unit

Audit Staff: Andrew Quok, Diosdado Agustin and Wilson Chau

For more information, please call: (916) 654-3695

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of San Andreas Regional Center (SARC) to ensure SARC 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 SARC 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 SARC'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 SARC's operations. A follow-up review was performed to ensure SARC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: <u>Payments for Unoccupied Beds</u> (Repeat)

The sample review of 92 Purchase of Service (POS) vendor files revealed SARC continued to reimburse the seven vendors identified in the prior audit for unoccupied beds. SARC stated that it authorized the reimbursement in order to accommodate consumers with behavioral, health and safety issues who had difficulties sharing a room with another consumer. However, SARC did not request Health and Safety Waivers from DDS for these consumers to allow for the additional payments. This resulted in overpayments totaling $510,165.21 from July 2017 through June 2019 for the unoccupied beds. This is not in compliance with the W&I Code, Section 4691.9(a)(1).

Finding 2: <u>Duplicate Payments and Overlapping Authorizations</u>

The review of the Operational Indicator Reports revealed SARC overclaimed expenses to the State totaling $791.79 for four vendors. These overpayments were due to duplicate payments and/or overlapping authorizations. This is not in compliance with CCR, Title 17, Section 57300(c)(2).

Finding 3: **Family Cost Participation Program**

A. Late Assessments (Repeat)

The sample review of 20 Family Cost Participation Program (FCPP) consumer files revealed four instances in which SARC did not assess the families' share of cost participation as part of the consumers' Individualized Program Plan (IPP) or Individualized Family Service Plan (IFSP) review. This issue was identified in the three prior audit reports. This is not in compliance with W&I Code, Section 4783(g)(1)(A)(B)(C).

B. Payments Above the Share of Cost

The review of the FCPP consumer files revealed SARC paid above the share of cost for three of the 20 sampled consumers participating in this program. This resulted in overpayments totaling $4,274.86 from July 2017 through September 2019, for two vendors who provided services to the three consumers. This is not in compliance with CCR, Title 17, Section 50255(a).

Finding 4: **Sensitive Equipment**

The review of the equipment inventory listing and a discussion with SARC staff revealed that SARC did not maintain adequate controls over some sensitive items that are prone to theft/loss or misuse. This was also identified in SARC's annual independent financial report. It was noted that 34 smartphones were not tagged with a DDS issued barcode tag. In addition, these items were not listed in the inventory list which includes the serial number, acquisition date and original cost. This is not in compliance with State Contract, Article IV, Section 4(a), State's Equipment Management System Guidelines, Section III(C), (D), (E) and (F) and State Administrative Manual (SAM), Sections 8600 and 8603.

SARC took corrective action by providing a revised inventory listing which reflected the 34 smartphones and their corresponding serial number, acquisition date, and original cost; therefore, this issue is considered resolved.

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 San Andreas Regional Center Inc., entered into State Contract HD149016, effective July 1, 2014, through June 30, 2021. This contract specifies that San Andreas Regional Center Inc., will operate an agency known as the San Andreas Regional Center (SARC) to provide services to individuals with DD and their families in Monterey, San Benito, Santa Clara and Santa Cruz Counties. The contract is funded by state and federal funds that are dependent upon SARC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SARC and remotely from March 9, 2020, through August 27, 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 SARC.

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 SARC, 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 SARC.

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

DDS' review of SARC'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) 2017-18 and 2018-19, issued on November 18, 2018 and November 4, 2019. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures. It was noted that a management letter was issued for FY 2017-18, which identified two equipment issues. One issue was resolved, and the other issue remains unresolved but is addressed in Finding 5 of this report.

The audit procedures performed included the following:

I. Purchase of Service

DDS selected a sample of 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 SARC. 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 SARC.

