



**AUDIT OF THE  
SAN ANDREAS REGIONAL CENTER  
FOR FISCAL YEARS 2015-16 AND 2016-17**

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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 San Andreas Regional Center (SARC) to ensure SARC is compliant with the requirements set forth in the Lanterman Developmental Disabilities Services Act and Related Laws/Welfare and Institutions (W&I) Code; the Home and Community-based Services (HCBS) Waiver for the Developmentally Disabled; California Code of Regulations (CCR), Title 17; Federal Office of Management and Budget (OMB) Circulars A-122 and A-133; and the contract with DDS. Overall, the audit indicated that SARC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2015, through June 30, 2017, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where SARC's administrative and operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding SARC's operations. A follow-up review was performed to ensure SARC has taken corrective action to resolve the findings identified in the prior DDS' audit report.

The findings of this report have been separated into the two categories below.

### I. Findings to be addressed.

#### **Finding 1: Payments for Unoccupied Beds**

The sample review of 101 Purchase of Service (POS) vendor files revealed SARC reimbursed nine vendors for unoccupied beds. SARC stated that it authorized the reimbursement in order to accommodate consumers with behavioral, health and safety issues who had difficulties sharing a room with another consumer. However, SARC did not request Health and Safety Waivers from DDS for these consumers to allow for the additional payments. This resulted in overpayments totaling \$726,703.74 for the unoccupied beds. This is not in compliance with the WIC, Section 4691.9(a)(1).

#### **Finding 2: Duplicate Payments and Overlapping Authorizations**

The review of the Operational Indicator Reports revealed SARC over-claimed expenses to the State totaling \$23,166.78 for 30 vendors. These overpayments were due to duplicate payments and/or overlapping authorizations. This is not in compliance with CCR, Title 17, Section 54326(a)(10).

**Finding 3: Over/Understated Claims**

The sample review of 101 POS vendor files revealed seven vendors were reimbursed for services provided at an incorrect rate. The rates paid to the seven vendors differed from the rates listed on the rate letters. In addition, SARC incorrectly applied the proration factor of 30.44 for partial-month stays for two consumers. Furthermore, SARC reimbursed one vendor above the authorized amount. This resulted in over and understated claims totaling \$48,152.41 and \$6,568.62, respectively. This is not in compliance with CCR, Title 17, section 57300(c)(2).

**Finding 4: Bank Reconciliations Not Completed Timely**

SARC's bank reconciliations are not completed in a timely manner. As of March 2018, reconciliations for the General and Payroll Accounts had last been completed in June 2017 and August 2017, respectively. This is not in compliance with SARC's Bank Reconciliation Policies and Procedures.

**Finding 5: Family Cost Participation Program**

**A. Late Assessments (Repeat)**

The sample review of 24 Family Cost Participation Program (FCPP) consumers' files revealed eight instances in which SARC did not assess the families' share of cost participation as part of the consumers' Individualized Program Plan (IPP) or Individualized Family Service Plan (IFSP) review. This is not in compliance with W&I Code, Section 4783(g)(1)(A)(B)(C).

**B. Late Notification of Families' Share of Cost**

The sample review of 24 FCPP consumer files revealed two instances in which SARC did not notify parents of their share of cost within 10 working days of receiving income documentation. This is not in compliance with W&I Code, Section 4783(3).

**Finding 6: Missing Documentation**

**A. Home and Community-Based Services Provider Agreement Forms (Repeat)**

The sample review of 101 POS vendor files revealed SARC was not able to provide the HCBS Provider Agreement form for 14 vendors. This is not in compliance with CCR, Title 17, Sections 54326(a)(16) and 54332(a)(8).

**B. Contract and Rate Letters**

The sample review of 101 POS vendor files revealed that SARC was unable to provide the contract or rate letters for 10 vendors. 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. Missing Vendor Applications and Applicant/Vendor Disclosure Statements (Repeat)**

The sample review of 101 POS vendor files revealed that three vendors did not have the DS1890 forms on file and 12 vendors did not have the Applicant/Vendor Disclosure Statement (DS 1891) forms on file. This is not in compliance with CCR, Title 17, Sections 54310(a), 54332(a)(1) and 54311(b) and (c).

- II. The following finding was identified during the audit, but has since been addressed and corrected by SARC.

**Finding 7: Improper Allocation of CPP Funds (Repeat)**

The review of SARC's CPP claims revealed that SARC continues to improperly allocate CPP expenditures. SARC included 11 consumers who did not move from a Developmental Center to the community for FY 2016-17. This issue was identified in the two prior audit reports. This resulted in \$31,454.27 of improper allocation of CPP funds for FY 2016-17. This is not in compliance with the State Contract, Exhibit E (2)(a) and the Guidelines for Regional Center Community Placement Plan, Section III(A).

SARC provided additional information after the fieldwork indicating it had reallocated the CPP funds to resolve the finding.

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

This audit was conducted at SARC from February 5, 2018, through March 16, 2018, by the Audit Section of DDS.

## **AUTHORITY**

The audit was conducted under the authority of the W&I Code, Section 4780.5 and Article IV, Section 3 of the State Contract between DDS and SARC.

## **CRITERIA**

The following criteria were used for this audit:

- W&I Code,
- "Approved Application for the HCBS Waiver for the Developmentally Disabled,"
- CCR, Title 17,
- OMB Circulars A-122 and A-133, and
- The State Contract between DDS and SARC, effective July 1, 2014.

## **AUDIT PERIOD**

The audit period was July 1, 2015, through June 30, 2017, 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 SARC.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of SARC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that SARC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis to determine whether SARC was in compliance with the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and SARC.

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

DDS reviewed the annual audit reports that were conducted by an independent CPA firm for Fiscal Year (FY) 2015-16 issued on November 23, 2016. 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 POS claims billed to DDS. The sample included consumer services and vendor rates. The sample also included consumers who were eligible for the HCBS Waiver Program. For POS claims, the following procedures were performed:

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by SARC. The rates charged for the services provided to individual consumers were reviewed to ensure compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and SARC.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000, as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the 10th of each month, and proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with 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 the Social Security Administration or other sources in a timely manner.
- DDS selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out of balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of SARC's bank accounts to determine whether DDS had signatory authority, as required by the State Contract with DDS.

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

## **II. Regional Center Operations**

DDS selected a sample of OPS claims billed to DDS to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to ensure SARC's accounting staff properly input data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, payroll ledgers, and other support documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of OPS expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17, and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed SARC's policies and procedures for compliance with the DDS Conflict of Interest regulations, and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

## **III. Targeted Case Management (TCM) and Regional Center Rate Study**

The TCM Rate Study determines the DDS rate of reimbursement from the federal government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and SARC's Rate Study. DDS examined the months of April 2016 and April 2017 and traced the reported information to source documents.
- Reviewed SARC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared timesheets to the Case Management Time Study Forms (DS 1916) to ensure that the forms were properly completed and supported.

