

**DEPARTMENT OF DEVELOPMENTAL SERVICES**

1600 NINTH STREET, Room 320, MS-3-9  
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TTY (916) 654-2054 (For the Hearing Impaired)  
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EXECUTIVE OFFICE



MAR 26 2019

A handwritten signature in black ink, appearing to be "JDS".

March 13, 2019

David Hadacek, Board President  
San Diego-Imperial Counties Developmental Services, Inc.  
4355 Ruffin Road, Suite 200  
San Diego, CA 92123-1648

Dear Mr. Hadacek:

The Department of Developmental Services' (DDS) Audit Section has completed the audit of the San Diego Regional Center (SDRC). The period of review was from July 1, 2014 through June 30, 2016, with follow-up as needed into prior and subsequent periods. The enclosed report discusses the areas reviewed along with the findings and recommendations. The audit report includes the response submitted by SDRC as Appendix A and DDS' reply on page 29.

If there is a disagreement with the audit finding, a written "Statement of Disputed Issues" may be filed with DDS' Audit Appeals Unit, pursuant to California Code of Regulations (CCR), Title 17, Section 50730, Request for Administrative Review (excerpt enclosed). The "Statement of Disputed Issues" must be filed and submitted within 30 days of receipt of this audit report to the address below:

Department of Developmental Services  
Audit Appeals Unit  
Attn: John Doyle, Chief Deputy Director  
1600 Ninth Street, Room 240, MS 2-13  
Sacramento, CA 95814

The cooperation of SDRC's staff in completing the audit is appreciated.

Your invoice for the total amount of \$35,855.79 from the current audit findings is enclosed. When making payments to DDS, please refer to the invoice number to ensure that proper credit is given. If you have any questions regarding the payment process, please contact Dianne Gonzales, Manager, Accounting Section, at (916) 654-2987.

**"Building Partnerships, Supporting Choices"**

David Hadacek, Board President  
March 13, 2019  
Page two

If you have any questions regarding the audit report, please contact Edward Yan,  
Manager, Audit Section, at (916) 651-8207.

Sincerely,



LEEANN CHRISTIAN  
Deputy Director  
Community Services Division

Enclosures

cc: Carlos Flores, SDRC  
Mike Bell, SDRC  
Jim Burkhardt, DHCS  
Brian Winfield, DDS  
Patti Mericantante, DDS  
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Luciah Ellen Nzima, DDS  
Soi Ly, DDS

**State of California**  
**DEPARTMENT OF DEVELOPMENTAL SERVICES**  
 1600 9th Street  
 Sacramento, CA 95814

David Hadacek, Board President  
 San Diego-Imperial Counties Developmental Services, Inc.  
 4355 Ruffin Road, Suite 200  
 San Diego, CA 92123

INVOICE No. **12869**

Date **March 13, 2019**

**Headquarters**

Please return copy of Invoice with your remittance and make payable to:

DEPARTMENT OF DEVELOPMENTAL SERVICES  
 1600 9th Street, Room 310, MS 3-7  
 Sacramento, CA 95814  
 Attn: Diane Gonzales, Chief, Accounting Section



**For:** Per final audit report dated March 13, 2019, please reimburse the Department of Developmental Services for the unresolved overpayment of \$35,855.79 for the period July 1, 2014 through June 30, 2016.

**Amount Due .....**

**\$ 35,855.79**

**DDS ACCOUNTING OFFICE ONLY:**

FY	Vendor	Curr Doc	Rptg Structure	Svc Loc	Program	Amount	Approp Ref.	Fund
14/15 & 15/16	0000064455	INV12869	4300H998	96000	9910	\$35,855.79	101	0001

**California Code of Regulations**  
**Title 17, Division 2**  
**Chapter 1 - General Provisions**  
**Subchapter 7 - Fiscal Audit Appeals**  
**Article 2 - Administrative Review**

**§50730. Request for Administrative Review.**

a) An individual, entity, or organization which disagrees with any portion or aspect of an audit report issued by the Department or regional center may request an administrative review. The appellant's written request shall be submitted to the Department within 30 days after the receipt of the audit report. The request may be amended at any time during the 30-day period.

(b) If the appellant does not submit the written request within the 30-day period, the appeals review officer shall deny such request, and all audit exceptions or findings in the report shall be deemed final unless the appellant establishes good cause for late filing.

(c) The request shall be known as a "Statement of Disputed Issues." It shall be in writing, signed by the appellant or his/her authorized agent, and shall state the address of the appellant and of the agent, if any agent has been designated. An appellant shall specify the name and address of the individual authorized on behalf of the appellant to receive any and all documents, including the final decision of the Director, relating to proceedings conducted pursuant to this subchapter. The Statement of Disputed Issues need not be formal, but it shall be both complete and specific as to each audit exception or finding being protested. In addition, it shall set forth all of the appellant's contentions as to those exceptions or findings, and the estimated dollar amount of each exception or finding being appealed.

(d) If the appeals review officer determines that a Statement of Disputed Issues fails to state the grounds upon which objections to the audit report are based, with sufficient completeness and specificity for full resolution of the issues presented, he/she shall notify the appellant, in writing, that it does not comply with the requirements of this subchapter.

(e) The appellant has 15 days after the date of mailing of such notice within which to file an amended Statement of Disputed Issues. If the appellant does not amend his/her appeal to correct the stated deficiencies within the time permitted, all audit exceptions or findings affected shall be dismissed from the appeal, unless good cause is shown for the noncompliance.

