



**AUDIT OF THE  
SAN ANDREAS REGIONAL CENTER  
FOR FISCAL YEARS 2011-12 AND 2012-13**

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**Department of Developmental Services**

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# EXECUTIVE SUMMARY

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The Department of Developmental Services (DDS) conducted a fiscal compliance audit of the San Andreas Regional Center (SARC) to ensure SARC is compliant with the requirements set forth in the California Code of Regulations, Title 17 (CCR, Title 17), the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contracts with DDS. Overall, the audit indicated that SARC maintains accounting records and supporting documentation for transactions in an organized manner. This audit report identifies some areas where SARC's administrative, 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.

The findings of this audit report have been separated into two categories below:

## I. Findings That Need to be Addressed

### **Finding 1: Negotiated Rate Above the Statewide Median Rate (Repeat)**

The review of the prior DDS audit report revealed that SARC continues to reimburse Stepping Stones Center for Autistic Spectrum, Vendor Number HS0620, Service Code 115, above the Statewide/SARC Median Rate. SARC did not amend its rate to comply with the Statewide Median Rates as it stated in its response to the prior audit report. This resulted in overpayments of \$169,080.41 during the current audit period. This is not in compliance with W&I Code, Section 4691.9(b).

### **Finding 2: Overstated Claims**

The review of SARC's Operational Indicator reports revealed 70 instances where SARC overpaid vendors a total of \$23,114.28. These overpayments were due to duplicate payments and overlapping authorizations. This is not in compliance with CCR, Title 17, Section 54326(a)(10).

During the fieldwork, SARC took corrective action to resolve 41 instances of overpayments by collecting \$12,594.64. In addition, SARC provided additional supporting documentation with its response which indicated that the payments totaling \$6,895.57 have been corrected. The remaining outstanding balance is \$3,624.07.

### **Finding 3: Unsupported/Unallowable Credit Card Expenditures**

The review of SARC's operational expenditures revealed 84 credit card transactions totaling \$7,011.70 that had insufficient documentation to support the

claims to the State. SARC's employees are not providing detailed receipts as supporting documentation for items purchased. In addition, there were five credit card transactions totaling \$633.81 for the purchase of alcohol and personal items. This resulted in the unsupported/unallowable credit card expenditures totaling \$7,645.51. SARC indicated that there are no policies and procedures in place detailing allowable credit card expenditures. This is not in compliance with the State Contract, Article IV, Section 3(a), the Federal Office of Management and Budget (OMB), Circular No. A-122, Attachment B, and State Contract, Article III, Section 4.

SARC provided supporting documentation with its response indicating \$1,835.49 have been resolved. The remaining balance of the unsupported/unallowable credit card expenditures is \$5,810.02.

**Finding 4: Client Trust Disbursements Not Supported (Repeat)**

The review of SARC's money management disbursements revealed that SARC continues to not retain receipts for money management disbursement checks. This issue was noted in the prior DDS audit report. The current review revealed 17 instances totaling \$7,486.04, and 11 instances from the prior audit report totaling \$6,787.00 of unsupported money management disbursements. The total unsupported money management disbursements from both prior and current audits totaled \$14,273.04. This is not in compliance with the Social Security Handbook, Chapter 16, Section 1616(d) and SARC's Procedures for List of Disbursements Waiting for Receipts, Section D.

**Finding 5: Lack of Written Policies and Procedures**

The review of the Bank Reconciliations, Cash Analysis, Credit Card expenditures, Equipment and Consultant contracts revealed that SARC does not have any formal written policies and procedures in place for each of these areas. This does not demonstrate good internal controls and sound business practice.

**Finding 6: Excess Leave Balances**

Twenty-two sampled employee files were reviewed to ensure that payroll and fringe benefits such as pay rates, medical deductions, and leave accruals were within allowable ranges or limits per SARC employment agreements. The review revealed SARC's Executive Director accrued 1,248 hours of leave. This is not in compliance with 600 allowable hours stated in the Executive Director's Employment Agreement, Section V.

**Finding 7: Cash Advances Not Deposited in an Interest Bearing Account**

The review of cash advance deposits from DDS revealed that SARC received \$133,085,489.00 for fiscal years 2011-12 and 2012-13. However, SARC did not

deposit this amount into an interest bearing account. SARC's cash advances are deposited into its Commerica Bank checking account, which does not accrue interest. This is not in compliance with the State Contract, Article III, Section 3(b).

**Finding 8: Improper Allocation of Community Placement Plan Funds**

The review of SARC's Community Placement Plan (CPP) expenditures revealed that SARC continued to provide CPP services for a consumer after the end of the initial fiscal year of placement. This resulted in overstated CPP expenditures totaling \$14,620.06. In addition, SARC claimed CPP expenditures for two consumers to the general fund resulting in understated CPP expenditures totaling \$83,294.35. This is not in compliance with the DDS Guidelines for Regional Center Community Placement Plan (III)(A).

**Finding 9: Improper Allocation of Expenditures**

The review of SARC's State Claims (SCO41) reports for fiscal year 2012-13 indicated that SARC claimed CPP, Foster Grandparents (FGP), and Senior Companion (SC) to the General Fund account. This resulted in overstated claims totaling \$46,153.38 to the general fund account. This is not in compliance with the State Contract, Article III, Section 4.

**Finding 10: Missing Equipment**

The review of 60 sampled equipment inventory items revealed six items that could not be located. This is not in compliance with Article IV, Section 4(a) of the contract with DDS.

**II. Findings Addressed and Corrected by SARC**

**Finding 12: Residential Services-Partial Month Stays**

The review of 30 sampled Residential vendor invoices revealed three instances where SARC did not prorate the reimbursement for two consumers with partial months stays, resulting in overpayments totaling \$3,568.62. This is not in compliance with CCR, Title 17, Section 56917(i).

SARC has taken corrective action to comply with CCR, Title 17, Section 56917(i) by recovering \$3,568.62 in overpayments to the vendors.

**Finding 13: Home and Community-Based Services Provider Agreement Forms**

The review of 79 sampled vendor files revealed that three HCBS Provider Agreement forms were missing and 11 HCBS Provider Agreement forms were not properly completed. The incomplete forms were either missing the service

code, vendor number or had multiple vendor numbers and/or service codes. This is not in compliance with CCR, Title 17, Section 54326(a)(16).

SARC has taken corrective steps to comply with CCR, Title 17, Section 54326(a)(16) by providing DDS with copies of both the missing, and properly completed HCBS Provider Agreement forms.

**Finding 14: Equipment Capitalization**

The review of the inventory listing revealed that SARC capitalized all its equipment rather than items valued at or above \$5,000.00. This is not in compliance with the State Equipment Management Guidelines, Attachment D, Section 8602.

SARC has taken corrective action by providing DDS with supporting documentation indicating that adjusting entries have been made to resolve this issue.

## **BACKGROUND**

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DDS is responsible, under the Lanterman Developmental Disabilities Services Act (Lanterman Act), for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive and normal 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 (RC). Under State law, the RCs are responsible for ensuring that these individuals 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 Branch conducts fiscal compliance audits of each RC not less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires RCs to contract with independent Certified Public Accountants (CPA) 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 a contract, HD099016, effective July 1, 2009, through June 30, 2016. This contract specifies that San Andreas Regional Center, Inc. operates as an agency known as the San Andreas Regional Center (SARC) to provide services to individuals with DD and their families in the 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 from July 29, 2013, through August 23, 2013, and was conducted by the Audit Branch 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.