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

Under the W&I Code, Section 4640.6(e), RCs are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code Section 4640.6(c)(1)(2)(3)(A)(B)(C):

- “(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:
  - (1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.
  - (2) An average service coordinator-to-consumer ratio of 1 to 45 for all consumers who have moved from a developmental center to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 59 consumers for more than 60 days.
  - (3) Commencing January 1, 2004, the following coordinator-to-consumer ratios shall apply:
    - (A) All consumers three years of age and younger and for consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, an average service coordinator-to-consumer ratio of 1 to 62.
    - (B) All consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, an average service coordinator-to-consumer ratio of 1 to 62.
    - (C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in subparagraph (A), an average service coordinator-to-consumer ratio of 1 to 66.”

DDS also reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratios to determine reasonableness and that supporting documentation is maintained to support the survey and the ratios as required by W&I Code, Section 4640.6(e).

**V. Early Intervention Program (EIP; Part C Funding)**

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

**VI. Family Cost Participation Program**

The FCPP was created for the purpose of assessing consumer costs to parents based on income level and dependents. The family cost participation assessments are only applied to respite, day care, and camping services that are included in the child's Individual Program Plan (IPP)/Individualized Family Services Plan (IFSP). To determine whether SARC was in compliance with CCR, Title 17, and the W&I Code, Section 4783, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care, and camping services, for ages 0 through 17 years who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents' income documentation to verify their level of participation based on the FCPP Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' income documentation.
- Reviewed vendor payments to verify that SARC was paying for only its assessed share of cost.

**VII. Annual Family Program Fee (AFPF)**

The AFPF was created for the purpose of assessing an annual fee of up to \$200 based on the income level of families with children between the ages of 0 through 17 years receiving qualifying services through the RC. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the RC and a cost for participation was assessed to the parents under FCPP. To determine whether SARC was in compliance with the W&I Code, Section 4785, DDS requested a list of AFPF assessments and verified the following:

- The adjusted gross family income is at or above 400 percent of the federal poverty level based upon family size.
- The child has a DD or is eligible for services under the California Early Intervention Services Act.

- The child is less than 18 years of age and lives with his or her parent.
- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.
- The child does not receive services through the Medi-Cal program.
- Documentation was maintained by the RC to support reduced assessments.

#### **VIII. Parental Fee Program (PFP)**

The PFP was created for the purpose of prescribing financial responsibility to parents of children under the age of 18 years who are receiving 24-hour, out-of-home care services through an RC or who are residents of a state hospital or on leave from a state hospital. Parents shall be required to pay a fee depending upon their ability to pay, but not to exceed (1) the cost of caring for a child without DD at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether SARC is in compliance with the W&I Code, Section 4782, DDS requested a list of PFP assessments and verified the following:

- Identified all children with DD who are receiving the following services:
  - (a) All 24-hour, out-of-home community care received through an RC for children under the age of 18 years;
  - (b) 24-hour care for such minor children in state hospitals. Provided, however, that no ability to pay determination shall be made for services required by state or federal law, or both, to be provided to children without charge to their parents.
- Provided DDS with a listing of new placements, terminated cases, and client deaths for those clients. Such listings shall be provided not later than the 20th day of the month following the month of such occurrence.
- Informed parents of children who will be receiving services that DDS is required to determine parents' ability to pay and to assess, bill, and collect parental fees.
- Provided parents a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope within 10 working days after placement of a minor child.
- Provided DDS a copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed.

## **IX. Procurement**

The Request for Proposal (RFP) process was implemented to ensure RCs outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires RCs to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, RCs will ensure that the most cost-effective service providers, amongst comparable service providers, are selected, as required by the Lanterman Act and the State Contract, as amended. To determine whether SARC implemented the required RFP process, DDS performed the following procedures during the audit review:

- Reviewed SARC's contracting process to ensure the existence of a Board-approved procurement policy and to verify that the RFP process ensures competitive bidding, as required by Article II of the State Contract, as amended.
- Reviewed the RFP contracting policy to determine whether the protocols in place included applicable dollar thresholds and comply with Article II of the State Contract, as amended.
- Reviewed the RFP notification process to verify that it is open to the public and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded, and authorized by appropriate officials at SARC. The process was reviewed to ensure that the vendor selection process is transparent and impartial and avoids the appearance of favoritism. Additionally, DDS verified that supporting documentation is retained for the selection process and, in instances where a vendor with a higher bid is selected, written documentation is retained as justification for such a selection.

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

- Selected a sample of Operations, Community Placement Plan (CPP), and negotiated POS contracts subject to competitive bidding to ensure SARC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that SARC has adequate and detailed documentation for the selection and evaluation process of vendor proposals and written justification for final vendor selection decisions and that those contracts were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures:

- To determine compliance with the W&I Code, Section 4625.5 for contracts in place as of March 24, 2011: Reviewed to ensure SARC has a written policy requiring the Board to review and approve any of its contracts of two hundred fifty thousand dollars (\$250,000) or more before entering into a contract with the vendor.
- Reviewed SARC Board-approved Operations, Start-Up, and POS vendor contracts of \$250,000 or more, to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers; verified that the funds provided were specifically used to establish new or additional services to consumers, the usage of funds is of direct benefit to consumers, and the contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess SARC's current RFP process and Board approval for contracts of \$250,000 or more, as well as to determine whether the process in place satisfies the W&I Code and SARC's State Contract requirements, as amended.

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

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

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

- Reviewed sample vendor files to determine whether SARC is using appropriately vendorized service providers and correct service codes, and that SARC is paying authorized contract rates and complying with the median rate requirements of W&I Code, Section 4691.9.
- Reviewed vendor contracts to ensure that SARC is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or RC median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where required by regulation, or health and safety exemptions were granted by DDS.



- Reviewed vendor contracts to ensure that SARC did not negotiate rates with new service providers for services which are higher than the RC's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower. DDS also ensured that units of service designations conformed with existing RC designations or, if none exists, ensured that units of service conformed to a designation used to calculate the statewide median rate for the same service code.

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

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure SARC's accounting staff were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- Start-Up Funds;
- CPP;
- Part C – Early Start Program;
- Foster Grandparent (FGP);
- Senior Companion (SC);

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

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to SARC and reviewed supporting documentation to determine the degree of completeness of SARC's implementation of corrective actions.

## **CONCLUSIONS**

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Based upon the audit procedures performed, DDS determined that except for the items identified in the Findings and Recommendations section, SARC was in compliance with applicable sections of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and SARC for the audit period, July 1, 2015, through June 30, 2017.

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

From the review of the 15 prior audit findings, it has been determined that SARC has taken appropriate corrective action to resolve 11 findings. The remaining four audit findings are listed as repeat findings in this report.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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DDS issued the draft audit report on March 14, 2019. The findings in the draft audit report were discussed at a formal exit conference with SARC on April 2, 2019. The views of SARC'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 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 of this report have been separated into the two categories below.