(f) The appellant shall attach to the Statement of Disputed Issues all documents which he/she intends to introduce into evidence in support of stated contentions. An appellant that is unable to locate, prepare, or compile such documents within the appeal period specified in Subsection (a) above, shall include a statement to this effect in the Statement of Disputed Issues. The appellant shall have an additional 30 days after the expiration of the initial 30-day period in which to submit the documents. Documents that are not submitted within this period shall not be accepted into evidence at any stage of the appeal process unless good cause is shown for the failure to present the documents within the prescribed period.



**AUDIT OF THE  
SAN DIEGO REGIONAL CENTER  
FOR FISCAL YEARS 2014-15 AND 2015-16**

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**Department of Developmental Services  
March 13, 2019**

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

Patti Mericantante, Deputy Director, Administrative Division  
Vicky Lovell, Chief, Research, Audit, and Evaluation Branch  
Edward Yan, Manager, Audit Section  
Luciah Ellen Nzima, Chief, Regional Center Audit Unit  
Soi Ly, Supervisor, Regional Center Audit Unit

Audit Staff: Nestor Tuazon, Dong Le, and Shoua Vue

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

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## EXECUTIVE SUMMARY

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

The audit period was July 1, 2014, through June 1, 2016, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where SDRC'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 SDRC's operations. A follow-up review was performed to ensure SDRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

### Findings to be addressed.

#### **Finding 1: Unsupported Consultant Payments**

SDRC did not provide the contracts or invoices to support payments made to two consultants, Terrance Jew, Vendor Number 9832, and Denise Anderson, Vendor Number 10429, for Fiscal Years (FYs) 2014-15 and 2015-16, resulting in \$182,577.10 of unsupported billings. This is not in compliance with State Contract, Article IV, Section 3 (a) & (b).

SDRC subsequently provided the consultant contracts and invoices to resolve this issue.

#### **Finding 2: Rate Increase After the Rate Freeze - Transportation (Repeat)**

The sample review of 114 Purchase of Service (POS) vendors revealed that SDRC continued to reimburse Faustino Moises Martinez, Vendor Number HQ0334, Service Code 875, at a rate higher than the rate which was in effect as of June 30, 2008. This resulted in overpayments totaling \$35,855.79 from July 2015 through August 2016. This issue was also identified in the prior audit. This is not in compliance with W&I Code, Section 4648.4(b)(2).



**Finding 3: Self Determination - Exceeded Budget**

The review of payments for SDRC's two Self Determination Program consumers revealed the payments for services exceeded the consumers' Self Determination budgets. This resulted in overpayments totaling \$1,076.68. SDRC stated this occurred because the service coordinators applied the remaining funds from the prior fiscal year's budget for the current fiscal year's services. This is not in compliance with W&I Code, Section 4685.8(d)(3)(D).

**Finding 4: Overstated Claims - Duplicate Payment/Overlapping Authorizations**

The sample review of SDRC's Operational Indicator Reports revealed 67 instances where SDRC over-claimed expenses to the State totaling \$68,882.29. The overpayments were due to duplicate payments and/or overlapping authorizations. SDRC corrected \$68,080.93 during fieldwork for the audit. One instance of an overpayment totaling \$801.36 is still outstanding to California St-Wayfinders ILP, Vendor Number HC0899, Service Code 520. This is not in compliance with CCR, Title 17, Section 54326(a)(10).

**Finding 5: Family Cost Participation Program - Late Assessments (Repeat)**

The sample review of 20 Family Cost Participation Program (FCPP) consumer files revealed SDRC did not assess the parent's share of cost participation as part of the consumer's Individual Program Plan (IPP) or Individualized Family Service Plan (IFSP) review for four consumers. The assessments were completed more than 30 days after the signing of the IPP or IFSP. This is not in compliance with W&I Code, Section 4783(g)(A)(B)(C).

**Finding 6: Expenses Did Not Match to the Year-End General Ledger (Repeat)**

The review of the Targeted Case Management (TCM) Rate Study worksheets for April 2015 and April 2016 revealed the expenses included in the Administrative Survey - Computation of Applicable Operating Expenses (Attachment B) did not reconcile to the Year-End General Ledger. SDRC over and under reported expenses on the rate study totaling \$330,983.67 and \$126,143.86, respectively, for April 2015, and \$383,538.75 and \$404,307.31, respectively, for April 2016. This is not in compliance with DDS' Instructions for the TCM Rate Study.

**Finding 7: Targeted Case Management Time Study - Recording of Attendance**

The sample review of 20 TCM Time Study forms (DS 1916) revealed three employees had vacation and sick hours recorded on their payroll time sheets that did not properly reflect the hours recorded on the

DS 1916 forms. This resulted in 7.5 overstated hours on the TCM Time Study. This is not in compliance with the TCM Rate Study Process and Instructions from DDS.

**Finding 8: Policies and Procedures for Vendor Audits and Reviews (Repeat)**

The review of SDRC's list of 194 vendors who were required to contract with an independent accounting firm for an audit or review of its financial statements revealed that 162 vendors did not submit an audit or review for FY 2013-14 and 2014-15. It was found that SDRC does not have procedures in place to follow up with vendors who have not submitted the required audit report or review. This is not in compliance with W&I Code, Section 4652.5(a)(1)(A)(B) and (b).

**Finding 9: Missing Documentation**

**A. HCBS Forms**

The sample review of 114 POS vendor files revealed SDRC was not able to provide the HCBS Provider Agreement form for TMI Intensive Family, Vendor Number H50129, Service Code 102, and Fred Finch Youth Center, Vendor Number HQ0332, Service Code 115. This is not in compliance with CCR, Title 17, Section 54332(a)(8).

