

DEPARTMENT OF DEVELOPMENTAL SERVICES

1600 NINTH STREET, Room 320, MS 3-9
SACRAMENTO, CA 95814
TDD 654-2054 (For the Hearing Impaired)
(916) 654-1958



May 28, 2009

Stan Deakin, Board President
Tri-Counties Regional Center
520 East Montecito Street
Santa Barbara, CA 93103

Dear Mr. Deakin:

The Department of Developmental Services' (DDS) Audit Branch has completed the audit of the Tri-Counties Regional Center (TCRC). The period of review was from July 1, 2005, through June 30, 2007, with follow-up as needed into prior and subsequent periods. The enclosed report discusses the areas reviewed along with the findings and recommendations. The report includes the response submitted by TCRC, which is included as Appendix A, and DDS's reply which is enclosed on page 24 of the report.

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

Department of Developmental Services
Audit Appeals Unit
1600 Ninth Street, Room 310, MS 3-21
P.O. Box 944202
Sacramento, CA 94244-2020

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

"Building Partnerships, Supporting Choices"

Mr. Stan Deakin

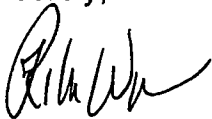
May 28, 2009

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To make payment arrangements to DDS for any amounts due as a result of the findings contained in this final audit report, please contact Brian Winfield, Chief, Regional Center Operations Section, at (916) 654-1569.

If you have any questions regarding the report, please contact Edward Yan, Acting Manager, Audit Branch, at (916) 654-1948.

Sincerely,



RITA WALKER
Deputy Director
Community Operations Division

Enclosures

cc: Lorna Owens, TCRC ✓
Karyn Meyreles, DDS
Edward Yan, DDS
Greg Saul, DDS
Ellen Nzima, DDS
Brian Winfield, DDS
John Fukasawa, DHCS

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

§50730. Request for Administrative Review.

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

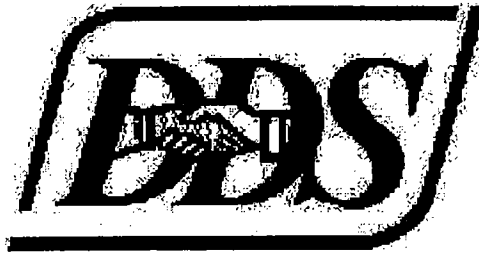
(b) If the appellant does not submit the written request within the 30-day period, the appeals review officer shall deny such request, and all audit exceptions or findings in the report shall be deemed final unless the appellant establishes good cause for late filing.

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

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

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

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



**AUDIT OF THE
TRI-COUNTIES REGIONAL CENTER
FOR FISCAL YEARS 2005-06 and 2006-07**

Department of Developmental Services

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EXECUTIVE SUMMARY

The fiscal compliance audit of Tri-Counties Regional Center (TCRC) revealed that TCRC was in substantial compliance with the requirements set forth in California Code of Regulations Title 17, the California Welfare and Institutions (W&I) Code, the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services (DDS). The audit indicated that, overall, TCRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where TCRC'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 TCRC's operations.

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

- I. These findings need to be addressed, but do not significantly impair the financial integrity of TCRC or seriously compromise its ability to account for or manage State funds.

Finding 1: Over/Under-Stated Claims

A detail review of the TCRC's Operational Indicator reports revealed 44 instances in which TCRC over or under claimed expenses to the State. These payments were either due to duplicate payments or overlapping authorizations. The total overpayment was \$44,073.62 and the total underpayment was \$1,439.05. This is not in compliance with Title 17, Section 54326 (a)(10).

Finding 2: Deceased Consumers Files - Services Claimed for Deceased Consumers

The review of the deceased consumer files identified four instances where TCRC paid four vendors for services after the date of death of the consumers. The total amount of overpayments was \$2,387.67. This is not in compliance with Title 17, Section 54326 (a)(10).

Finding 3: Use of State Funds

The review of TCRC's Donations account revealed that TCRC donated \$1,000 of State funds to its Donations account for the purpose of training consumers on starting their own business. This is not in compliance with the State Contract Article III, Section 3(c).