### I. Findings that need to be addressed.

#### **Finding 1: Payments for Unoccupied Beds**

The sample review of 101 POS vendor files revealed SARC reimbursed nine vendors for unoccupied beds when rooms were occupied by one instead of two consumers. SARC stated that this occurred because these consumers could not be placed in a shared room due to behavioral, health and safety issues. In order to offset the vendors' lost revenue, SARC supplemented these vendors with an additional payment for the unoccupied bed under Service Code 113, Subcode "EXTRA." However, SARC did not request a Health and Safety Waiver from DDS for the affected consumers. This resulted in overpayments totaling \$726,703.74 for the unoccupied beds. (See Attachment A)

W&I Code, Section 4691.9(a)(1).

"(a) Notwithstanding any other law or regulation, commencing July 1, 2008:

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

#### **Recommendation:**

SARC must reimburse DDS for overpayments totaling \$726,703.74. In addition, SARC should either identify suitable alternative housing placements for these consumers rather than continuing to pay for the empty beds or renegotiate the contracts with the vendors to stipulate that no payments will be made for maintaining empty beds. Furthermore, if alternative housing cannot be located and SARC intends to continue paying the vendors for the unoccupied beds, SARC must obtain a Health and Safety Waiver from DDS.

**Finding 2: Duplicate Payments and Overlapping Authorizations**

The review of the Operational Indicator Reports revealed SARC over-claimed expenses totaling \$23,166.78 for 30 vendors. These overpayments were due to duplicate payments and/or overlapping authorizations. (See Attachment B)

CCR, Title 17, section 54326(a)(10) states:

"All vendors shall:

Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center."

**Recommendation:**

SARC must reimburse to DDS a total of \$23,166.78 in overpayments to the 30 vendors due to duplicate payments/overlapping authorizations. In addition, SARC should review the Operational Indicator Reports to ensure any overpayments are addressed and corrected in a timely manner.

**Finding 3: Over/Understated Claims**

The sample review of 101 POS vendor files revealed seven vendors were reimbursed for services provided at an incorrect rate. The rates paid to the seven vendors differed from the rates listed on the rate letters. This resulted in over- and understated claims totaling \$47,316.28 and \$6,448.79, respectively. In addition, SARC incorrectly applied the partial-month proration factor of 30.44 for partial-month stays for one vendor, which resulted in over- and understated claims totaling \$775.33 and \$119.83, respectively. Furthermore, SARC reimbursed one vendor above the authorized amount for one month which resulted in an overstated claim totaling \$60.80. The total over- and understated claims for the 11 vendors amounted to \$48,152.41 and \$6,568.62, respectively. (See Attachment C)

CCR, Title 17, section 54326(a)(10) states:

"All vendors shall:

Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center."

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."

**Recommendation:**

SARC must reimburse to DDS the overpayments totaling \$48,152.41 and reimburse to the vendors the underpayments totaling \$6,568.62 for services provided. In addition, SARC should ensure that the rates paid to vendors match the rates specified in the contracts with the vendors. This will prevent any future payment errors to the vendors.

**Finding 4: Bank Reconciliations Not Completed Timely**

SARC's bank reconciliations are not completed in a timely manner. As of March 2018, it was found that the bank reconciliations for the General Account from September 2016 through May 2017 and the Payroll Account from September 2016 through May 2017 were not completed until June 2017 and August 2017, respectively. Failure to complete bank reconciliations timely may lead to errors or fraudulent transactions if not detected immediately.

SARC stated this occurred because errors were identified by the reviewer, resulting in the need to amend the reconciliations. The process of amending the reconciliations has hampered SARC's ability to stay current with the monthly bank reconciliations.

SARC's Bank Reconciliation Policies and Procedures states:

**"Policy Statements**

- All accounts will be reconciled on a monthly basis
- All reconciling items will be cleared within a month or explanation provided
- Reconciliations will be reviewed by Controller before the end of the month."

**Recommendation:**

SARC must adhere to its policies and procedures to comply and complete bank reconciliations timely. This will ensure that errors or fraudulent transactions can be detected, analyzed and rectified immediately.

**Finding 5: Family Cost Participation Program**

**A. Late Assessments (Repeat)**

The sample review of 24 FCPP consumers' files revealed eight instances in which SARC did not assess the families' share of cost participation as part of the consumers' IPP or IFSP. This issue was identified in the two prior audit reports. In its response, SARC stated that it will continue to train the managers and service coordinators to

ensure assessments are timely to prevent overpayments from recurring.  
(See Attachment D)

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

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

- (1)(A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.
- (B) A regional center shall assess the cost participation for parents of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.
- (C) Reassessments for cost participation shall be conducted as part of the individual program plan or individual family service plan review pursuant to subdivision (b) of Section 4646 of this code or subdivision (f) of Section 95020 of the Government Code."

**Recommendation:**

SARC must comply with W&I Code, Section 4873(g)(1)(A)(B)(C) and ensure that all FCPP assessments are completed as part of the consumers' IPP or IFSP review.

**B. Late Notification of Families' Share of Cost**

The sample review of 24 FCPP consumer files revealed two instances in which SARC did not notify parents of their share of cost within 10 working days of receiving income documentation. The families of consumers UCI 6471236 and 6586851 were notified of their share of cost 18 and 21 working days, respectively, after the income documentation was received.

W&I Code, Section 4783(3) states:

- "(3) A regional center shall notify parents of the parents' assessed cost participation within 10 working days of receipt of the parents' complete income documentation."



**Recommendation:**

SARC must comply with the W&I Code, Section 4873(3) and ensure that all families are notified of their share of cost within 10 working days of receiving the income documentation.

**Finding 6: Missing Documentation**

**A. Home and Community-Based Services Provider Agreement Forms (Repeat)**

The sample review of 101 POS vendor files revealed SARC was not able to provide the HCBS Provider Agreement form for 14 vendors. This issue was identified in the prior audit report and in its response, SARC indicated that it implemented new procedures to withhold reimbursements to the vendor until it receives the requested document. (See Attachment E)

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

"(a) All vendors shall . . .

- (16) Sign the Home and Community-Based Services Provider Agreement (6/99), if applicable pursuant to section 54310(a)(10)(l), (d) and (e)."

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

"(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:**

SARC must locate the 14 missing HCBS Provider Agreement forms or have the vendors complete a new one. In addition, SARC must review all the vendor files to ensure the HCBS Provider Agreement forms are on file. SARC must follow its implemented procedures and withhold reimbursements to the vendor until it receives the missing documents.

**B. Contract and Rate Letters**

The sample review of 101 POS vendor files revealed that SARC was unable to provide the contract or rate letters for 10 vendors. Without contracts or rate letters, it cannot be determined whether SARC is paying its vendors correctly. (See Attachment F)

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:**

SARC should 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). In addition, SARC should ensure that all contracts and rate letters with its vendors are retained, properly safeguarded, and readily available for review.

**C. Vendor Applications and Applicant/Vendor Disclosure Statements  
(Repeat)**

The sample review of 101 POS vendor files revealed three vendors with missing DS 1890 forms and 12 vendors with missing DS 1891 forms on file. This issue was identified in the prior audit report and in its response, SARC indicated that it implemented new procedures to withhold reimbursements to the vendor until it receives the requested document. (See Attachment G)

CCR, Title 17, Section 54310(a), states:

- "(a) An applicant who desires to be vendored shall submit Form DS 1890 (7/2011), entitled Vendor Application, and the information specified in (1) through (10) below, to the vendoring regional center."