**B. Contract and Rate Letters**

The sample review of 114 POS vendor files revealed that SDRC was unable to provide the rate letters for three vendors: Behavior Therapy, Vendor Number P22331, Service Code 620; Associate Speech Pathologist, Vendor Number H27267, Service Code 116; and Larry Corrigan, Vendor Number P21799, Service Code 625. This is not in compliance with CCR, Title 17, Section 54332(a)(7), and the State Contract, Article IV, Section 3 (a) and (b).

**C. Insurance Policies**

SDRC did not provide copies of its insurance policies for review. Without the policies, it could not be determined whether SDRC obtained the insurance coverages required per its contract with DDS. SDRC stated that it was overwhelmed by its current workload and could not provide to DDS the insurance policies and the invoices for FYs 2014-15 and 2015-16. This is not in compliance with the State Contract, Article III, Section 12, and Article IV, Section 3 (a) and (b).

**Finding 10: Bank Signature Cards – Lack of Signature Authority**

SDRC's bank accounts lacked current DDS' management signatory authority. SDRC acknowledged it does not have current signature cards on file for the bank accounts. This is not in compliance with State Contract, Article II, Section 3(f) and (g).

**Finding 11: Deleted**

This finding has been deleted based on supplemental information provided by DDS' Community Development and Housing Section.

**Finding 12: Lack of Minutes for Closed Board Meetings**

SDRC does not record minutes of its closed Board sessions. SDRC stated that issues to be discussed in the closed Board sessions are documented on the agenda of the open Board meetings. This is not in compliance with the W&I Code, Article 3, Section 4663(b). |

## BACKGROUND

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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 Diego-Imperial Counties Developmental Services, Inc. entered into State Contract HD149017, effective July 1, 2014, through June 30, 2021. This contract specifies that San Diego-Imperial Counties Developmental Services, Inc. will operate an agency known as the San Diego Regional Center (SDRC) to provide services to individuals with DD and their families in Imperial and San Diego Counties. The contract is funded by state and federal funds that are dependent upon SDRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SDRC from November 7, 2016, through December 16, 2016, 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 SDRC.

## **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 SDRC, effective July 1, 2014.

## **AUDIT PERIOD**

The audit period was July 1, 2014, through June 30, 2016, with follow-up, as needed, into prior and subsequent periods.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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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 SDRC.

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

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

DDS reviewed the annual audit report that was conducted by an independent CPA firm for Fiscal Year (FY) 2014-15, issued on May 24, 2016. It was noted that no management letter was issued for SDRC. 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 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 SDRC. 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 SDRC.
- 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 SDRC'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 SDRC'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 SDRC'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 SDRC's Rate Study. DDS examined the months of March 2014 and April 2015 and traced the reported information to source documents.
- Reviewed SDRC'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**

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 SDRC 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 SDRC was paying for only its assessed share of cost.

**VII. Annual Family Program Fee**

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

- Reviewed SDRC'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 SDRC. 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 SDRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that SDRC 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 SDRC 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 SDRC 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 SDRC'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 SDRC's State Contract requirements, as amended.

**X. Statewide/Regional Center Median Rates**

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

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

- Reviewed sample vendor files to determine whether SDRC is using appropriately vendorized service providers and correct service codes, and that SDRC 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 SDRC 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 SDRC 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 SDRC's accounting staff were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- Start-Up Funds;
- CPP;
- Denti-Cal;
- Part C – Early Start Program;
- Self Determination; and
- Mental Health Services Act.

**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 SDRC and reviewed supporting documentation to determine the degree of completeness of SDRC's implementation of corrective actions.

## CONCLUSIONS

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Based upon the audit procedures performed, DDS determined that except for the items identified in the Findings and Recommendations section, SDRC 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 SDRC for the audit period, July 1, 2014, through June 30, 2016.

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

From the review of prior audit issues, it has been determined that SDRC has taken appropriate corrective action to resolve six out of the 10 prior audit issues.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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DDS issued the draft audit report on August 2, 2018. The findings in the draft audit report were discussed at a formal exit conference with SDRC on August 6, 2018. The views of SDRC's responsible officials are included in this final audit report.



## **RESTRICTED USE**

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This audit report is solely for the information and use of DDS, Department of Health Care Services, CMS, and SDRC. This restriction does not limit distribution of this audit report that is a matter of public record.

## FINDINGS AND RECOMMENDATIONS

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### Findings that need to be addressed.

#### **Finding 1: Unsupported Consultant Payments**

SDRC did not provide the contracts or invoices to support payments made to two consultants, Terrance Jew, Vendor Number 9832, and Denise Anderson, Vendor Number 10429, for FYs 2014-15 and 2015-16, resulting in \$182,577.10 of unsupported billings.

SDRC subsequently provided the consultant contracts and invoices to resolve this issue.

State Contract, Article IV, Section 3 (a) & (b) states in part:

Contractor shall keep records, as follows:

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract....
- b. The Contractor shall make available at the office of the Contractor at any time during the terms of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program."

#### **Recommendation:**

SDRC should adhere to the requirements set forth in the State Contract, Article IV, Section 3 (a) and (b). In addition, SDRC must retain all consultant contracts and invoices are retained, properly safeguarded, and readily available for review.

#### **Finding 2: Rate Increase After the Freeze (Repeat)**

The sample review of 114 POS vendors revealed that SDRC continued to reimburse Faustino Moises Martinez, Vendor Number HQ0334,

Service Code 875, at a rate higher than the rate that was originally in effect as of June 30, 2008. This issue was identified in the prior audit report. SDRC resolved the overpayments from the prior audit totaling \$183,832.41 by reimbursing DDS, but has not made adjustments to the rates paid to the vendor.