## **CRITERIA**

The following criteria were used for this audit:

- California's W&I Code
- "Approved Application for the HCBS Waiver for the Developmentally Disabled"
- CCR, Title 17
- Federal Office of Management Budget (OMB) Circular A-133
- State Contract between DDS and SARC, effective July 1, 2009

## **AUDIT PERIOD**

The audit period was July 1, 2011, through June 30, 2013, 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 are:

- To determine compliance with the W&I Code (or the Lanterman Act)
- To determine compliance with CCR, Title 17 regulations
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled
- To determine that costs claimed were in compliance with the provisions of the State Contract

The audit was conducted in accordance with 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 Lanterman Act, CCR, Title 17, HCBS Waiver for the Developmentally Disabled, and the State Contract.

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 report that was conducted by an independent accounting firm for fiscal year 2011-12, issued on December 12, 2012. It was noted that no management letter was issued for SARC. This review was performed to determine the impact, if any, upon the DDS audit and as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

**I. Purchase of Service**

DDS selected a sample of Purchase of Service (POS) claims billed to DDS. The sample included consumer services, vendor rates, and consumer trust accounts. 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 the SARC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, Title 17 and the W&I Code of Regulations.
- 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 (SSA). 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 tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the SSA in a timely manner. An interview with SARC staff revealed that SARC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to SSA (or other source) in a timely manner.
- DDS selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance, or if there were any outstanding items that were not reconciled.
- DDS analyzed all of SARC's bank accounts to determine whether DDS had signatory authority as required by the contract with DDS.

- DDS selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

## **II. Regional Center Operations**

DDS audited SARC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that SARC accounting staff is properly inputting data, transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas were valid and reasonable. These tests included the following:

- A sample of the personnel files, timesheets, payroll ledgers and other support documents were selected to determine if there were any overpayments, errors in the payroll, or the payroll deductions.
- A sample of operating 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 and Regional Center Rate Study**

The Targeted Case Management (TCM) Rate Study is the study that 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 May 2012 and June 2013, and traced the reported information to source documents.
- Reviewed SARC's TCM Time Study. DDS selected a sample of payroll timesheets for this review, compared timesheets to the Case Management Time Study Form DS 1916. In addition, a review was conducted to ensure the forms were properly completed and supported.

#### **IV. Service Coordinator Caseload Survey**

Under W&I Code, Section 4640.6(e), RCs are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code, Section 4640.6(c)(3):

- A. For all consumers that are three years of age and younger, and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.
- B. For 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, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent operations reduction to RCs as required per W&I Code, Sections 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2013 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

Therefore, 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 (Part C Funding)**

For the Early Intervention Program, there are several sections contained in the Early Start Plan. However, only the Part C section was applicable for this review.

For this program, DDS reviewed the Early Intervention Program, including the Early Start Plan, and Federal Part C funding to determine if the funds were properly accounted for in the RCs' accounting records.

#### **VI. Family Cost Participation Program**

The Family Cost Participation Program (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). To determine whether SARC is in compliance with CCR, Title 17 and the W&I Code, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care, and camping services 0 through 17 years of age, 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' complete income documentation.
- Reviewed vendor payments to verify that SARC is paying for only its assessed share of cost.

## **VII. Annual Family Program Fee**

The Annual Family Program Fee (AFPF) was created for the purpose of assessing an annual fee of up to \$200 based on income level of families of children between 0 through 17 years of age, 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 is assessed to the parents under FCPP. To determine whether SARC is in compliance with the W&I Code, 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 developmental disability 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. 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 as amended.

To determine whether SARC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during the audit review:

- Reviewed the SARC contracting process to ensure the existence of a Board approved procurement policy and 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, 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, there is written documentation retained as justification for such a selection.

DDS performed the following procedures to determine compliance with the Article II of the State Contract for new contracts in place as of January 1, 2011:

- Selected a sample of Operational, Start-Up, 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, written justification for final vendor selection decisions, and contracts that were properly signed and executed by both parties of the contract.

In addition, DDS performed the following procedures to determine compliance with the W&I Code, Section 4625.5, for new contracts in place as of March 2011:

- Reviewed to ensure SARC has a written policy requiring the Board to review and approve any of its contracts of Two-Hundred-and-Fifty-Thousand Dollars (\$250,000) or more, before entering into a contract with the vendor.
- Reviewed SARC Board approved POS, Start-Up, and Operational 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, that the usage of funds are of direct benefit to consumers, and that 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 of 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.

#### **IX. Statewide/Regional Center Median Rates**

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure 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, has correct service codes, and that SARC is paying authorized contract rates and complying with the medium rate requirements of the W&I Code, Section 4691.9.
- Reviewed vendor contracts to verify that SARC is reimbursing vendors using authorized contract median rates, and verified that rates paid represented the lower of the statewide or regional center 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 health and safety exemptions were granted by DDS.

#### **X. Other Sources of Funding from DDS**

Regional centers 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:

- Start-Up Funds
- Community and Placement Program
- Prevention Program
- Foster Grandparents (FGP)



- Senior Companion (SC)

**XI. 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 and completeness of SARC's implementation of corrective actions.

## CONCLUSIONS

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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 CCR, Title 17, the HCBS Waiver, and the State Contracts with DDS for the audit period July 1, 2011, through June 30, 2013.

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 SARC has not taken appropriate corrective actions to resolve prior audit issues.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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DDS issued a draft audit report on August 12, 2014. The findings in the draft audit report were discussed at a formal exit conference with SARC on August 18, 2014. The views of the responsible officials are included in the audit report.

## **RESTRICTED USE**

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This audit report is solely for the information and use of the DDS, Department of Health Care Services, Centers for Medicare and Medicaid Services, and SARC. This restriction does not limit distribution of this audit report, which is a matter of public record.

## FINDINGS AND RECOMMENDATIONS

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The findings in this audit report have been separated into two categories below:

### I. Findings That Need to be Addressed

#### **Finding 1: Negotiated Rate Above the Statewide Median Rate (Repeat)**

The review of the prior DDS audit report revealed that SARC continues to reimburse Stepping Stones Center for Autistic Spectrum, Vendor Number HS0620, Service Code 115, above the Statewide/SARC Median Rate implemented as of July 1, 2008. SARC resolved the overpayment noted in the prior audit report but did not adjust the rate down to the median rate. However, SARC continued to reimburse Stepping Stones Center for Autistic Spectrum at a rate of \$95.00 per hour, when the Statewide Median Rate was at \$47.50, resulting in overpayments of \$169,080.41 for the current audit period. SARC stated that the rate was not amended due to an oversight. (See Attachment A.)

W&I Code, Section 4691.9(b) states:

“Notwithstanding any other provision of the law or regulation, commencing July 1, 2008:

- (b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center’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 . . .”

#### **Recommendation:**

SARC must reimburse DDS the overpayment totaling \$169,080.41. SARC must also immediately renegotiate the rate for consistency with the Statewide/SARC Median Rates and provide DDS with written confirmation of the rate change. In addition, SARC must comply with the W&I Code, Section 4691.9, and ensure that all rates negotiated after June 30, 2008, are either equal to, or below the Statewide/SARC Median Rates.