CCR, Title 17, Section 54332(a)(1), states in part:

- "(a) The vendoring regional center shall maintain a file for each vendor which includes copies of:
  - (1) The vendor application as described in Section 54310(a) of these regulations;"

CCR, Title 17, Section 54311(b) and (c), states:

- "(b) Each applicant or vendor shall submit a new signed and dated DS 1891 (7/2011) to the regional center within 30 days of any change in the information previously submitted pursuant to this section or upon a written request by the regional center for such information.
- (c) All current vendors shall submit a signed and dated DS 1891 (7/2011) to the vendoring regional center within 120 days of the effective date of these regulations for review by regional center by June 30, 2012."

**Recommendation:**

SARC must locate the missing DS 1890s and DS 1891s or obtain new completed forms from the 14 vendors. In addition, SARC must follow its new procedures to withhold reimbursements to the vendor until it receives the requested document.

- II. The following finding was identified during the audit, but has since been addressed and corrected by SARC.

**Finding 7: Improper Allocation of CPP Funds (Repeat)**

The review of SARC's CPP claims revealed that SARC continues to improperly allocate CPP expenditures. SARC included 11 consumers who did not move from a Developmental Center to the community for FY 2016-17. This resulted in improper allocation of \$31,454.27 in CPP funds for FY 2016-17.

This issue was identified in the two prior audit reports, and in its response, SARC stated it had developed procedures to prevent the misallocation of funds from reoccurring. SARC stated it will have the Fiscal Assistants validate that the services can be allocated to CPP by referring to a spreadsheet containing consumer, vendor and placement date information prior to being paid, but this issue continues to persist.

SARC provided additional information after the fieldwork indicating it had reallocated the CPP funds to resolve the finding.

State Contract, Exhibit E (2) (a) states in part:

"Contractor shall use funds allocated for the regional center's approved Community Placement Plan only for the purposes allocated and in compliance with the State's Community Placement Plan and Housing Guidelines."

Guidelines for Regional Center Community Placement Plan, Section 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 ensure that the Fiscal Assistants are properly trained to implement the new procedures for identifying CPP consumers who have moved from the Developmental Centers. This will ensure consumers' expenditures are allocated to proper funding sources before claims are made to DDS.

## EVALUATION OF RESPONSE

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As part of the audit report process, SARC was provided with a draft audit report and requested to provide a response to the findings. SARC's response dated May 17, 2017, is provided as Appendix A.

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

### **Finding 1: Payments for Unoccupied Beds**

SARC maintains that it was not in violation of W&I Code, Section 4691.9(a)(1) because it did not pay the vendor above the established rate and contends that W&I Section 4681.1(a)(3) grants the regional center authority to add additional services to meet the needs of the consumer. SARC also indicated that DDS has stated on numerous occasions that health and safety waiver exemptions would not be approved for individuals living in a residential setting. However, no documentation was provided to support this argument. Further, SARC's statement is contradictory to a memo dated October 23, 2007 from DDS to Regional Center Executive Directors regarding requesting Health and Safety Waiver Exemptions. The memo states that regional centers must "obtain written authorization from the Department of Developmental Services (Department) granting a residential service ARM level increase and/or a rate increase to other services subject to the rate freeze to protect consumer's health and safety."

Furthermore, SARC requested that the finding be deleted since SARC followed DDS' approved Director's Exception (DE) process and IPP recommendation. SARC stated that after consulting with the interdisciplinary team, the Executive Director utilized the DE to authorize the purchase of service for the extra beds so consumers could have their own rooms. SARC also stated that the consumers in these settings have shown improvements in their behavior and a decreased need for psychiatric holds.

SARC also indicated that paying for the extra beds was the most cost-effective way to meet the consumers' needs since there were no facilities capable of caring for these high-risk consumers and that the alternative would have been to place the consumers in hospitals or other locked settings. SARC has made alternate arrangements for the consumers identified in the audit and going forward has agreed to submit Health and Safety Waiver requests to DDS for consumers who are in the same situation. SARC is working to secure a Health and Safety Waiver for the one remaining consumer who is receiving extra bed payments.

DDS maintains that by paying the Service Code 113 rate, in addition to the "EXTRA" sub-code rate, SARC violated W&I Code, Section 4691.9(a)(1); as the total monthly amount paid to house the consumers exceeded the rate that was in effect prior to June 30, 2008. The vendor did not provide any additional services or supports to the consumers for the rate paid using the "EXTRA" sub-code.

Furthermore, regarding the use of the Director's Exception, DDS' approval of SARC's POS policy was "contingent upon the regional center's assurance that the policies are implemented so as to comply with applicable federal and state laws and regulations." Since payments to the vendors violated W&I Code, Section 4691.9(a)(1), the DE does not apply. Therefore, SARC should either identify suitable alternative housing placements for these consumers or renegotiate the contracts with the vendors to stipulate that no payments will be made for unoccupied beds. If alternative housing cannot be secured, SARC must obtain a Health and Safety Waiver from DDS. In addition, SARC must reimburse DDS for overpayments totaling \$726,703.74.

**Finding 2: Duplicate Payments and Overlapping Authorizations**

In its response to the Draft Report, SARC provided documentation that it collected \$13,397.35 of the \$23,166.78 in overpayments. In addition, SARC provided documentation disputing \$3,799.56. However, the review of the documentation showed that only \$3,666.88 was resolved with \$6,102.55 still remaining.

Subsequent to the response, SARC provided additional documentation indicating it collected \$3,318.83 from one vendor. Therefore, SARC must reimburse to DDS the overpayment totaling \$2,783.72 still outstanding.

**Finding 3: Over/Understated Claims**

SARC agreed to reimburse vendors the underpayments totaling \$6,568.62. In addition, SARC agreed with \$837.23 out of the \$48,152.41 in overpayments resulting from the incorrect application of the 30.44 proration factor for partial month stays, payments above the authorization, and the incorrect rate paid to one vendor.

SARC disagreed that it paid three vendors at incorrect rates totaling \$47,315.18 and provided documentation that the vendors were paid correctly per the Assembly Bill (AB) X2-1 rate increase.

SARC must reimburse to DDS the outstanding overpayments totaling \$837.23 and reimburse to vendors the underpayments totaling \$6,568.62

for services provided. SARC also stated that it will review operational indicator reports regularly and make any needed corrections in a timely manner.

**Finding 4: Bank Reconciliations Not Completed Timely**

SARC stated that it has created a tracking spreadsheet to record when bank reconciliations are completed to ensure they are done timely and that it amended its bank reconciliations from June 2014 onward.

**Finding 5: Family Cost Participation Program**

**A. Late Assessments (Repeat)**

SARC stated that it would revise its FCPP policies and procedures, to emphasize the need to complete the assessment within 10 working days of the parent's signature on the IPP. In addition, SARC stated it would train its case management staff and FCPP administrator to complete assessments in a timely manner.