SDRC stated that the rate increase was based on a court order that required it to accommodate two consumers who have either disruptive behaviors or need out of area transportation of 50 miles or more. SDRC also stated that it has applied for health and safety waivers retroactively and that it would continue to pay the higher rate.

Since the rate increase has not been substantiated with any court orders and SDRC continues to pay the higher rate without an approved health and safety waiver from DDS, this resulted in overpayments totaling \$35,855.79 from July 2015 through August 2016. (See Attachment A)

W&I Code, Section 4648.4(b)(2) states, in part:

“(b) Notwithstanding any other provision of law or regulation, except for subdivision (a), no regional center may pay any provider of the following services or supports a rate that is greater than the rate that is in effect on or after 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:...

(2) Transportation, including travel reimbursement.”

**Recommendation:**

SDRC must reimburse to DDS a total of \$35,855.79 for the overpayments. In addition, SDRC should revert to the original payment terms of the contracts that were in place as of June 30, 2008, until a waiver for health and safety is approved by DDS.

**Finding 3: Self Determination - Exceeded Budget**

The review of payments for services provided to SDRC’s two Self Determination Program consumers revealed the payments exceeded the budgeted amounts for UCI 765214 by \$224 in FY 2014-15 and for UCI 6213611 by \$852.58 in FY 2015-16. This resulted in overpayments totaling \$1,076.68. SDRC stated this occurred because the service coordinators applied the remaining funds from the consumer’s prior fiscal year’s budget for the current fiscal year’s services.

W&I Code, Section 4685.8(d)(3)(D) states.

“(3) The participant agrees to all of the following terms and conditions:

- (d) The participant shall manage Self-Determination Program services and supports within his or her individual budget.”

State Contract, Article III, Section 4 states in part:

“Any funds which have not been encumbered for services provided or purchased during the term of the contract, shall revert to the State.”

**Recommendation:**

SDRC must reimburse to DDS the \$1,076.68 in payments made above the authorization. If a consumer needs additional services beyond what has been budgeted, SDRC should amend or create new authorizations to increase the consumer’s budget. In addition, SDRC must restate its expenses to the fiscal years in which the services were provided.

**Finding 4: Overstated Claims - Duplicate Payments/Overlapping Authorizations**

The sample review of SDRC’s Operational Indicator Reports revealed 67 instances where SDRC over-claimed expenses to the State totaling \$68,882.29. The overpayments were due to duplicate payments and/or overlapping authorizations. SDRC corrected \$68,080.93 during fieldwork for the audit, but one instance of an overpayment totaling \$801.36 to California St-Wayfinders ILP, vendor number HC0899, service code 520, Authorization # 15430357 still remains outstanding.

CCR, Title 17, Section 54326(a)(10) states in pertinent part:

“(a) All vendors shall...

- (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

**Recommendation:**

SDRC must reimburse to DDS the \$801.36 for the overpayment due to duplicate payments. In addition, SDRC should closely monitor the Operational Indicator Reports to ensure any payment errors are identified and corrected in a timely manner.

**Finding 5: Family Cost Participation Program - Late Assessments (Repeat)**

The sample review of 20 FCPP consumer files revealed four instances where SDRC did not assess the parent's share of cost participation as part of the consumer's IPP or IFSP review. The assessments were completed 30 days or more after the signing of the IPP or IFPS. SDRC stated that due to a lack of staff resources, assessments are completed in weekly batches. This issue was identified in the prior audit report. In its response, SDRC agreed with the recommendation to ensure that assessments are completed as part of the consumers' IPP or IFSP. (See Attachment B)

W&I Code, Section 4783(g)(1) 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:**

SDRC must discontinue the practice of completing assessments in batches. In addition, SDRC must reinforce its procedures to ensure consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review.

**Finding 6: Expenses Did Not Match to the Year-End General Ledger (Repeat)**

The review of the TCM Rate Study worksheets revealed discrepancies reported on Attachment B and SDRC's Year-End General Ledger for April 2015 and April 2016. SDRC over and under reported expenses on the rate

study totaling \$330,983.67 and \$126,143.86, respectively, for April 2015, and \$383,538.75 and \$404,307.31, respectively, for April 2016. This issue was identified in the prior audit report and although SDRC stated in its response that it would ensure expenses reported on the Rate Study reconcile to actual expenses reported on the Year-End General Ledger, SDRC has not corrected this issue.

Instructions for the TCM Rate Study, Attachment B, state:

“ADMINISTRATIVE SURVEY-Computation of Applicable Operating Expenses

Operating Expenses:

1. On the worksheet below, enter the actual 2013-14 FY operating expenses, including outstanding encumbrances and accounts payable that will be paid during the current fiscal year for each program per your UFS GL 310 Budget Report-Detail.”

**Recommendation:**

SDRC must follow the instructions for the TCM Rate Study and ensure that the expenses reported on the TCM Rate Study reconcile to SDRC’s actual expenses reported on the Year-End General Ledger.

**Finding 7: Targeted Case Management Time Study-Recording of Attendance (Repeat)**

The sample review of 20 DS 1916 forms revealed three employees had vacation and sick hours recorded on their payroll time sheets that did not properly reflect the hours recorded on the DS 1916 forms. This resulted in 7.5 hours that were overstated on the TCM Time Study. (See Attachment C)

This issue was identified in the prior audit report and although SDRC stated in its response that it would instruct supervisors to compare the DS 1916 forms to the time sheets to ensure hours worked during the time study period are properly reflected, it continues to be an issue.