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

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

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

- Reviewed the contracts to ensure that SARC 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 SARC 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 SARC 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 SARC'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 SARC'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 SARC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

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

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 SARC and reviewed supporting documentation to determine the degree of completeness of SARC'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, SARC 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 SARC 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 10 prior audit findings, it has been determined that SARC has taken appropriate corrective action to resolve eight of the 10 prior audit findings.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on February 2, 2021. The findings in the draft audit report were discussed at a formal exit conference with SARC on February 11, 2020. The views of SARC'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 SARC. 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>Payments for Unoccupied Beds</u> (Repeat)

The sample review of 92 POS vendor files revealed SARC continued to reimburse seven vendors identified in the prior audit for unoccupied beds when rooms were occupied by one instead of two consumers. SARC stated that this occurred because these consumers could not be placed in a shared room due to behavioral, health and safety issues. In order to offset the vendors' lost revenue, SARC supplemented these vendors with an additional payment for the unoccupied bed under Subcode "EXTRA." However, SARC did not request a Health and Safety Waiver from DDS for the affected consumers. This resulted in overpayments totaling $510,165.21 from July 2017 through June 2019 for the unoccupied beds. SARC stopped paying for unoccupied beds as of July 2019. (See Attachment A)

W&I Code, Section 4691.9(a)(1) states:

> "(a) Notwithstanding any other law or regulation, commencing July 1, 2008:
>
> (1) A regional center shall not pay an existing service provider, for services where rates are determined through a negotiation between the regional center and the provider, a rate higher than the rate in effect on June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008, or the regional center demonstrates that the approval is necessary to protect the consumer's health or safety and the department has granted prior written authorization."

Recommendation:

SARC must reimburse DDS for the overpayments totaling $510,165.21.

Finding 2: <u>Duplicate Payments and Overlapping Authorizations</u>

The review of the Operational Indicator Reports revealed SARC overclaimed expenses totaling $791.19 for four vendors. These overpayments were due to duplicate payments and/or overlapping authorizations. (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."

Recommendation:

SARC must reimburse to DDS a total of $791.79 in overpayments to the four vendors due to duplicate payments/overlapping authorizations.

Finding 3: **<u>Family Cost Participation Program</u>**

A. <u>Late Assessments</u> (Repeat)

The sample review of 20 FCPP consumer files revealed four instances in which SARC did not assess the families' share of cost participation as part of the consumers' IPP or IFSP. This issue was identified in the three prior audit reports. SARC stated that it trained its case management staff and FCPP Administrator to ensure assessments are completed timely; however, this issue continues to reoccur. (See Attachment C)

W&I Code, Section 4783(g)(1)(A)(B)(C) states:

"(g) Family cost participation assessments or reassessments shall be conducted as follows:

(1)(A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.

(B) A regional center shall assess the cost participation for parents of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.

(C) Reassessments for cost participation shall be conducted as part of the individual program plan or individual family service plan review pursuant to subdivision (b) of Section 4646 of this code or subdivision (f) of Section 95020 of the Government Code."

Recommendation:

SARC must continue to reinforce the training it has provided to its case management staff and FCPP Administrator on completing the assessments timely to prevent this issue from recurring.

B. Payments Above the Share of Cost

The review of the FCPP consumer files revealed SARC paid above the share of cost for three of the 20 sampled consumers participating in this program. The share of cost should have been the responsibility of the consumers' families. This resulted in overpayments totaling $4,274.86 from July 2017 through September 2019 to two vendors who provided services to the three consumers. (See Attachment D)

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

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

Recommendation:

SARC must reimburse the $4,274.86 in overpayments that resulted from incorrectly paying for the families' share of cost.

Finding 4: Sensitive Equipment

The review of the equipment inventory listing and a discussion with SARC staff revealed SARC did not maintain adequate controls over some of its sensitive items that are prone to theft/loss or misuse. It was noted that 34 smartphones were not tagged with a DDS issued barcode tag. In addition, these items were not listed in the inventory list which includes the serial number, acquisition date, and original cost. SARC stated it was unaware that the smartphones are considered sensitive equipment. This issue was also identified in SARC's annual independent financial report.