Finding 4: Security Deposit Not Returned

The review of TCRC's Prepaid Leases account revealed a \$524.17 security deposit to a telephone company, General Telephone and Electronic (GTE) Corporation that was not returned to TCRC when the account was closed. TCRC closed its account when GTE merged with another telephone company, however, TCRC did not request a refund of its security deposit of \$524.17.

Finding 5: Service Coordinator Caseload Survey - Vacant Positions

The review of the Service Coordinator Caseload Survey revealed that TCRC included in its survey, six positions that were vacant for more than 60 days and three new positions established within 60 days of the reporting month. This is not in compliance with W&I Code, Section 4640.6 (e)(3).

Finding 6: Missing Invoices and Attendance Documentation

A total sample of 79 Residential, Transportation, and Day Program vendor files revealed that TCRC reimbursed 61 vendors for services provided to consumers without monthly invoices and/or attendance documentation. This is not in compliance with Title 17, Section 50604(d)(3)(B) which requires vendors to maintain support for billing/invoicing.

Finding 7: 30-Day Residential Notifications

The review of TCRC's Residential program vendor files revealed agreements with residential facilities that contained a clause which requires consumers to give a 30-day written notification when terminating their stay with the vendor. Though no overlapping authorizations or over claimed amounts were found, this clause may result in TCRC paying for the full board and care to the residential facilities when a consumer vacates a facility prior to a 30-day notification. This is not in compliance with Title 17, Section 56917(i).

Finding 8: Client Trust Disbursements Not Supported (Repeat)

A review of the client trust money management disbursements revealed that TCRC did not have receipts to support 47 checks that were issued to vendors for the spending down of funds for 18 consumers. Without supporting receipts, there is no evidence to ensure that the disbursements from the client trust funds are appropriate. This issue was identified in the prior DDS audit report. This is not in compliance with the Social Security Handbook, Section 1616.

Finding 9: Personal and Incidental (P&I) Funds Used to Relieve Loans

The review of TCRC's policies and procedures for the disbursement of Personal and Incidental (P&I) funds revealed eight consumers' P&I funds were used to settle outstanding board and care loans. These loans were established by TCRC while the consumers waited for their application approval for benefits from Social Security and for TCRC to assume the responsibilities as the representative payee for the consumers. The Supplemental Security Income (SSI) benefit is designated for the consumers' personal expenses and residential board and care services. The consumers' P&I portion of SSI benefits is intended for their own personal use and should not be used to relieve any outstanding board and care loans.

II. The following findings were identified during the audit, but have since been addressed and corrected by TCRC.

Finding 10: Deceased Consumers Files - Multiple Dates of Death (Repeat)

The review of the Uniform Fiscal System (UFS) Death Report identified three consumers with multiple dates of death recorded. For good internal controls and accounting practices, TCRC should ensure the actual date of death is properly recorded in UFS. This issue was identified in the prior DDS audit report.

TCRC has taken corrective action in resolving this issue by researching the correct date of death of the consumer and updating the UFS to show the correct date of death.

Finding 11: Payroll did not Match to the General Ledger

The review of TCRC's payroll area revealed a discrepancy of \$20,265.68 between Automatic Data Processing's (ADP) May 26, 2006, payroll register and TCRC's General Ledger. This was due to TCRC issuing manual checks and not transmitting the information to ADP. This resulted in the payroll register being understated and Federal and State payroll taxes being underpaid.

TCRC took corrective action to resolve this issue by transmitting manual checks data to match the general ledger and updated Federal and State payroll taxes.

Finding 12: Stale Dated Checks

The review of the bank reconciliation reports from Union Bank revealed stale dated checks outstanding longer than six months. As of October 2007, TCRC had stale dated checks outstanding totaling \$16,000.

TCRC took corrective action to resolve this issue by clearing all stale dated checks longer than six months.

Finding 13: Operations Disbursement Policy not Followed (Repeat)

The review of Operations Disbursement policy and procedures revealed that TCRC's policy on processing operations invoices has not been followed. It was noted the Controller is not verifying the operations (printed) checks to the cash disbursement and batch edit reports after the checks have been run. This issue was identified in the prior DDS audit report. This is not in compliance with TCRC's policy number 1503 on the Processing Operations Invoices, Section III (C).

Corrective action was taken by TCRC to resolve this issue by providing a signed report for the month of December 2007.