The TCM Rate Study Process and Instructions state:

“All regional center case management staff (category CM) will complete the DS 1916 during the rate study. The total hours worked during the day, including overtime, must be shown. For each day work was performed, enter the number of hours spent on each function outlined on the time sheet.”

**Recommendation:**

SDRC must ensure service coordinators accurately report the number of hours spent on each function. Service coordinator supervisors should also compare the DS 1916 forms to the time sheets to ensure hours worked during the TCM Time Study period are properly reflected.

**Finding 8: Policies and Procedures for Vendor Audits and Reviews (Repeat)**

The review of SDRC's list of 194 vendors who were required to contract with an independent accounting firm for an audit or review of its financial statements revealed 162 vendors who did not submit an audit or review. This issue was identified in the prior audit report and SDRC agreed with DDS' recommendation to develop procedures to follow up with vendors who have not submitted an audit report or review as required. However, during a review it was found that SDRC has not developed any procedures to ensure its vendors comply with the W&I Code requirement.

W&I Code Section 4652.5(a)(1)(A)(B) and (b) states in part:

- “(a)(1) An entity receiving payments from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements subject to all of the following:
- (A) When the amount received from the regional center or regional centers during the entity's fiscal year is more than or equal to two hundred fifty thousand dollars (\$250,000) but less than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit or independent review report of its financial statements for the period.
  - (B) When the amount received from the regional center or regional centers during the entity's fiscal year is equal to or more than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit of its financial statements for the period.
- (b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within 30 days after completion of the audit or review.”

**Recommendation:**

SDRC must develop policies and procedures to ensure it is properly tracking and following up with vendors who have not submitted an audit report or review as required. Failure to receive these reports limits SDRC's ability to detect issues that may have an impact on regional center services.

**Finding 9: Missing Documentation**

**A. HCBS Forms**

The sample review of 114 POS vendor files revealed that SDRC did not have on file the HCBS Provider Agreement form for two vendors, TMI Intensive Family, Vendor Number H50129, Service Code 102, and Fred Finch Youth Center, Vendor Number HQ0332, Service Code 115.

CCR, Title 17, Section 54332(a)(8) states:

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

(8) The signed Home and Community Based Services Provider Agreement, (6/99) if applicable.”

**Recommendation:**

SDRC must ensure there is a properly completed HCBS Provider Agreement form on file for every vendor providing services to consumers.

**B. Contract and Rate Letters**

The sample review of 114 POS vendor files revealed that SDRC did not have a rate letter on file for three vendors: Behavior Therapy, Vendor Number P22331, Service Code 620; Associate Speech Pathologist, Vendor Number H27267, Service Code 116; and Larry Corrigan, Vendor Number P21799, Service Code 625. Without the rate letter, it cannot be determined whether SDRC is paying its vendors correctly.

CCR, Title 17, Section 54332(a)(7) states:

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

(7) Notification of established rate and all documentation submitted pursuant to Sections 57422, 57433 through 57439, 58020, and 58033 through 58039 of these regulations, for a rate determination, if applicable;”



State Contract, Article IV, Section 3(a) & (b) states in part:

“Contractor shall keep records, as follows:

- (a) The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...
- (b) The Contractor shall make available at the office of the Contractor at any time during the terms of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor’s program.”

**Recommendation:**

SDRC must adhere to the requirements set forth in CCR, Title 17, Section 54332(a)(7) and the State Contract, Article IV, Section 3 (a) and (b), and ensure documents are retained, properly safeguarded, and readily available for review.

**C. Insurance Policies**

A review of SDRC’s general ledger indicated that SDRC paid for insurance coverage. SDRC stated that it was overwhelmed by its current workload and could not provide to DDS the insurance policies and invoices for review for FYs 2014-15 and 2015-16. Without the ability to review the policies and invoices, it could not be determined whether SDRC correctly paid for or obtained all of the insurance coverages required by its contract with DDS.

State Contract, Article III, Section 12 states:

“Contractor shall maintain insurance coverage for the entire period of this contract that will protect the financial assets provided to Contractor from the State to fulfill the terms and obligations of this contract. Insurance coverage shall include, but not be limited to: workers’ compensation insurance; non-owned automobile insurance including personal injury and property damage; property insurance including personal injury, supplies, equipment and other

property furnished by or acquired under or allocable to this contract; employment practices liability insurance to cover discrimination complaints and other similar employment claims; and, Directors', Trustees' and Officers' liability insurance. Contractor shall maintain Fidelity Bonding."

State Contract, Article IV, Section 3(a) & (b) states in part:

"Contractor shall keep records, as follows:

- (a) The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract...
- (b) The Contractor shall make available at the office of the Contractor at any time during the terms of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program."

**Recommendation:**

SDRC must adhere to the requirements set forth in the State Contract, Article III, Section 12, and Article IV, Section 3 (a) and (b), and ensure documents are retained, properly safeguarded, and readily available for review.

**Finding 10: Bank Signature Cards – Lack of Signature Authority**

The review of bank signature cards revealed SDRC has not given current DDS' management signatory authority to its bank accounts. SDRC's CFO stated that due to his workload, he did not have time to prepare the signature cards. The names of the representatives to receive signature authority was sent by DDS to SDRC on December 29, 2016; however, SDRC still has not updated the bank signature cards.

State Contract, Article III, Section 3 (f) and (g) states:

- "f. All bank accounts and any investment vehicle containing funds from this contract and used for regional center operations, employee salaries and benefits or for consumers' services and supports, shall be in the name of the State and Contractor....