**Finding 2: Overstated Claims**

The review of SARC’s Operational Indicator reports revealed 70 instances where SARC over claimed expenses to DDS. This resulted in overpayments totaling \$23,114.28, due to duplicate payments and overlapping authorizations. SARC stated that this occurred due to an oversight.

CCR, Title 17, Section 54326(a)(10) states in 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 . . .”

During the fieldwork, SARC took corrective action to resolve 41 instances of overpayments by collecting \$12,594.64. In addition, SARC provided additional supporting documentation which indicated that payments totaling \$6,895.57 have been corrected. The remaining outstanding balance is \$3,624.07. (See Attachment B.)

**Recommendation:**

SARC must reimburse to DDS the remaining outstanding balance totaling \$3,624.07. In addition, SARC must ensure the staff is monitoring the Operational Indicator reports to efficiently detect duplicate payments, and correct any payment errors that may have occurred in the course of doing business with the vendors.

**Finding 3: Unsupported/Unallowable Credit Card Expenditures**

The review of SARC’s operational expenditures revealed 84 Credit Card transactions totaling \$7,011.70 that had insufficient documentation to support the claims to the State. SARC’s employees are not providing receipts which detail the items purchased as supporting documentation for credit card expenditures. In addition, it was noted that employees used SARC credit cards for the purchase of alcohol and personal items. There were two instances where alcohol was purchased for a total of \$242.31, and three instances where employees used the SARC credit cards for personal items totaling \$391.50. The total unsupported and unallowable expenditures are \$7,645.51. SARC stated that it does not have credit card policies and procedures in place which require employees to submit original receipts. SARC also indicated that it was an oversight on its part that employees’ alcohol and personal expenditures were reimbursed using State funds.

State Contract, Article IV, Section 3(a) states:

“The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract (hereinafter collectively called the "records") to the extent and in such detail as will properly reflect net costs (direct and indirect) of labor, materials, equipment, supplies and services, overhead and other costs and expenses of whatever nature for which reimbursement is claimed under the provisions of this contract in accordance with mutually agreed to procedures and generally accepted accounting principles.”

Also, OMB Circular No. A-122, Attachment B, states:

“Costs of alcoholic beverages are unallowable.”

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

“In consideration of the services rendered by the Contractor pursuant to this contract, the State shall reimburse the Contractor, for cash expenditures, monthly in arrears. Reimbursement claims shall be submitted in accordance with the claiming procedures requested by the State.”

SARC provided supporting documentation with its response indicating \$1,835.49 in unsupported/unallowable credit card expenditures have been resolved. The remaining balance is \$5,810.02. (See Attachment C.)

**Recommendation:**

SARC must reimburse to DDS the \$5,810.02 of unsupported and unallowable expenditures. In addition, SARC must establish and enforce credit card procedures which require employees to submit original receipts detailing the items purchased.

**Finding 4: Client Trust Disbursements Not Supported (Repeat)**

The review of SARC’s money management disbursements revealed that SARC continues to not retain receipts for money management disbursement checks. This issue was noted in the prior DDS audit report. The current review revealed 17 disbursements totaling \$7,486.04, and 11 disbursements from the prior audit report totaling \$6,787.00 which were unsupported. In its response to the prior audit finding, SARC stated it would add a tickler system to highlight outstanding receipts so that follow-up can be conducted. However, SARC stated that it stopped using this system because the tickler system was deemed inefficient. Currently, SARC stated that it sends follow-up letters requesting money from

those vendors that fail to submit receipts. The total unsupported money management disbursements is \$14,273.04. (See Attachment D.)

Social Security Handbook, Chapter 16, Section 1616(d) states:

“The responsibilities of a representative payee are to:

- (d) Keep written records of all payments received from SSA along with receipts to show how funds were spent and/or saved on behalf of the beneficiary.”

SARC Procedures for List of Disbursements Waiting for Receipt (D) states:

“If receipts are not submitted by the payee after the deadline specified on the second request, the Fiscal Supervisor in consultation with the SC shall send a final notice. This notice may include a request for a refund for purchases that are not supported by receipts.”

**Recommendation:**

SARC must reimburse to DDS a total of \$14,273.04 in unsupported money management disbursements paid to the vendors. As the representative payee, SARC must ensure its vendors are aware that receipts to support the client trust money management disbursements must be submitted to SARC and request reimbursement from vendors who do not comply. This will ensure all money management checks disbursed to the vendors are reviewed and expenditures are for the consumers benefit.

**Finding 5: Lack of Written Policies and Procedures**

The review of the Bank Reconciliations, Cash Analysis, Credit Card expenditures, Equipment, and Consultant contracts revealed that SARC does not have any formal written policies and procedures in place for each of these areas. SARC stated that it is currently working on completing an operational manual which will include the policies and procedures for all these areas. However, the manual was not available for review at the end of fieldwork.

Good internal controls and sound business practices dictate that written policies and procedures are in place to ensure the efficiency and effectiveness of the organization’s operations, as well as to ensure that staff is aware of the tasks to be performed for the areas assigned.



**Recommendation:**

SARC must implement policies and procedures for the areas above to ensure staff is aware of the tasks to be performed, increase accountability, and help prevent any errors that may occur during the course of doing business.

**Finding 6: Excess Leave Balances**

Twenty-two sampled employee files were reviewed to ensure that payroll and fringe benefits such as pay rates, medical deductions, and leave accruals were within allowable ranges and limits pursuant to SARC employment agreements. The review revealed SARC's Executive Director accrued an additional 648 hours which exceeded the 600 maximum hours allowed. There was no amendment to the employment agreement to increase the number of leave hours that can be accrued. SARC indicated that it was not aware that the number of hours accrued were above the allowable limit per the Executive Director's employment agreement.

Executive Director's Employment Agreement, Section V states:

“The right to the vacation time provided herein will accrue at the rate of twenty hours for every month of employment. In the event of termination of this Agreement, the Executive Director shall be entitled to compensation for the accrued and unused vacation prorated at the salary rate set forth herein. The amount of earned vacation that can be accrued shall not exceed 600 hours.”

**Recommendation:**

SARC should regularly monitor its employees' leave balances to ensure leave time accrued is not above the allowable limits. In addition, SARC should develop a plan to address any excess leave balances that may occur.

**Finding 7: Cash Advances not Deposited in an Interest Bearing Account**

The review of cash advance deposits from DDS revealed SARC received a total of \$133,085,489 for fiscal years 2011-12 and 2012-13. The review indicated that SARC did not deposit this amount into an interest bearing account. SARC's cash advances are deposited into its Commerica Bank checking account, which does not accrue interest. SARC indicated this occurred due to an oversight on its part.

State Contract, Article III, Section 3(b) states in relevant part:

“All amounts advanced under this provision shall be deposited by the Contractor in an interest-bearing bank account(s), in a bank legally authorized to engage in the banking business in California and which account(s) is established solely for operation of the regional center.”

**Recommendation:**

SARC must ensure all advances are deposited into an interest bearing account.