**B. Late Notification of Families' Share of Cost**

SARC stated it would revise its FCPP policies and procedures and train staff to ensure that all letters are sent to families within 10 working days of receiving income documentation.

**Finding 6: Missing Documentation**

**A. Home and Community-Based Services Provider Agreement Forms (Repeat)**

SARC indicated it has dedicated an employee to scan vendor files into its electronic record-keeping system. Additionally, SARC is employing a temporary worker to review vendor files to ensure they are complete and include the HCBS Waiver Form.

**B. Contract and Rate Letters**

SARC stated that eight of the 10 vendors who were missing rate letters were part of the group of vendors who received ABX2 1 increases. SARC did not issue individual rate letters to each vendor, but instead issued generic letters for ABX2 1 increases and posted it on SARC's website and e-billing site. SARC provided copies of the letters issued for the ABX2 1 increase to DDS. SARC reissued the rate letters for the remaining two vendors as it was unable to locate them.

**C. Vendor Applications and Applicant/Vendor Disclosure Statements**  
**(Repeat)**

SARC indicated it has dedicated an employee to scan vendor files into its electronic record-keeping system. Additionally, SARC is employing a temporary worker to review vendor files to ensure they are complete and include the DS1890 and DS1891 forms. In addition, the employee will complete the registration of all SARC vendored providers in the OIG Compliance Now electronic portal to ensure future updates of the DS1891 can be tracked and requested in a timely manner.

**Finding 7: Improper Allocation of CPP Funds (Repeat)**

SARC stated it trained the POS Fiscal Assistants to process CPP authorizations only for CPP consumers who are on the verified list of consumers who moved into the community in the current fiscal year. This list will be reviewed by the Forensic group's District Manager and the POS Supervisor.



**San Andreas Regional Center  
Over and Understated Claims  
Fiscal Years 2015-16 through 2016-17**

No	Vendor Number	Vendor Name	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	Under/Overpayments	Resolved	Outstanding Balance
<b>Overstated Claims</b>										
1	HS0750	Access Comm. Resource	8164740	515	3	16531329	201509	\$ 1.10	\$ -	\$ 1.10
2	HS1044	Aim Higher, Inc.	6575307	875		16580900	201606	\$ 39.83	\$ 39.83	\$ -
3	ZS1024	Coastline Support, INC	8113599	48	BST	17598562	201611	\$ 653.12	\$ 653.12	\$ -
			8113599	48	BST	17598562	201612	\$ 1,869.56	\$ 1,869.56	\$ -
			8113599	48	BST	17598562	201701	\$ 1,959.36	\$ 1,959.36	\$ -
			8113599	48	BST	17598562	201702	\$ 1,828.74	\$ 1,828.74	\$ -
			8113599	48	BST	17608951	201703	\$ 1,733.83	\$ 1,733.83	\$ -
			8113599	48	BST	17608951	201704	\$ 1,624.64	\$ 1,624.64	\$ -
			8113599	48	BST	17608951	201705	\$ 1,627.70	\$ 1,627.70	\$ -
			8113599	48	BST	17608951	201706	\$ 1,534.83	\$ 1,534.83	\$ -
			8113599	48	COMP	17598563	201611	\$ 290.24	\$ 290.24	\$ -
			8113599	48	COMP	17598563	201612	\$ 858.02	\$ 858.02	\$ -
			8113599	48	COMP	17598563	201701	\$ 870.72	\$ 870.72	\$ -
			8113599	48	COMP	17598563	201702	\$ 812.67	\$ 812.67	\$ -
			8113599	48	COMP	17608949	201703	\$ 899.74	\$ 899.74	\$ -
			8113599	48	COMP	17608949	201704	\$ 870.72	\$ 870.72	\$ -
			8113599	48	COMP	17608949	201705	\$ 607.24	\$ 607.24	\$ -
			8113599	48	COMP	17608949	201706	\$ 555.08	\$ 555.08	\$ -
			8113599	48	HSS	17598564	201611	\$ 1,359.58	\$ 1,359.58	\$ -
			8113599	48	HSS	17598564	201612	\$ 4,211.57	\$ 4,211.57	\$ -
			8113599	48	HSS	17598564	201701	\$ 3,831.60	\$ 3,831.60	\$ -
			8113599	48	HSS	17598564	201702	\$ 3,576.16	\$ 3,576.16	\$ -
			8113599	48	HSS	17608950	201703	\$ 4,214.76	\$ 4,214.76	\$ -
			8113599	48	HSS	17608950	201704	\$ 4,094.22	\$ 4,094.22	\$ -
			8113599	48	HSS	17608950	201705	\$ 3,773.33	\$ 3,773.33	\$ -
			8113599	48	HSS	17608950	201706	\$ 3,603.30	\$ 3,603.30	\$ -
4	HS0763	Emerald LLC	7204834	875		16581260	201606	\$ 14.62	\$ 14.62	\$ -
<b>Total Overstated Claims Due to Incorrect Rates</b>									<b>\$ 47,316.28</b>	<b>\$ 1.10</b>

**San Andreas Regional Center  
Over and Understated Claims  
Fiscal Years 2015-16 through 2016-17**

Vendor No.	Vendor Name	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	Under/Overpayments	Resolved	Outstanding Balance
5	HS0717 Elwyn California	6567465	113		17389666	201704	\$ 775.33	\$ -	\$ 775.33
<b>Total Overstated Claims Due to Incorrect 30.44 Proration</b>									
6	ZS0950 Therapeutic Services	6595469	896	PAHAC CPAHA	16581089 16559373	201511 201511	\$ 60.80	\$ -	\$ 60.80
<b>Total Overstated Claims Due to Payments Above the Authorization</b>									
<b>Total Overstated Claims</b>							<b>\$ 48,152.41</b>	<b>\$ 47,315.18</b>	<b>\$ 837.23</b>

**Understated Claims**

7	HS0124 Abilities United	6576053	520		16580993	201606	\$ (0.28)	\$ -	\$ (0.28)
		8036720	520		16581009	201605	\$ (2.45)	\$ -	\$ (2.45)
		8036720	520		16581009	201606	\$ (2.66)	\$ -	\$ (2.66)
		6570918	520		16581008	201604	\$ (2.20)	\$ -	\$ (2.20)
		6570918	520		16581008	201605	\$ (1.40)	\$ -	\$ (1.40)
		6570918	520		16581008	201606	\$ (1.92)	\$ -	\$ (1.92)
		5034024	520		16563513	201510	\$ (1.40)	\$ -	\$ (1.40)
		5034024	520		16563513	201511	\$ (1.12)	\$ -	\$ (1.12)
		5924295	520		16581032	201603	\$ (1.26)	\$ -	\$ (1.26)
		5924295	520		16581032	201604	\$ (1.19)	\$ -	\$ (1.19)
		5924295	520		16581032	201605	\$ (0.56)	\$ -	\$ (0.56)
		5924295	520		16581032	201606	\$ (1.26)	\$ -	\$ (1.26)
8	Z18606 Mainstream Support Inc.	6562979	896	IHEXC	16281784	201601	\$ (1,045.20)	\$ -	\$ (1,045.20)
		6562979	896	IHEXC	16281784	201602	\$ (982.38)	\$ -	\$ (982.38)
		6562979	896	IHEXC	16281784	201603	\$ (1,021.58)	\$ -	\$ (1,021.58)
		6562979	896	IHEXC	16281784	201604	\$ (1,011.53)	\$ -	\$ (1,011.53)
		6562979	896	IHEXC	16281784	201605	\$ (1,045.20)	\$ -	\$ (1,045.20)
		6562979	896	IHEXC	16281784	201606	\$ (977.36)	\$ -	\$ (977.36)