- g. For the bank account(s) above referenced, there shall be prepared three (3) alternative signature cards with riders attached to each indicating their use. In addition to the preparation of signature cards and riders, Contractor and the bank(s) shall enter into a written agreement specifying the bank(s)' responsibilities relative to said bank account(s). The signature cards, riders and agreement specified herein shall be prepared and administered in accordance with the format and procedure specified by the State."

**Recommendation:**

SDRC must ensure that signatory authorization is given to DDS for all bank accounts that are identified as having State funds as required by the contract with DDS.

**Finding 11: Deleted**

This finding has been deleted based on supplemental information provided by DDS' Community Development and Housing Section.

**Finding 12: Lack of Minutes for Closed Board Meetings**

SDRC does not record minutes of its closed Board sessions. SDRC stated that issues to be discussed in closed Board sessions are documented on the agenda of open Board meetings; however, the minutes of closed board sessions are not recorded. SDRC stated that it was not aware that minutes of closed Board sessions were to be recorded and retained by a designated officer or employees of the regional center.

W&I Code, Article 3, Section 4663 (b) states in relevant part:

- (b) "Minutes of closed sessions shall be kept by a designated officer or employee of the regional center, but these minutes shall not be considered public records. Prior to and directly after holding any closed session, the regional center board shall state the specific reason or reasons for the closed session. In the closed session, the board may consider only those matters covered in its statement."

**Recommendation:**

SDRC must ensure all minutes of closed Board sessions are recorded and kept by a designated officer or employee of SDRC. |

## EVALUATION OF RESPONSE

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As part of the audit report process, SDRC was provided with a draft report and was requested to provide a response to each finding. SDRC's response dated September 5, 2018, is provided as Appendix A.

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

**Finding 1: Unsupported Consultant Payments**

SDRC is not in agreement with the DDS recommendation to reimburse the Department for \$182,577.10 in unsupported consultant expenses. SDRC provided the independent contractor agreements for the two consultants and indicated that it would revise its procedures to ensure all consultant contracts are readily available for review. SDRC also provided the invoices to support services rendered; therefore, the recommendation has been amended and this issue is resolved.

**Finding 2: Rate Increase After the Freeze (Repeat)**

SDRC agrees with DDS' recommendation and stated that it will reimburse DDS the overpayment totaling \$35,855.79 due to a rate increase after the freeze. SDRC emphasized that this was a health and safety issue and the increased payment was necessary to facilitate the transportation of clients who are medically fragile or posed a significant threat to themselves and/or the public welfare of others in the community.

**Finding 3: Self Determination - Exceeded Budget**

SDRC agrees with the finding to reimburse DDS \$1,076.68 and indicated that it will restate its expenses in the fiscal years in which the services were provided.

**Finding 4: Overstated Claims - Duplicate Payments/Overlapping Authorizations**

SDRC agrees with the finding to reimburse DDS the \$801.36 due to duplicate payment /overlapping authorizations. SDRC indicated that it will monitor its Operational Indicator Reports to ensure the timely identification and correction of payment errors.

**Finding 5: Family Cost Participation Program - Late Assessments (Repeat)**

SDRC agrees with the DDS' recommendation to amend its FCPP procedures and stated that it is currently revising its FCPP procedures to have consumers' FCPP assessment as part of the IPP or IFSP review.

**Finding 6: Expenses Did Not Match to the Year-End General Ledger (Repeat)**

SDRC agrees with the recommendation and stated that it will follow the instructions for the TCM Rate Study and ensure that expenses reported on the TCM Rate Study reconcile to SDRC's actual expenses reported in the Year End General Ledger.

**Finding 7: Targeted Case Management Time Study-Recording of Attendance (Repeat)**

SDRC agreed with the recommendation and will instruct supervisors to compare the Time Study DS 1916 forms to the timesheets to ensure hours worked during the time study period are properly reflected.

**Finding 8: Policies and Procedures for Vendor Audits and Reviews (Repeat)**

SDRC agreed with the recommendation and stated that it will revise its procedures to ensure it is properly tracking and following up with vendors who are required to, but have not yet, submitted audit reports or reviews.

**Finding 9: Missing Documentation**

**A. HCBS Forms**

SDRC agreed with the recommendation and stated it would revise its procedures to ensure a completed HCBS Provider Agreement form is on file for every vendor providing services to consumers.

**B. Contract and Rate Letters**

SDRC agrees with the recommendation and indicated that it will revise its procedures to ensure a completed contract or rate letter is on file for every vendor providing services to consumers. This will ensure that files are properly safeguarded and readily available for review.

**C. Insurance Policies**

SDRC agrees with the recommendation and stated it will revise its procedures to ensure all insurance policies are kept on file, properly safeguarded and readily available for review.

**Finding 10: Bank Signature Cards – Lack of Signature Authority**

SDRC agreed with the recommendation and stated it is in the process of providing signatory authorization to DDS for all bank accounts that have State funds.

**Finding 11: Deleted**

Based on supplemental information provided by DDS' Community Development and Housing Section, this finding has been deleted.