SARC took corrective action by providing a revised inventory listing which reflected the 34 smartphones and their corresponding serial number, acquisition date, and original cost; therefore, this issue is considered resolved.

State Contract, Article IV, Section 4(a) states in part:

> "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 (C)(1) and (D) states in part:

> "(C) All State-owned equipment must be promptly and clearly tagged as State of California, DDS' property. The RC Property Custodian will order supplies of appropriate tags as described below by the Customer Support Section (CSS).
>
> (1) 'Non-expendable equipment' and 'sensitive equipment,' as defined in Attachment A, will be tagged with a DDS-issued, bar-code tag and entered onto the RC property records as described in D below . . ."
>
> (D) A record of state-owned, nonexpendable equipment and sensitive equipment shall be maintained by the RC Property Custodian in a format that includes the following information: description of the equipment item, the location (e.g., RC office or room number), the state I.D. tag number, the serial number (if any), the acquisition date, and the original cost."

State's Equipment Management System Guidelines, Section IV states:

> "RCs will follow standard accounting guidelines as described in SAM Section 8600 et seq."

SAM, Sections 8603, Non-Capitalized Property states:

> "Departments will maintain adequate control over sensitive and high-risk items, which are prone to theft/loss, misuse, and may contain sensitive data. Examples of sensitive and high-risk items are:

Computers, printers, scanners
Smartphones, tablets, and other hand held devices
Device or media capable of storing or processing information
TVs, audio visual equipment, cameras
Weapons, power tools
Works of art
Software”

Recommendation:

SARC must follow the State Equipment Management Guidelines and SAM to ensure all state-owned sensitive equipment is tagged with a state ID tag number and properly recorded in the inventory list.

EVALUATION OF RESPONSE

As part of the audit report process, SARC was provided with a draft audit report and requested to provide a response to the findings. SARC's response dated March 26, 2021, is provided as Appendix A.

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

Finding 1: Payments for Unoccupied Beds (Repeat)

SARC stated it continues to dispute this finding for the reasons stated in the response to the prior DDS audit (FYs 2015-16 and 2016-17) and requests this finding be dismissed. SARC explained that the challenging individuals were languishing in their settings due to the lack of appropriate services in the community and that the providers provided staffing and supervision to stabilize the individuals in their setting to maintain placement in the community in the least restrictive and cost effective manner. In addition, SARC explained that this finding will be a disservice to SARC and its consumers in the long run which will affect the quality of case management support. Lastly, SARC reiterated that it ceased paying for unoccupied beds and all future considerations for unoccupied bed payments will be done through the Health and Safety process.

Therefore, as indicated in the prior audit, DDS' stance remains the same and recommends SARC reimburse DDS for the overpayments totaling $510,165.21.

Finding 2: Duplicate Payments and Overlapping Authorizations

SARC agreed to reimburse DDS $791.79 in vendor overpayments due to duplicate payments/overlapping authorizations.

Finding 3: Family Cost Participation Program

A. Late Assessments (Repeat)

SARC stated it will review and revise its FCPP policies and procedures and train staff to ensure the letters go out in a timely manner to comply with the regulations and will ensure authorizations are entered correctly. In addition, SARC requested DDS to revise verbiage from the recommendation that casts a negative light on the work that SARC strives to do. DDS has revised the wording.

B. Payments Above the Share of Cost

SARC agreed to reimburse DDS $4,274.86 in overpayments which resulted from incorrectly paying for the families' share of cost.

Finding 4: Sensitive Equipment

SARC stated it has instructed its staff of the equipment requirements and has tagged the 34 smartphones with a state ID tag number. In addition, SARC provided their revised inventory listing which reflects the addition of the smartphones and their corresponding serial number, acquisition date, and original cost; therefore, this issue is considered resolved.

ATTACHMENT A - D

SAN ANDREAS 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

SARC'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.