**San Andreas Regional Center  
Over and Understated Claims  
Fiscal Years 2015-16 through 2016-17**

No	Vendor Number	Vendor Name	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	Under/Overpayments	Resolved	Outstanding Balance
9	HS0618	Piedmont Adult Day Program	1954478	515	3	16361517	201507	\$ (1.54)	\$ -	\$ (1.54)
			5781554	515	3	16376791	201507	\$ (4.18)	\$ -	\$ (4.18)
			8001082	515	3	16316124	201507	\$ (4.84)	\$ -	\$ (4.84)
			4833629	515	3	16457975	201507	\$ (4.62)	\$ -	\$ (4.62)
			8146458	515	3	16456182	201507	\$ (4.84)	\$ -	\$ (4.84)
			6506117	515	3	16408430	201507	\$ (4.84)	\$ -	\$ (4.84)
			5368121	515	3	16313291	201507	\$ (4.84)	\$ -	\$ (4.84)
			5237714	515	3	16329804	201507	\$ (4.84)	\$ -	\$ (4.84)
			4844270	515	3	16335584	201507	\$ (4.62)	\$ -	\$ (4.62)
			6509434	515	3	16310091	201507	\$ (4.84)	\$ -	\$ (4.84)
			6593004	515	3	16311132	201507	\$ (4.84)	\$ -	\$ (4.84)
			6509780	515	3	16324930	201507	\$ (4.84)	\$ -	\$ (4.84)
			8146624	515	3	16463954	201507	\$ (4.84)	\$ -	\$ (4.84)
			6575855	515	3	16398895	201507	\$ (4.84)	\$ -	\$ (4.84)
			6512172	515	3	16309493	201507	\$ (4.62)	\$ -	\$ (4.62)
			6109557	515	3	16342915	201507	\$ (4.84)	\$ -	\$ (4.84)
			6595458	515	3	16379947	201507	\$ (4.84)	\$ -	\$ (4.84)
			5806104	515	3	16417839	201507	\$ (4.84)	\$ -	\$ (4.84)
			6513477	515	3	16335385	201507	\$ (4.62)	\$ -	\$ (4.62)
			6595743	515	3	16476707	201507	\$ (4.84)	\$ -	\$ (4.84)
			6514863	515	3	16538073	201507	\$ (4.84)	\$ -	\$ (4.84)
			1950195	515	3	16422719	201507	\$ (4.84)	\$ -	\$ (4.84)
			6561930	515	3	16309706	201507	\$ (4.62)	\$ -	\$ (4.62)
			4844478	515	3	16472361	201507	\$ (4.62)	\$ -	\$ (4.62)
			6520175	515	3	16315399	201507	\$ (4.62)	\$ -	\$ (4.62)
			6590520	515	3	16370576	201507	\$ (3.30)	\$ -	\$ (3.30)
			5708250	515	3	16372048	201507	\$ (4.62)	\$ -	\$ (4.62)
			4952255	515	3	16545750	201507	\$ (3.30)	\$ -	\$ (3.30)
			4952511	515	3	16497859	201507	\$ (4.62)	\$ -	\$ (4.62)

**San Andreas Regional Center  
Over and Understated Claims  
Fiscal Years 2015-16 through 2016-17**

No.	Vendor Number	Vendor Name	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	Under/Overpayments	Resolved	Outstanding Balance
9	HS0618	Piedmont Adult Day Program	6596207	515	3	16508921	201507	\$ (4.18)	\$ -	\$ (4.18)
			6563373	515	3	16321707	201507	\$ (4.84)	\$ -	\$ (4.84)
			6563381	515	3	16317118	201507	\$ (4.84)	\$ -	\$ (4.84)
			6526776	515	3	16338169	201507	\$ (4.18)	\$ -	\$ (4.18)
			7519911	515	3	16314553	201507	\$ (4.84)	\$ -	\$ (4.84)
			6528558	515	3	16309718	201507	\$ (3.74)	\$ -	\$ (3.74)
			7546518	515	3	16319206	201507	\$ (4.84)	\$ -	\$ (4.84)
			6532006	515	3	16395871	201507	\$ (4.84)	\$ -	\$ (4.84)
			6531941	515	3	16309660	201507	\$ (4.62)	\$ -	\$ (4.62)
			5239124	515	3	16453136	201507	\$ (2.20)	\$ -	\$ (2.20)
			6535165	515	3	16309661	201507	\$ (4.62)	\$ -	\$ (4.62)
			6538243	515	3	16339737	201507	\$ (4.84)	\$ -	\$ (4.84)
			6538268	515	3	16339738	201507	\$ (4.84)	\$ -	\$ (4.84)
			6595151	515	3	16338277	201507	\$ (4.84)	\$ -	\$ (4.84)
			6576229	515	3	16389754	201507	\$ (4.84)	\$ -	\$ (4.84)
			6593703	515	3	16333631	201507	\$ (4.84)	\$ -	\$ (4.84)
			7797702	515	3	16428501	201507	\$ (4.84)	\$ -	\$ (4.84)
			5554050	515	3	16436781	201507	\$ (4.84)	\$ -	\$ (4.84)
			6539365	515	3	16483435	201507	\$ (4.84)	\$ -	\$ (4.84)
			6539530	515	3	16309671	201507	\$ (4.84)	\$ -	\$ (4.84)
			6539217	515	3	16367734	201507	\$ (4.84)	\$ -	\$ (4.84)
			5236088	515	3	16331255	201507	\$ (4.62)	\$ -	\$ (4.62)
			5783527	515	3	16374026	201507	\$ (4.18)	\$ -	\$ (4.18)
			6540769	515	3	16316317	201507	\$ (4.84)	\$ -	\$ (4.84)
			6571691	515	3	16359458	201507	\$ (4.84)	\$ -	\$ (4.84)
			4953592	515	3	16413906	201507	\$ (4.84)	\$ -	\$ (4.84)
			5426416	515	3	16473845	201507	\$ (4.40)	\$ -	\$ (4.40)
			6291584	515	3	16391442	201507	\$ (4.84)	\$ -	\$ (4.84)
			6580262	515	3	16490104	201507	\$ (3.30)	\$ -	\$ (3.30)