**Finding 8: Improper Allocation of Community Placement Plan Funds**

The review of SARC’s CPP expenditures revealed that SARC continued to fund CPP services for consumer Unique Client Identification (UCI) Number [REDACTED] after the end of the initial fiscal year of placement. This resulted in overstated CPP expenditures totaling \$14,620.06. In addition, SARC did not allocate \$83,294.35 of CPP expenditures for two consumers, UCI Numbers [REDACTED] and [REDACTED] that moved out of the Developmental Centers in fiscal year 2012-13. These expenditures were allocated to the General Fund account rather than CPP. SARC indicated that this was an oversight on its part and will take action to make adjustments to the different accounts. (See Attachment E.)

Guidelines for Regional Center Community Placement Plan (III)(A) states in part:

“Placement funding will be allocated based on claims associated with reconciled CPP placements that occur during each FY. As part of the POS claims review process, the Department may periodically request verification of consumers who have transitioned to the community and their associated costs.”

**Recommendation:**

SARC must reallocate the \$14,620.06 that was incorrectly claimed under CPP to the General Fund account and \$83,294.35 to the CPP account. This will ensure that funds are properly allocated to the correct funding source. In addition, SARC must review the CPP claims to ensure consumers’ expenditures are allocated to proper funding sources before claims are made to DDS.

**Finding 9: Improper Allocation of Expenditures**

The review of SARC’s State Claims (SCO41) reports for fiscal year 2012-13 indicated that SARC claimed the CPP, FGP and SC expenditures to the General Fund account. This resulted in \$45,539 in CPP, \$221.76 FGP, and \$392.00 SC expenditures, a totaling \$46,153.38 improperly allocated to the general fund account SARC stated that the software program used to run its State Claims did

not correctly apply expenditures to the correct funding source.  
(See Attachment F.)

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

“In consideration of the services rendered by the Contractor pursuant to this contract, the State shall reimburse the Contractor, for cash expenditures, monthly in arrears. Reimbursement claims shall be submitted in accordance with the claiming procedures requested by the State.”

**Recommendation:**

SARC must allocate the CPP, FGP, and SC claims to the correct funding source. In addition, SARC must review all claims submitted to DDS to ensure expenses are allocated to the correct funding sources.

**Finding 10: Missing Equipment**

The review of 60 sampled equipment inventory items revealed six items that could not be located. SARC stated the missing items were misplaced since the last inventory was taken in July 2013. Further review showed that these items had not been reported to police or surveyed from the State’s equipment listing. (See Attachment G.)

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.”

**Recommendation:**

SARC must ensure that all missing or stolen items are reported to police and are surveyed to ensure compliance with the State Contract requirements regarding the safeguarding of State property.

## II. Findings Addressed and Corrected by SARC

### **Finding 12: Residential Services-Partial Month Stays**

The review of 30 sampled Residential vendor invoices revealed three instances where SARC did not prorate the reimbursement for two consumers with partial months stays, resulting in overpayments totaling \$3,568.62.

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

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

SARC has taken corrective action to resolve this issue by recovering \$3,568.62 in overpayments.

#### **Recommendation:**

SARC should review its vendor invoices to ensure payments are in compliance with CCR, Title 17, Section 56917(i) and any payments made in error due to the proration calculation are identified and corrected.

### **Finding 13: Home and Community-Based Services Provider Agreement Forms**

The review of 79 sampled vendor files revealed that three HCBS Provider Agreement forms were missing and 11 HCBS Provider Agreement forms were not properly completed. The incomplete forms were either missing the service code, vendor number or had multiple vendor numbers and/or service codes.

CCR, Title 17, Section 54326(a)(16) states, in part:

“(a) All vendors shall . . .

(16) Sign the Home and Community Based Service provider Agreement (6/99), if applicable pursuant to Section 54310(a)(10)(I)(d) . . .”

SARC has taken corrective steps to comply with CCR, Title 17, Section 54326(a)(16) by providing DDS with copies of both the missing and properly completed HCBS Provider Agreement forms.

#### **Recommendation:**

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

**Finding 14: Equipment Capitalization**

The review of inventory listing revealed that SARC capitalized all of its equipment rather than items valued at or above \$5,000. SARC was not aware that only items valued at or above \$5,000 are to be capitalized.

The State Equipment Management Guidelines, Attachment D, Section 8602 states:

“State property is capitalized for accounting purposes when certain conditions are met. Capitalization means to record the property in the accounting records as assets. Tangible property must meet the following three requirements in order to meet the capitalization requirements:

1. Have a normal useful life of at least one year;
2. Have a unit acquisition cost of at least \$5,000; and
3. Be used to conduct State business.”

SARC has taken corrective action by providing DDS with supporting documentation indicating that adjusting entries have been made and only items valued at or above \$5,000 are capitalized.

**Recommendation:**

SARC must capitalize all items valued at or above \$5,000. This will ensure compliance with the State’s Equipment Systems Guidelines and the State Administrative Manual as required by its contract with DDS.

## EVALUATION OF RESPONSE

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As part of the audit report process, SARC has been provided with a draft audit report and was requested to provide a response to each finding. SARC's response dated October 13, 2014, is provided as Appendix A. This audit report includes the complete text of the findings in the Findings and Recommendations section, as well as a summary of the findings in the Executive Summary section.

DDS' Audit Branch has evaluated SARC's response. Except as noted below, SARC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. DDS' Audit Branch will confirm SARC's corrective actions identified in the response during the next scheduled audit.

**Finding 1: Negotiated Rate Above the Statewide Median Rate (Repeat)**

SARC agreed with the finding and stated that it will reimburse DDS a total of \$169,080.41 paid to Stepping Stones Center for Autistic Spectrum, Vendor Number HS0620, Service Code 115, above the Statewide/SARC Median Rate. In addition, SARC provided DDS with its newly implemented Median Rate policy to ensure compliance with the Median Rate requirements. DDS will conduct a follow-up review during the next scheduled audit to ensure that the newly implemented policies are being followed.

**Finding 2: Overstated Claims**

SARC agreed with 28 instances of overpayments totaling \$8,728.28, and provided documentation indicating that \$5,104.21 has been reimbursed to DDS with \$3,624.07 outstanding. However, SARC disagreed with one overpayment totaling \$1,791.36, and provided documentation which indicates that the authorization was reimbursed correctly. DDS reviewed the supporting documentation and agreed that the overpayment was identified in error. The remaining outstanding balance is \$3,624.07, which SARC must remit to DDS.

**Finding 3: Unsupported/Unallowable Credit Card Expenditures**

SARC agreed with the finding that expenses totaling \$7,645.51 were unsupported or unallowable, and provided support for expenditures totaling \$1,443.99. In addition, SARC was reimbursed by an employee for \$391.50 of the personal expenditures charged to the credit card. The remaining outstanding balance has been reduced to \$5,810.02, which SARC must remit to DDS.

**Finding 4: Client Trust Disbursements Not Supported (Repeat)**

SARC disagreed that it must reimburse \$14,273.04 for unsupported Client Trust disbursements to DDS. SARC explained that based on its interpretation of the Social Security Handbook, receipts are only required for shelter expenses and

major purchases. DDS agrees with SARC in that the funds should not be reimbursed to DDS, instead the funds should be reimbursed to the consumers' Client Trust accounts, since the funds were provided by SSA. Conversely, DDS does not agree with SARC that the retention of receipts is optional. Based on SARC's procedures, if receipts are not submitted, reimbursement from the payee will be sought. Therefore, since additional documentation was not provided indicating that the disbursements were made on behalf of the consumers, SARC must reimburse the consumers' Client Trust accounts \$14,273.04.