**Finding 12: Lack of Minutes for Closed Board Meetings**

SDRC agreed with the recommendation and stated it has established procedures to ensure all minutes of closed Board sessions are recorded and kept by a designated officer or employee of SDRC. |

**San Diego Regional Center  
Rate Increase After the Rate Freeze  
Fiscal Years 2014-15 and 2015-16**

No.	UCI	Vendor Number	Vendor Name	Service Code	Sub Code	Authorization	Service Month	Over Payments
1	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201507	\$3,153.70
2	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201508	\$3,010.35
3	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201509	\$3,010.35
4	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201510	\$3,153.70
5	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201511	\$2,723.65
6	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201512	\$2,938.68
7	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201601	\$2,723.65
8	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201602	\$2,867.00
9	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201603	\$3,297.05
10	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201604	\$2,436.95
11	6282681	HQ0334	Faustino Moises Martinez	875	C01	16405428	201605	\$1,290.15
12	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201507	\$275.25
13	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201508	\$385.35
14	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201509	\$385.35
15	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201510	\$367.00
16	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201511	\$330.30
17	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201512	\$385.35
18	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201601	\$348.65
19	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201602	\$367.00
20	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201603	\$403.70
21	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201604	\$367.00
22	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201605	\$367.00
23	6287378	HQ0334	Faustino Moises Martinez	875	C02	16405429	201606	\$385.35
24	6287378	HQ0334	Faustino Moises Martinez	875	C02	17405429	201607	\$399.57
25	6287378	HQ0334	Faustino Moises Martinez	875	C02	17405429	201608	\$483.69
<b>Total Overpayments Due to Rate Increase After the Freeze</b>								<b>\$35,855.79</b>

**San Diego Regional Center  
Family Cost Participation Program - Late Assessment  
Fiscal Years 2014-15 and 2015-16**

<b>No.</b>	<b>Unique Client Identification Number</b>	<b>Authorization Number</b>	<b>Date IPP Signed</b>	<b>Date Assessed</b>	<b>Number of Days Late</b>
1	8191144	15423406	9/19/2014	10/27/2014	38
2	6270160	15412770	4/30/2014	10/27/2014	180
3	6261228	15383955	3/14/2014	10/27/2014	227
4	6245548	15395883	12/13/2013	10/27/2014	318



San Diego Regional Center  
 Targeted Case Management Time Study (Repeat)  
 Fiscal Years 2014-15 and 2015-16

No.	Service Coordinator	DS1916 Forms						Time Sheet				Total Hours Difference
		Allowable	Unallowable Hours	Other Hours	Time Off	Total Hours	Regular Hours	Vacation, Holiday & Sick Hours	Overtime	Total Hours	Time Off Difference	
1	J.M.	34.75	55.50	41.25	38.50	170.00	134.00	36.00	0.00	170.00	2.50	0.00
2	E.N.	91.25	24.25	23.50	47.50	186.50	138.50	39.50	1.00	179.00	8.00	7.50
3	R.K.	101.50	0.00	41.25	35.75	178.50	144.50	33.50	0.50	178.50	2.25	0.00
<b>Total Hours Over</b>										<b>7.50</b>		

**APPENDIX A**

**SAN DIEGO REGIONAL CENTER**

**RESPONSE  
TO AUDIT FINDINGS**



## San Diego Regional Center

*Serving Individuals with Developmental Disabilities in San Diego and Imperial Counties*

4355 Ruffin Road, San Diego, CA 92123 · (858) 576-2996 · www.sdrc.org

October 5, 2018

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

Dear Mr. Yan:

The following are the San Diego Regional Center (SDRC) responses to the findings and recommendations of the Department of Developmental Services Draft Fiscal Audit of Fiscal Years 2014-2015 and 2015-2016.

Thank you for the opportunity to have the San Diego Regional Center responses included in the final audit report.

### **Finding 1: Unsupported Consultant Payments**

#### **Recommendation:**

SDRC must reimburse to DDS the \$182,577.10 in unsupported contract billings made to both consultants. In addition, SDRC must retain all consultant contracts and invoices to ensure payments are supported and accurate.

#### **SDRC Response to Finding 1:**

SDRC does not concur with the DDS recommendation to reimburse the Department for consultant expenses noted in the report. SDRC has independent contractor agreements for the consultants noted in the DDS draft report; please refer to copies of the independent contractor agreements' for Terry Jew and Denise Anderson included in our response to the draft report. Additionally, SDRC will revise its procedures to ensure all consultant contracts are readily available for review.

### **Finding 2: Rate Increase After the Freeze (Repeat)**

#### **Recommendation:**

SDRC must reimburse to DDS a total of \$35,855.79 for the overpayments. In addition, SDRC should revert to the original payment terms of the contracts that were in place as of June 30, 2008.

**SDRC Response to Finding 2:**

SDRC concurs with the DDS recommendation to reimburse to DDS \$35,855.79 in overpayments. However, it should be noted the situation is related to public health and safety. SDRC is continuing the process of requesting health and safety waivers from DDS for the transportation of these clients. The clients are medically fragile or pose a significant threat to themselves and/or the public welfare of others in the community and were transported using the safest and most appropriate means available to the regional center.

**Finding 3: Self Determination – Exceeded Budget**

**Recommendation:**

SDRC must reimburse to DDS the \$1,076.68 in payments made above the authorization. If a consumer needs additional services beyond what has been budgeted, SDRC should amend or create new authorizations to increase the consumer's budget. In addition, SDRC must restate its expenses to fiscal years in which the services were provided.

**SDRC Response to Finding 3:**

SDRC concurs with the DDS finding to reimburse \$1,076.68 to DDS and will restate its expenses in the fiscal years in which the services were provided.

**Finding 4: Overstated Claims – Duplicated Payments/Overstated Authorizations**

**Recommendation:**

SDRC must reimburse to DDS \$801.36 for the overpayment due to duplicate payments. In addition, SDRC should closely monitor the Operational Indicator Reports to ensure any payment errors are identified and corrected in a timely manner.

**SDRC Response to Finding 4:**

SDRC concurs with the recommendation to reimburse \$801.36 to DDS. Additionally, SDRC will continue to monitor Operational Indicator Reports to ensure the timely identification and correction of payment errors.