**San Andreas Regional Center  
Over and Understated Claims  
Fiscal Years 2015-16 through 2016-17**

No.	Vendor Number	Vendor Name	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	Under/Overpayments	Resolved	Outstanding Balance	
9	HS0618	Piedmont Adult Day Program	6544118	515	3	16316857	201507	\$ (4.62)	\$ -	\$ (4.62)	
			5049689	515	3	16420450	201507	\$ (4.40)	\$ -	\$ (4.40)	
			5784210	515	3	16319695	201507	\$ (4.84)	\$ -	\$ (4.84)	
			6545701	515	3	16309680	201507	\$ (4.62)	\$ -	\$ (4.62)	
			6595029	515	3	16535702	201507	\$ (1.32)	\$ -	\$ (1.32)	
			6551725	515	3	16322116	201507	\$ (4.84)	\$ -	\$ (4.84)	
			6584758	515	3	16313529	201507	\$ (4.84)	\$ -	\$ (4.84)	
			6553606	515	3	16361064	201507	\$ (4.62)	\$ -	\$ (4.62)	
			7184285	515	3	16317334	201507	\$ (4.84)	\$ -	\$ (4.84)	
			7413384	515	3	16319381	201507	\$ (4.84)	\$ -	\$ (4.84)	
10	P17644	Sanchez, Ubaldo	5780697	515	3	16309689	201507	\$ (4.18)	\$ -	\$ (4.18)	
			6516819	515	3	16326998	201507	\$ (4.84)	\$ -	\$ (4.84)	
			6568000	515	3	16380223	201507	\$ (2.86)	\$ -	\$ (2.86)	
			5425681	515	3	16320541	201507	\$ (4.84)	\$ -	\$ (4.84)	
			6597372	785		16580948	201606	\$ (2.40)	\$ -	\$ (2.40)	
			8193744	785		16580950	201606	\$ (2.40)	\$ -	\$ (2.40)	
			8193491	785		16581331	201606	\$ (7.20)	\$ -	\$ (7.20)	
			8193649	785		16580961	201606	\$ (2.40)	\$ -	\$ (2.40)	
			8193570	785		16580949	201606	\$ (2.40)	\$ -	\$ (2.40)	
			8186402	785		16581220	201604	\$ (7.20)	\$ -	\$ (7.20)	
Total Understated Claims Due to Incorrect Rates										\$ (6,448.79)	\$ (6,448.79)
11	HS0717	Elwyn California	CONTRAC	113	VAC	17619028	201705	\$ (119.83)	\$ -	\$ (119.83)	
Total Understated Claims Due to Incorrect 30.44 Proration										\$ (119.83)	\$ (119.83)
Total Understated Claims										\$ (6,568.62)	\$ (6,568.62)



May 17<sup>th</sup> 2019

Sol Ly  
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Dear Mr Ly

This letter is San Andreas Regional Center's (SARC) response to the draft audit for Fiscal Years 2015-16 and 2016-17 dated March 14, 2019. Included with this letter is a spreadsheet showing SARC's responses and action plans that SARC believes will address DDS's recommendations. Also you will find attachments that support these statements.

SARC disputes finding 1. Please see the attached letter from SARC's Executive Director, Jayler Zaldivar, for SARC's response to this finding. SARC also disputes \$3,799.56 in finding 2 and \$47,315.18 in finding 3. The reasons for the dispute can be found in the attachments for these findings.

SARC agrees to pay DDS \$5,969.87 to a variety of vendors for overpayments in finding 2 and \$837.23 for the overstated claims in finding 3. We will also pay \$6,568.62 to a variety of vendors for underpayments that occurred when rates were changed.

SARC has collected \$13,397.35 from vendors included in finding 1. The proof of receipt is included in the attachment for this finding.

SARC has reviewed several of its policies and procedures as they relate to Bank Reconciliation and the processing of Family Cost Participation Program assessments to ensure the timely completion of all these items. We have also done a complete review of the reconciliations for the General Account back to June 2014 to ensure that our records are in order.

The missing documentation from finding 6 is included with this packet and SARC has added resources to ensure that scanning is done in a timely manner and has also initiated a review of vendor files to identify any missing documents.

If you have any questions after reviewing the files provided in support of this response please do not hesitate to contact me.

Sincerely

Wendy-Ann Francis  
SARC Controller  
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Member of the Association  
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#### SARC response to finding #1- Payments for unoccupied beds

At the time of each approval, the DDS approved POS policy included and continues to include "Exceptions to this Policy: The executive director has full discretion to authorize service purchases which are exceptions to the board-adopted purchase of service policies," and it was this clause that Santi J. Rogers, Executive Director at SARC and former Director of Department of Developmental Services employed to approve each one of these requests. Each one of these people had severe needs and had failed in the community, but with their own room, they were able to stabilize.

1. The audit report quotes WI 4691(a)(1), however, it was our intent and understanding that this applies to rates that are paid to a provider. SARC did not pay this vendor above the established rate. SARC, through the DE process, made it possible for the individual to have their own room, but the rate reimbursed was not more than what was established. Up until recently with the establishment of the EBSH and the like facilities, most operated under a 6 bed model. At the time these requests were approved, these individuals were languishing in either hospitals or other locked settings. WI 4681.1 grants the authority to add additional services to meet the need of the individual.
2. DDS has stated on numerous occasions that a health and safety waiver will not be approved for an individual living in a residential setting. The direction in the audit report is to request a HS waiver. We are unclear with past and current direction.
3. The DE's were due to the individual need for safety given their medical and/or behavioral needs. Most came from hospital or like locked settings. The IDT team met and this was the best course at the time. The vendor in return provided the single room and the ensured that there was staffing to meet the needs to keep them and the community safe. So although SARC did authorize the monies to offset the lost revenue, it was not the primary purpose for the DE, however meeting the severe needs of the individuals was the only purpose. We also maintain that we are not in violation of WI 4691(a)(1).
4. Client AP decided to take us to fair hearing. The ruling came in on 2/26/19, and Judge Juliet Cox ruled: "Despite these maximum rates for customary residential care services, the matters stated... did not establish that DDS lawfully has barred SARC from paying on claimant's behalf for unusual services at We Care Home that he needs but that other residents do not need. To the contrary, statutory authority exists for such payments. (WIC section 4681.1(a)(3)). She further found that the change was not guaranteed to be cost-effective and would be likely to harm the claimant (e.g. the care provider suggesting she would have to demit Andrew as a potential danger to a roommate, harming Andrew and costing the regional center more to place

him). This person was not flagged on your list as he resides in an ICF, but we followed the same process of review as we did for all of the individuals flagged by DDS. In this case, at the time of placement, he had severe behaviors, was sexually aggressive, and HIV positive. He was rejected by all homes referred to except for this one, and it was the IDT that established that a single room was needed for his and others safety. Given the ruling, he will remain there and we have stopped pursuing a relocation.

5. San Andreas has made alternate arrangements for all people who were listed in the audit and any request moving forward will be made via the HS waiver, even though we are unsure with the current HS direction from DDS.

6. SARC approved the requests as they were the most cost effective and met the needs of the individuals at that time and yielded positive outcomes, including stabilization in their community and decreased the need to psychiatric holds. SARC management also believed that they had the ability to approve such requests given "directors exception" standard in all policies.