**Finding 5: Lack of Written Policies and Procedures**

SARC agreed with the finding and provided DDS with its new policies and procedures for Bank Reconciliation, Inventory Control, Cash Analysis, Credit Cards Expenditures and Consultants. DDS will conduct a follow-up review during the next scheduled audit to ensure that the new policies are being followed.

**Finding 6: Excess Leave Balances**

SARC agreed with the finding and indicated it has placed a copy of the current Executive Director's contract in the personnel file. This will allow the payroll staff to compare the accrued leave balances to the allowable limits pursuant to the contract. DDS will conduct a follow-up review during the next scheduled audit to ensure that the accumulated accrued employee leave is not above the allowable limits.

**Finding 7: Cash Advances Not Deposited in an Interest Bearing Account**

SARC agreed with the finding and indicated it now deposits its cash advances into an interest bearing checking account. DDS will conduct a follow-up review during the next scheduled audit to ensure the cash advances are deposited into an interest bearing account.

**Finding 8: Improper Allocation of Community Placement Plan Funds**

SARC agreed with the finding that it continued to fund \$14,620.06 of CPP services for consumer UCI Number [REDACTED] after the end of the initial fiscal year of placement. In addition, SARC agreed that it did not allocate \$83,294.35 of CPP expenditures for two consumers, UCI Numbers [REDACTED] and [REDACTED], which moved out of the Developmental Centers in fiscal year 2012-13. SARC stated that it made revisions to the CPP claims and instructed CPP staff to use sub-codes when submitting POS requests to ensure that claims are allocated to the appropriate funding source and fiscal year. However, SARC indicated that it has not made the necessary adjustments to correct the CPP claims. DDS will conduct a follow-up review during the next scheduled audit to ensure the expenditures have been corrected.

**Finding 9: Improper Allocation of Expenditures**

SARC agreed with the finding that it claimed the CPP, FGP, and SC expenditures to the General Fund. SARC stated it has developed tools to ensure expenses are claimed correctly. In addition, SARC will review the allocations made in fiscal years 2011-12 and 2012-13, and make any necessary adjustments to ensure that the CPP, FGP, and SC expenditures were allocated correctly. DDS will conduct a follow-up review during the next scheduled audit to ensure the expenditures have been corrected.

**Finding 10: Missing Equipment**

SARC agreed with the finding and will survey the missing equipment, remove the equipment from its Fixed Asset Ledger, and send the appropriate paperwork to DGS and DDS. In addition, SARC updated its policy on inventory controls, and is currently seeking different ways to improve its inventory process. SARC also ensured DDS that any missing or stolen equipment is reported to the police and surveyed in compliance with the State contract. DDS will conduct a follow-up review during the next scheduled audit to ensure that the new policy is being followed, and that the missing items identified were properly surveyed and removed from SARC's Fixed Asset Ledger.



**San Andreas Regional Center  
Negotiated Rate Above the Statewide Median Rate (Repeat)  
Fiscal Years 2011-12 and 2012-13**

<b>Vendor Number</b>	<b>Vendor Name</b>	<b>Service Code</b>	<b>Payment Period</b>	<b>Overpayments</b>
HS0620	Stepping Stones Center for Autistic Spectrum	115	Jul-11	\$10,153.41
			Aug-11	\$10,915.20
			Sep-11	\$9,516.69
			Oct-11	\$8,118.18
			Nov-11	\$8,470.65
			Dec-11	\$5,355.27
			Jan-12	\$7,947.63
			Feb-12	\$7,185.84
			Mar-12	\$8,470.65
			Apr-12	\$8,095.44
			May-12	\$8,425.17
			Jun-12	\$7,424.61
			Jul-12	\$7,750.23
			Aug-12	\$7,632.98
			Sep-12	\$7,621.25
			Oct-12	\$6,437.03
			Nov-12	\$6,272.88
			Dec-12	\$6,577.73
			Jan-13	\$5,159.00
			Feb-13	\$4,221.00
Mar-13	\$4,127.20			
Apr-13	\$4,865.88			
Apr-13	\$4,256.18			
Apr-13	\$4,080.30			
<b>Total Overpayment Due to Negotiated Rate Set Above the Statewide Median Rate</b>				<b>\$169,080.41</b>

**San Andreas Regional Center  
Overstated Claims  
Fiscal Years 2011-12 and 2012-13**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overstated Claims	Corrected	Outstanding Balance
1		ZS0628	Hygentlecare	117		Dec-11	\$71.81	\$71.81	\$0.00
2		ZS0628	Hygentlecare	117		Dec-11	\$191.52	\$191.52	\$0.00
3		H10685	Via Services, Inc.	850		Jun-11	\$115.86	\$115.86	\$0.00
4		ZS0628	Hygentlecare	117		Dec-11	\$71.81	\$71.81	\$0.00
5		ZS0628	Hygentlecare	117		Dec-11	\$191.52	\$191.52	\$0.00
6		HS0337	Employment and Community Options	952		Dec-11	\$184.92	\$184.92	\$0.00
7		P17644		785		Sep-11	\$545.85	\$545.85	\$0.00
8		VS4838		405		Sep-11	\$469.79	\$469.79	\$0.00
9		HS0251	Tucci Learning Solutions Inc.	612		Aug-11	\$108.91	\$108.91	\$0.00
10		HS0251	Tucci Learning Solutions Inc.	612		Dec-11	\$25.86	\$25.86	\$0.00
11		HS0337	Employment and Community Options	952		Jul-11	\$77.05	\$77.05	\$0.00
12		HS0337	Employment and Community Options	952		Dec-11	\$30.82	\$30.82	\$0.00
13		PS0183		744		Oct-12	\$60.09	\$60.09	\$0.00
14		HS0288	Lindstrom Adult	915		Aug-12	\$2,623.00	\$2,623.00	\$0.00
15		HS0825	Premeir Healthcare	470		Aug-12	\$39.00	\$39.00	\$0.00
16		HS0825	Premeir Healthcare	120		Oct-12	\$296.40	\$296.40	\$0.00
17		HS0825	Premeir Healthcare	460		Jul-12	\$1,791.36	\$1,791.36	\$0.00
18		HS0363	Hope Services	952		Sep-11	\$23.12	\$0.00	\$23.12
19		VS6090		405		Dec-11	\$598.00	\$0.00	\$598.00
20		VS6987		405		Oct-11	\$724.46	\$0.00	\$724.46
21		HS0717		113		Jul-11	\$318.00	\$0.00	\$318.00
22		PS0169	Gardner South County	715		Dec-11	\$47.88	\$0.00	\$47.88
23		VS7320		405		Sep-11	\$36.63	\$0.00	\$36.63
24		VS3137		415		Sep-11	\$760.32	\$0.00	\$760.32
25		VS4838		405		Dec-11	\$469.79	\$0.00	\$469.79