**Finding 5: Family Cost Participation Program – Late Assessments**

**Recommendation:**

SDRC must discontinue the practice of completing assessments in batches. In addition, SDRC must reinforce its procedures to ensure consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review.

**SDRC Response to Finding 5:**

SDRC is currently revising its FCPP procedures and concurs with the recommendation to amend the process and complete the consumers FCPP assessment as part of the IPP or IFSP review.

**Finding 6: Expenses Did Not Match the Year-End General Ledger (Repeat)**

**Recommendation:**

SDRC must follow the instructions for the TCM Rate Study and ensure that the expenses reported on the TCM Rate Study reconcile to SDRC's actual expenses reported on the Year End General Ledger.

**SDRC Response to Finding 6:**

SDRC concurs with the recommendation to follow the instructions for the TCM Rate Study and ensure that the expenses reported on the TCM Rate Study reconcile to SDRC's actual expenses reported in the Year End General Ledger.

**Finding 7: Targeted Case Management Time Study-Recording of Attendance (Repeat)**

**Recommendation:**

SDRC must ensure service coordinators accurately report the number of hours spent on each function. Service Coordinator supervisors should also compare the DS 1916 forms to the time sheets to ensure hours worked during the TCM Time Study period are properly reflected.

**SDRC Response to Finding 7:**

SDRC concurs with the recommendation and will instruct supervisors to compare the Time Study DS 1916 forms to the timesheets to ensure hours worked during the time study period are properly reflected.

**Finding 8: Policies and Procedures for Vendor Audits and Reviews (Repeat)**

**Recommendation:**

SDRC must develop policies and procedures to ensure it is properly tracking and following up with vendors who have not submitted an audit report or review as required. Failure to receive these reports limits SDRC's ability to detect issues that may have an impact on regional center services.

**SDRC Response to Finding 8:**

SDRC concurs with the recommendation and will revise its procedures to ensure it is properly tracking and following-up with vendors who are required to, but have not yet, submitted audit reports or reviews.

**Finding 9: Missing Documentation**

**A. HCBS Forms**

**Recommendation:**

SDRC must ensure there is a properly completed HCBS Provider Agreement form on file for every vendor providing services to consumers.

**SDRC Response to Finding 9A:**

SDRC concurs with the recommendation and will revise its procedures to ensure a completed HCBS Provider Agreement form is on file for every vendor providing services to consumers.

**B. Contact and Rate Letters**

**Recommendation:**

SDRC must adhere to the requirements set forth in CCR, Title 17, Section 54332(a)(7) and the State Contract, Article IV, Section 3 (a) and (b), and ensure documents are retained properly safeguarded, and readily available for review.

**SDRC Response to Finding 9B:**

SDRC concurs with the recommendation and will revise its procedures to ensure a completed contract and rate letter is on file for every vendor providing services to consumers; the files will be properly safeguarded and readily available for review.

**C. Insurance Policies**

**Recommendation:**

SDRC must adhere to the requirements set forth in the State Contract, Article III, Section 12, and Article IV, Section 3 (a) and (b), and ensure documents are retained, properly safeguarded, and readily available for review.

**SDRC Response to Finding 9C:**

SDRC concurs with the recommendation and will revise its procedures to ensure all insurance policies are kept on file, properly safeguarded, and readily available for review.

**Finding 10: Bank Signature Cards – Lack of Signature Authority**

**Recommendation:**

SDRC must ensure that signatory authorization is given to DDS for all bank accounts that are identified as having State funds as required by the contract with DDS.

**SDRC Response to Finding 10:**

SDRC concurs with the recommendation and is in the process of providing signatory authorization to DDS for all bank accounts that are identified as having State funds as required by the DDS contract.

**Finding 11: Improper Allocation of CPP Fund**

**Recommendation:**

SDRC must reclassify the \$945,831.14 of improper CPP allocations to the General OPS fund. In addition, SDRC must ensure it allocates employees' salaries to the proper funding sources before claims are made to DDS.

**SDRC Response to Finding 11:**

SDRC does not concur with the recommendation to reclassify \$945,831.14 to the General OPS fund. SDRC used lower Full Time Equivalent (FTE) ratios to calculate staff funding costs than stated in the "Guidelines for Regional Center Community Placement Plan, CPP Proposals, Section E." Thus, staffing levels charged to CPP OPS funding were understated because the FTE staffing levels used were lower than the suggested .25, .50, and 1.0 increments contained in the Guidelines for Regional Center Community Placement Plan, CPP Proposals, Section E.

**Finding 12: Lack of Minutes for Closed Board Meetings**

**Recommendation:**

SDRC must ensure all minutes of closed Board sessions are recorded and kept by a designated officer or employee of SDRC.

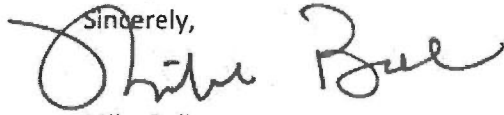
**SDRC Response to Finding 12:**

SDRC concurs with the recommendation and has established procedures to ensure all minutes of closed Board sessions are recorded and kept by a designated officer or employee of SDRC.

If you have any questions, please contact me at (858) 576-2970.

Ed Yan  
Audit Response Letter  
October 5, 2018  
Page 6 of 6

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Bell". The signature is written in a cursive, flowing style.

Mike Bell  
Chief Financial Officer  
San Diego Regional Center

Enclosure

cc: David Hadacek, Chair, SDICDSI Board of Directors  
Carlos Flores, Executive Director  
Luciah Ellen Nzima, DDS  
Soi Ly, DDS  
Oscar Perez, DDS