7. One individual remains with an extra bed payment. SARC continues to work with the provider to compile the appropriate paperwork for the HS waiver. If we do not receive the paperwork by 5/31, then an NOA will be issued. However, this is not ideal as she has been stable in her own room and this is cost effective, vs. a more expensive EBSH.

8. The Lanterman acts places the responsibility of ensuring that the needs of the individuals be met and that regional centers help them live the fullest life possible in their communities. By providing these extra beds, we also provided a cost effective model for the state as many of these individuals are now being considered for the EBSH models, which is often 200% more than this model. We have relocated or stopped all extra beds as soon as DDS made us aware in 2018 of this issue, but we remain concerned with the stability of the individuals.

9. SARC respectfully asks for this finding to be eliminated as the IPP team recommendations were followed and the DE process was also followed. We acknowledge and understand now that all requests such as these must be approved by DDS. This penalty for meeting the IPP needs of the individuals will have a serious and negative effect at San Andreas. The decisions were made following the IPP meetings and the services were delivered to support the individuals, successfully in these cases.



**SAN ANDREAS REGIONAL CENTER**  
**DDS Audit for July 2015 - June 2017**  
**Response to Draft Audit Report Issued by DDS**

<b>DDS RECOMMENDATION</b>		<b>RESPONSE</b>
Unoccupied Beds	SARC must reimburse DDS for overpayments totaling \$726,703.74. In addition, SARC should either identify suitable alternative housing placements for these consumers rather than continuing to pay for the empty beds or renegotiate the contracts with the vendors to stipulate that no payments will be made for maintaining empty beds. Furthermore, if alternative housing cannot be located and SARC intends to continue paying the vendors for the unoccupied beds, SARC must obtain a Health and Safety Waiver from DDS.	SARC disputes this finding. Please see the letter of justification included with the packet.
Payments and Overlapping	SARC must reimburse to DDS a total of \$23,166.78 in overpayments to the 30 vendors due to duplicate payments/overlapping authorizations. In addition, SARC should review the Operational Indicator Reports to ensure any overpayments are addressed and corrected in a timely manner.	SARC has collected \$13,397.36 from Vendors (proof of payments attached). SARC disputes that \$3,799.56 of the amount is related to overpayments (explanation & proof attached). SARC agrees to pay DDS the remaining funds of \$5,969.87.
Related Claims	SARC must reimburse to DDS the overpayments totaling \$48,152.41 and reimburse to the vendors the underpayments totaling \$6,568.62 for services provided. In addition, SARC should ensure that the rates paid to vendors match the rates specified in the contracts with the vendors. This will prevent any future payment errors to the vendors.	SARC disputes that \$47,315.18 is related to overstated claims (proof attached). SARC agrees to pay DDS the remaining funds totaling \$337.23. SARC will also reimburse vendors \$6,568.62. SARC's POS team with the help of our Senior Accountant is reviewing the Operational Indicator Reports on a regular basis (quarterly) and making corrections when needed.
Reconciliations Not Completed	SARC must adhere to its policies and procedures to comply and complete bank reconciliations timely. This will ensure that errors or fraudulent transactions can be detected, analyzed and rectified immediately.	SARC has reviewed its Bank Reconciliation procedures and the timeliness of performing the bank reconciliations. We have created a tracking spreadsheet to record when bank recs are completed which will enable us to follow up when a bank rec is overdue. We have also investigated the reconciliation procedure for the General Account and have redone the reconciliations for June 2014 onwards to identify issues with previous reconciliations. We are in the process of documenting the procedure for this account as it is the most complicated of SARC's bank accounts.
Participation Program - Payments	SARC must comply with W&I Code, Section 4873(g)(1)(A)(B)(C) and ensure that all FCPP assessments are completed as part of the consumer's IPP or IFSP review.	SARC is reviewing and will revise its policies and procedures related to the Family Cost participation program, where needed, to emphasize the need to complete the assessment within 10 working days of the parent's signature on the IPP as stated in title 17/50261. We will train our case management staff on the need for documentation to be passed to the FCPP administrator for assessment in a timely manner.
Participation Program - Portion of Families' Share of	SARC must comply with the W&I Code, Section 4873(3) and ensure that all families are notified of their share of cost within 10 working days of receiving the income documentation.	SARC is reviewing and will revise its policies and procedures related to the Family Cost participation program and train staff to ensure that all letters go out in a timely manner in compliance with the regulations.
Implementation - Home and Based Services Provider Forms	SARC must locate the 14 missing HCBS Provider Agreement forms or have the vendors complete a new one. In addition, SARC must review all the vendor files to ensure the HCBS Provider Agreement forms are on file. SARC must follow its implemented procedures and withhold reimbursements to the vendor until it receives the missing documents.	The Community Services department at SARC is now having vendor file documents scanned into its electronic record keeping system (Laserfiche) by an employee dedicated to scanning which results in documents getting scanned much more quickly after vendorization than was the case previously. Additionally, SARC is employing a temporary worker to go through vendor files to ensure that they are complete and include an HCBS Waiver Form. Finally, SARC is exploring the use of electronic systems that will help us automate how we prepare, sign electronically, act on and manage the execution of forms, contracts, etc. Such systems help organizations ensure that all documents are present and accounted for.

**SAN ANDREAS REGIONAL CENTER**  
**DDS Audit for July 2015 - June 2017**  
**Response to Draft Audit Report issued by DDS**

DDS RECOMMENDATION	RESPONSE
<p>Implementation - Contract Letters</p>	<p>All but two of the items on the list as missing rate letters are from increases that were assessed to a large number of vendors across the board (1.25% reduction sunset, ABX 2-1 increases). We did not issue individual rate letters to each vendor as this would have taken a lot of manpower. We issued generic letters for the ABX 2-1 increases which we put on our website and put links to those on the eBilling site. If a vendor asked for a physical copy of the letter we sent it to them on request. We have included copies of the letters we issued for the ABX2-1 increase. We will look at this procedure of not issuing individual letters on these type of increases to improve our record keeping methods. We did not find letters for two of the vendors therefore we reissued the letters and have included copies as supporting documentation. Supporting documentation for all these items is included with this packet.</p>
<p>Implementation - Missing Information and Disclosure for Vendor</p>	<p>The Community Services department at SARC is now having vendor file documents scanned into its electronic record keeping system (Laserfiche) by an employee dedicated to scanning which results in documents getting scanned much more quickly after vendorization than was the case previously. Additionally, SARC is employing a temporary worker to go through vendor files to ensure that they are complete and include the DS1890 and DS1891. This worker will also complete the registration of all SARC vendored providers in the OIG Compliance Now electronic portal so that future updates of the DS1891 can be tracked and requested in a timely manner. Finally, SARC is exploring the use of electronic systems that will help us automate how we prepare, sign electronically, act on and manage the execution of forms, contracts, etc. Such systems help organizations ensure that all documents are present and accounted for.</p>
<p>Location of CPP Funds</p>	<p>SARC has trained the POS Fiscal Assistants reemphasizing the need to only process CPP authorizations for CPP consumers who are the verified list of consumers who moved into the community in the current fiscal year. This list is reviewed by the Forensic group's District Manager and the POS Supervisor.</p>