**San Andreas Regional Center  
Overstated Claims  
Fiscal Years 2011-12 and 2012-13**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overstated Claims	Corrected	Outstanding Balance
26		HS0251	Hope Services	102		Aug-11	\$68.29	\$0.00	\$68.29
27		HS0497	South Valley Pharmacy Svc.	765		Dec-11	\$124.31	\$0.00	\$124.31
28		PS0168	Comprecare Dental	715		Aug-12	\$38.51	\$0.00	\$38.51
29		P18257		772		Aug-12	\$414.76	\$0.00	\$414.76
<b>Total Overpayments Due to Duplicate Payments/Overlapping Authorizations</b>							<b>\$10,519.64</b>	<b>\$6,895.57</b>	<b>\$3,624.07</b>

**San Andreas Regional Center  
Unsupported/Unallowable Credit Card Expenditures  
Fiscal Years 2011-12 and 2012-13**

	<b>Merchant</b>	<b>Transaction Date</b>	<b>Transaction Amount</b>	<b>Corrected</b>	<b>Outstanding Balance</b>
1	Round Table Pizza	9/16/2010	\$143.49	\$143.49	\$0.00
2	Creatv San Jose	11/4/2011	\$25.00	\$25.00	\$0.00
3	A Tool Shed	11/25/2011	\$100.00	\$100.00	\$0.00
4	Nob Hill	6/12/2012	\$53.91	\$53.91	\$0.00
5	Nob Hill	6/12/2012	\$14.59	\$14.59	\$0.00
6	Safeway	6/13/2012	\$18.29	\$18.29	\$0.00
7	Blue Sky Restaurant	11/6/2012	\$145.45	\$145.45	\$0.00
8	Nob Hill	12/3/2012	\$484.15	\$484.15	\$0.00
9	FTD Gilroy Flower shop	12/4/2012	\$154.09	\$154.09	\$0.00
10	Mimi's Café	12/12/2012	\$305.02	\$305.02	\$0.00
11	GroundSpring.org	9/8/2010	\$39.95	\$0.00	\$39.95
12	SaveMart	9/9/2010	\$31.79	\$0.00	\$31.79
13	Wal-Mart	9/9/2010	\$55.33	\$0.00	\$55.33
14	Chapala Mexican Restaurant	9/9/2010	\$110.08	\$0.00	\$110.08
15	Great America	9/10/2010	\$35.00	\$0.00	\$35.00
16	Nob Hill	9/22/2010	\$46.98	\$0.00	\$46.98
17	Togo's-Lafayette	9/25/2010	\$14.64	\$0.00	\$14.64
18	Armadillo Willis BBQ-Cupertino	10/1/2010	\$20.69	\$0.00	\$20.69
19	Angels on Stage	10/5/2010	\$60.00	\$0.00	\$60.00
20	GroundSpring.org	10/7/2010	\$39.95	\$0.00	\$39.95
21	Courtyard by Marriott-Salinas	10/16/2010	\$122.54	\$0.00	\$122.54
22	GroundSpring.org	11/4/2010	\$39.95	\$0.00	\$39.95
23	GroundSpring.org	12/7/2010	\$39.95	\$0.00	\$39.95
24	A Party Place	12/8/2010	\$425.00	\$0.00	\$425.00
25	A Party Place	12/9/2010	\$50.00	\$0.00	\$50.00
26	A Party Place	12/10/2010	\$302.60	\$0.00	\$302.60
27	GroundSprings.org	1/5/2011	\$39.95	\$0.00	\$39.95
28	GroundSprings.org	2/3/2011	\$49.95	\$0.00	\$49.95
29	Asuka Sushi	2/3/2011	\$24.14	\$0.00	\$24.14
30	Hyatt Hotels Sacramento	2/4/2011	\$63.73	\$0.00	\$63.73
31	O Deli Café	2/10/2011	\$7.99	\$0.00	\$7.99
32	Pyramid Ale House	2/10/2011	\$77.16	\$0.00	\$77.16
33	Network for Good- Inv	3/2/2011	\$49.95	\$0.00	\$49.95

**San Andreas Regional Center  
Unsupported/Unallowable Credit Card Expenditures  
Fiscal Years 2011-12 and 2012-13**

	<b>Merchant</b>	<b>Transaction Date</b>	<b>Transaction Amount</b>	<b>Corrected</b>	<b>Outstanding Balance</b>
34	Starbucks	3/3/2011	\$30.90	\$0.00	\$30.90
35	Embassy Suites	3/8/2011	\$213.85	\$0.00	\$213.85
36	Chevys 2011	3/15/2011	\$51.28	\$0.00	\$51.28
37	Embassy Suites	3/16/2011	\$25.00	\$0.00	\$25.00
38	Holiday Inn Express	4/17/2011	\$90.54	\$0.00	\$90.54
39	Best Western-Seacliff	4/21/2011	\$111.49	\$0.00	\$111.49
40	New York Pizza and Dogs	4/29/2011	\$28.38	\$0.00	\$28.38
41	Elephant Bar	6/11/2011	\$65.80	\$0.00	\$65.80
42	First Awakenings	8/9/2011	\$30.63	\$0.00	\$30.63
43	Dicks Bakery	8/15/2011	\$46.25	\$0.00	\$46.25
44	Great America FrontGte	8/27/2011	\$13.00	\$0.00	\$13.00
45	Jalisco Restaurant	9/8/2011	\$14.94	\$0.00	\$14.94
46	Chacho'a Taquiera	9/10/2011	\$23.05	\$0.00	\$23.05
47	Eventos Palmas Y Party	9/20/2011	\$150.00	\$0.00	\$150.00
48	Target	9/22/2011	\$49.25	\$0.00	\$49.25
49	A Party Place	9/29/2011	\$482.00	\$0.00	\$482.00
50	Parents Helping Parent	10/6/2011	\$40.00	\$0.00	\$40.00
51	La Pizzeria	11/5/2011	\$67.51	\$0.00	\$67.51
52	Sees Candies	12/15/2011	\$711.50	\$0.00	\$711.50
53	Akis Bakery	12/19/2011	\$52.98	\$0.00	\$52.98
54	Doube D's Sports Grill	4/4/2012	\$70.70	\$0.00	\$70.70
55	Cypress Grille	4/17/2012	\$13.78	\$0.00	\$13.78
56	Café Roma	4/18/2012	\$20.15	\$0.00	\$20.15
57	Blimpie Subs & Sandwiches	4/18/2012	\$89.16	\$0.00	\$89.16
58	Holiday Inn Capital Pl	4/18/2012	\$40.68	\$0.00	\$40.68
59	Pyramid Ale House	4/18/2012	\$34.09	\$0.00	\$34.09
60	Baseball Acquisition C	7/20/2012	\$44.25	\$0.00	\$44.25
61	River City Brewing	7/26/2012	\$90.35	\$0.00	\$90.35
62	Blue Sky Restaurant	9/27/2012	\$158.25	\$0.00	\$158.25
63	Registration Testing	10/25/2012	\$25.00	\$0.00	\$25.00
64	Sonoma Chicken Coop	10/26/2012	\$53.18	\$0.00	\$53.18
65	Red Apple Café	10/31/2012	\$37.30	\$0.00	\$37.30
66	Nob Hill	11/16/2012	\$5.61	\$0.00	\$5.61

**San Andreas Regional Center  
Unsupported/Unallowable Credit Card Expenditures  
Fiscal Years 2011-12 and 2012-13**

	Merchant	Transaction Date	Transaction Amount	Corrected	Outstanding Balance
67	CityofSac Parking	12/3/2012	\$18.00	\$0.00	\$18.00
68	McCormick Schmick	12/3/2012	\$45.14	\$0.00	\$45.14
69	ZOCA, Inc.	12/3/2012	\$82.88	\$0.00	\$82.88
70	4th St Pizza Co	12/12/2012	\$17.88	\$0.00	\$17.88
71	Maya Salinas Old T	12/19/2012	\$40.00	\$0.00	\$40.00
72	Platinum Theatres Inc	12/19/2012	\$40.00	\$0.00	\$40.00
73	Century Theatres	12/20/2012	\$80.00	\$0.00	\$80.00
74	Sees Candies	12/21/2012	\$244.70	\$0.00	\$244.70
75	YMCA Silicon Valley	12/21/2012	\$27.00	\$0.00	\$27.00
76	O Deli Café	1/23/2013	\$7.83	\$0.00	\$7.83
77	Amtrak-Cap Corr	1/23/2013	\$5.00	\$0.00	\$5.00
78	Amtrak-Cap Corr	1/23/2013	\$7.25	\$0.00	\$7.25
79	Chops Steak House	1/23/2013	\$15.75	\$0.00	\$15.75
80	K Midtown Mini Mart	1/23/2013	\$3.90	\$0.00	\$3.90
81	River City Brewing Co.	3/5/2013	\$59.86	\$0.00	\$59.86
82	O'Mallys	3/6/2013	\$46.00	\$0.00	\$46.00
83	Cypress Grille	3/6/2013	\$60.94	\$0.00	\$60.94
84	Chachos Restaurant	3/22/2013	\$37.41	\$0.00	\$37.41
<b>Total Credit Card Disbursements Not Supported</b>			<b>\$7,011.70</b>	<b>\$1,443.99</b>	<b>\$5,567.71</b>
1	A Bellagio	7/12/2011	\$126.00	\$0.00	\$126.00
2	Winecountrygiftbaskets.com	4/19/2012	\$116.31	\$0.00	\$116.31
<b>Total Unallowable Purchases due to Alcohol</b>			<b>\$242.31</b>	<b>\$0.00</b>	<b>\$242.31</b>
1	Michaels	12/24/2010	\$41.48	\$41.48	\$0.00
2	Target	12/24/2010	\$154.71	\$154.71	\$0.00
3	Holiday Inns	10/16/2011	\$195.31	\$195.31	\$0.00
<b>Total Unallowable Purchases due to Personal Use</b>			<b>\$391.50</b>	<b>\$391.50</b>	<b>\$0.00</b>
<b>Total Unallowable Purchases</b>			<b>\$633.81</b>	<b>\$391.50</b>	<b>\$242.31</b>
<b>Grand Total of Unsupported/Unallowable Expenses</b>			<b>\$7,645.51</b>	<b>\$1,835.49</b>	<b>\$5,810.02</b>

**San Andreas Regional Center  
Client Trust Disbursements Not Supported (Repeat)  
Fiscal Years 2011-12 and 2012-13**

	Unique Client Identification Number	Check Number	Money Management Disbursement Amount
1			\$300.00
2			\$250.00
3			\$250.00
4			\$350.00
5			\$510.50
6			\$300.00
7			\$355.00
8			\$510.50
9			\$565.50
10			\$1,050.00
11			\$565.50
12			\$565.50
13			\$300.00
14			\$225.00
15			\$768.54
16			\$310.00
17			\$310.00
<b>Total Unsupported Disbursements for FY 2011-12 and 2012-13</b>			<b>\$7,486.04</b>
1			\$500.00
2			\$300.00
3			\$329.00
4			\$329.00
5			\$329.00
6			\$1,000.00
7			\$1,000.00
8			\$500.00
9			\$500.00
10			\$1,500.00
11			\$500.00
<b>Total Unsupported Disbursements for FY 2009-10 and 2010-11</b>			<b>\$6,787.00</b>
<b>Total Unsupported Disbursements</b>			<b>\$14,273.04</b>

**San Andreas Regional Center  
Improper Allocation of Community Placement Plan Funds  
Fiscal Years 2011-12 and 2012-13**

Unique Client Identification Number	Vendor Number	Service Code	Subcode	Payment Period	Overstatements
<b>CPP Payments After End of Fiscal Year</b>					
[REDACTED]	HS0277	515	03CPP	Jul-11	\$1,440.40
				Aug-11	\$1,656.46
				Sep-11	\$1,512.42
				Oct-11	\$1,440.40
				Nov-11	\$1,368.38
				Dec-11	\$1,368.38
				Jan-12	\$1,440.40
				Feb-12	\$1,440.40
				Mar-12	\$1,512.42
				Apr-12	\$1,440.40
<b>CPP Payments After End of Fiscal Year</b>					<b>\$14,620.06</b>

<b>Payments Not Allocated to CPP</b>						
[REDACTED]	HS0380	780	90801	Oct-12	\$289.48	
				Oct-12	\$35.15	
				Nov-12	\$35.15	
				Dec-12	\$35.15	
				Feb-13	\$35.15	
				Mar-13	\$35.15	
				Apr-13	\$105.45	
				May-13	\$35.15	
				Jun-13	\$35.15	
				Oct-12	\$39.72	
				Nov-12	\$39.72	
				Dec-12	\$39.72	
				Feb-13	\$39.72	
				Mar-13	\$39.72	
				Apr-13	\$119.16	
				May-13	\$39.72	
				Jun-13	\$39.72	
				HS0805	113	
	Nov-12	\$7,172.86				
	Dec-12	\$7,172.86				
	Jan-13	\$7,172.86				
	Feb-13	\$7,172.86				
	Mar-13	\$7,172.86				
	Apr-13	\$7,172.86				
	May-13	\$7,172.86				



**San Andreas Regional Center  
Improper Allocation of Community Placement Plan Funds  
Fiscal Years 2011-12 and 2012-13**

Unique Client Identification Number	Vendor Number	Service Code	Subcode	Payment Period	Overstatements	
[REDACTED]	HS0750	515	03	Jun-13	\$7,172.86	
				Oct-12	\$858.12	
				Nov-12	\$1,287.18	
				Dec-12	\$1,287.18	
				Jan-13	\$1,430.20	
				Feb-13	\$1,358.69	
				Mar-13	\$1,501.71	
				Apr-13	\$1,501.71	
				May-13	\$1,287.18	
				Jun-13	\$1,430.20	
	[REDACTED]	[REDACTED]	880	[REDACTED]	Oct-12	\$146.76
					Nov-12	\$220.14
					Dec-12	\$220.14
					Jan-13	\$244.60
					Feb-13	\$232.37
					Mar-13	\$256.83
					Apr-13	\$256.83
					May-13	\$220.14
	[REDACTED]	HS0753	765	[REDACTED]	Jun-13	\$244.60
					Nov-12	\$51.08
Dec-12					\$50.76	
Jan-13					\$99.96	
Feb-13					\$64.96	
Mar-13					\$75.35	
Apr-13					\$75.96	
May-13					\$83.96	
[REDACTED]	HS0848	510	04	Jun-13	\$84.28	
				Apr-13	\$904.23	
				May-13	\$1,063.80	
		880	[REDACTED]	Jun-13	\$1,063.80	
				Apr-13	\$183.45	
				May-13	\$244.60	
Jun-13					\$244.60	
<b>Total Payments Not Allocated to CPP</b>					<b>\$83,294.35</b>	
<b>Grand Total of Payments Not Allocated to CPP</b>					<b>\$68,674.29</b>	

**San Andreas Regional Center  
Improper Allocation of Expenditures  
Fiscal Years 2011-12 and 2012-13**

<b>Supplemental Claim Number</b>	<b>Funding Source</b>	<b>Account Number</b>	<b>Amount</b>
Supplemental 1	CPP		\$41,548.89
			\$119.55
			\$117.00
			\$325.79
	FGP		\$27.05
			\$12.50
			\$140.40
	SC		\$48.08
			\$20.00
			\$249.60
Supplemental 2	CPP	\$2,747.00	
		\$180.00	
	FGP	\$4.51	
		\$37.30	
	SC	\$8.01	
		\$66.31	
Supplemental 3	CPP	\$114.00	
		\$387.39	
<b>Total Improper Allocation of Expenditures</b>			<b>\$46,153.38</b>

**San Andreas Regional Center  
Missing Equipment  
Fiscal Years 2011-12 and 2012-13**

	<b>Item Description</b>	<b>Serial Number</b>	<b>State Tag Number</b>
1	IBM Thinkpad	L3 ALK45	00346023
2	IBM Thinkpad	L3-CW916	00349686
3	IBM Thinkpad	L3-CW771	00349683
4	IBM Thinkpad	L3-AC595	00346190
5	Sony VIAO	3000233	00346146
6	HP Laserjet	CNGXD10409	00346101

**APPENDIX A**

**SAN ANDREAS REGIONAL CENTER**

**RESPONSE  
TO AUDIT FINDINGS**

**(Certain documents provided by the San Andreas Regional Center as attachments to its response are not included in this report due to the detailed and sometimes confidential nature of the information).**

**SAN ANDREAS REGIONAL CENTER**  
**DDS Audit for July 2011 - June 2013**  
**Response to Draft Audit Report Issued by DDS**

<u>FINDING</u>	<u>SUBJECT</u>	<u>RECOMMENDATION</u>	<u>RESPONSE</u>
1	Negotiated rate above the statewide median rate	SARC must reimburse DDS the overpayment totaling \$169,080.41. Immediately renegotiate rate and provide DDS with written confirmation of the rate change. Also, SARC must ensure that all rates negotiated after June 2008, are either equal to or below the Statewide/SARC median rates	SARC will pay \$169,080.41 to DDS. We were unsuccessful at renegotiating to the median rate prior to the service provider going out of business in March of 2014. Please See attached Median Rates Review Policy. (Exhibit 1)
2	Overstated Claims	SARC must reimburse DDS the outstanding balance totaling \$10,529.57. In addition SARC must ensure the staff is monitoring the Operational Indicator reports to efficiently detect duplicate payments and correct payment errors	SARC has collected \$5,104.21 of the identified over payments. There is one item that SARC disputes. Authorization #13463045 was increased from 121 to 217 hours for the month of July 2012. Therefore, this was not an overpayment (Exhibit 2). SARC agrees to pay DDS the remaining balance of \$3,624.07. The POS supervisor has established the means to run the Operational Indicator reports and is currently reviewing and correcting FY13/14 errors. The reports will be run on a quarterly basis to identify problems and resolve them.
3	Unsupported/Unallowable credit card expenditures	SARC must reimburse DDS the \$7,645.51 of unsupported and unallowable expenses. Also, establish and enforce credit card procedures which require employees to supply detailed receipts	We have analyzed the charges on the list of unsupported/unallowable expenditures. We have found receipts for charges totaling \$1,426.33 and have been repaid for \$391.50 for personal card use (Exhibit 3) and \$100 that was credited the next month. This reduces the outstanding balance to \$6,219.18 which SARC will pay to DDS. SARC has implemented a credit card policy and procedure to ensure detailed receipts are submitted and only allowable expenditures are paid (see support for finding 5 for policy).
4	Client Trust disbursements not supported (repeat)	SARC must reimburse DDS a total of \$14,273.04 in unsupported management disbursements. Also, SARC must ensure its vendors are aware that receipts to support the disbursements must be submitted to SARC	SARC disputes the appropriateness of paying \$14,273.04 to DDS as the funds were neither allocated by nor claimed from DDS. Rather, the funds were from the SSI funds of the individuals served. Also, SARC's interpretation of the Social Security Handbook statement (Exhibit 4A) regarding the receipts is that we only need to keep a record of how the money was spent. The retention of a receipt is optional unless the purchase was for shelter or a major purchase. However, our policy is to obtain receipts whenever possible (Exhibit 4B)
5	Lack of written policies and procedures	SARC must implement policies and procedures for the area above to ensure staff is aware of the tasks to be performed, increase accountability and help prevent errors.	SARC has documented policies and procedures as recommended. Please see supporting documents: 5A. Bank Reconciliation 5B. Inventory Control 5C. Cash Analysis 5D. Credit Card Expenditures 5E. Consultant Contracts (Exhibit 5)
6	Excess leave balances	SARC should regularly monitor its employees' leave balances to ensure leave time accrued is not above the allowable limits. In addition SARC should develop a plan to address any excess leave balances that may occur.	We have ensured that a copy of the current Executive Director's contract is in the employee file so the leave balance can be compared to the contract and any issues addressed as needed.

**SAN ANDREAS REGIONAL CENTER**  
**DDS Audit for July 2011 - June 2013**  
**Response to Draft Audit Report Issued by DDS**

7	Cash advances not deposited in an interest-bearing account	SARC must ensure that all advances are deposited into an interest bearing account	We changed to an interest-bearing account in September 2013.
8	Improper allocation of CPP funds	SARC must reallocate \$14,620.06 incorrectly claimed under CPP to the general fund and \$83,294.35 to the CPP account	Since the audit, we have made numerous revisions to the CPP claim which means that the process to analyze what remains to be corrected will be time consuming. SARC will review the current status of the state claims and make revisions where needed to ensure items are claimed correctly. Further, we have advised the CPP Unit to use the correct CPP sub-codes and regular sub-codes when submitting POS requests to conform with appropriate fiscal year requirements.
9	Improper allocation of expenditures	SARC must allocate the CPP, FGP and SC claims to the correct funding source. In addition SARC must review all claims submitted to DDS to ensure expenses are allocated to the correct funding sources	SARC has developed tools to help ensure everything is claimed correctly. Please see documents included (Exhibit 9). SARC will review the allocations made in FY11/12 & 12/13 and revise the claims where needed.
10	Missing equipment	SARC must ensure that all missing or stolen items are reported to police and are surveyed to ensure compliance with the state contract requirements regarding the safeguarding of State property	SARC will survey any missing equipment, remove them from our Fixed Asset Ledger and send the appropriate paperwork to DGS & DDS. SARC is investigating tools to improve the inventory process and, in the future, will ensure that any missing or stolen equipment is reported to the police and surveyed to ensure compliance with the state contract requirement relating to State Property. SARC has also revised and updated its policy on inventory control which is included in the packet (Exhibit 5B).