Finding 14: Multiple Unique Client Identification (UCI) Numbers

The review of Operational Indicator Report Number 7, "Detail Listing of Duplicate Clients", disclosed one instance in which a consumer had two UCI numbers. The review revealed that no duplicate payments were made on the UCI numbers.

Corrective action was taken by TCRC to resolve this issue by making one of the UCI numbers inactive.

BACKGROUND

The Department of Developmental Services (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. The regional centers 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 Home and Community-Based Services (HCBS) Waiver Program are provided and that criteria set forth for receiving funds have been met. As part of DDS's program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each regional center no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires regional centers 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 regional center will also be reviewed by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review will have its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on regional center fiscal, administrative and program operations.

DDS and Tri-Counties Association for the Developmental Disabled, Inc., entered into contract, HD049019, effective July 1, 2004, through June 30, 2009. This contract specifies that Tri-Counties Association for the Developmental Disabled Inc., will operate an agency known as the Tri-Counties Regional Center (TCRC) to provide services to persons with DD and their families in the Ventura, Santa Barbara, and San Luis Obispo Counties. The contract is funded by State and federal funds that are dependent upon TCRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at TCRC from November 26, 2007, through January 11, 2008, and was conducted by the DDS's Audit Branch.

AUTHORITY

The audit was conducted under the authority of the W&I Code, Section 4780.5, and Article IV, Provision Number 3 of TCRC's contract.

CRITERIA

The following criteria were used for this audit:

- California W&I Code
- "Approved Application for the Home and Community-Based Services Waiver for the Developmentally Disabled"
- California Code of Regulations Title 17
- Federal Office of Management Budget (OMB) Circular A-133
- TCRC's contract with the DDS

AUDIT PERIOD

The audit period was July 1, 2005, through June 30, 2007, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was conducted as part of the overall DDS monitoring system that provides information on regional centers' fiscal, administrative, and program operations. The objectives of this audit are:

- To determine compliance to California Code of Regulations Title 17,
- To determine compliance to the provisions of the HCBS Waiver for the Developmentally Disabled, and
- To determine that costs claimed were in compliance to the provisions of TCRC's contract with DDS.

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 TCRC's financial statements. We limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that TCRC was in compliance with the objectives identified above. Accordingly, we examined transactions, on a test basis, to determine whether TCRC was in compliance with Title 17, the HCBS Waiver for the Developmentally Disabled, and the contract with DDS.

Our review of TCRC's internal control structure was limited to gaining an understanding of the transaction flow and the policies and procedures as necessary to develop appropriate auditing procedures.

We reviewed the annual audit report that was conducted by an independent accounting firm for FY 2005-06, issued on October 10, 2006.

This review was performed to determine the impact if any upon our audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

We selected a sample of Purchase of Service (POS) claimed and 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. For POS the following procedures were performed:

- We tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- We 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 TCRC. The rates charged for the services provided to individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of Title 17.
- We selected a sample of individual trust accounts to determine if there were any unusual activities and if any individual account balances were not over the \$2,000 resource limit as required by the Social Security Administration (SSA). In addition, we determined if any retro Social Security benefit payments received were not held longer than nine months. We 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 proper documentation for expenditures are maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, is not used by TCRC. An interview with TCRC staff revealed that TCRC 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.
- We selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding reconciling items.
- We analyzed all of TCRC's bank accounts to determine if DDS had signatory authority as required by the contract with DDS.

- We 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

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

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or 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, was tested to determine compliance to Title 17 and the contract with DDS.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the contract with DDS.
- We reviewed TCRC's policies and procedures for compliance to the Title 17 Conflict of Interest requirements and 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 DDS rate of reimbursement from the Federal Government. The last rate study to determine the TCM rate was performed in May 2001 which was reviewed in the last DDS biannual audit. As a result, there was no rate to review for this audit period.

IV. Service Coordinator Caseload Survey

Under the W&I code Section 4640.6, regional centers are required to provide service coordinator caseload data to DDS annually. Prior to January 1, 2004, the survey required regional centers to have service coordinator-to-consumer ratio of 1:62 for all consumers who had not moved from developmental centers to the community since April 14, 1993, and a ratio of 1:45 for all consumers who had moved from developmental centers to the community since April 14, 1993. However, commencing January 1, 2004, the following service coordinator-to-consumer ratios apply:

- A. For all consumers that are three years of age and younger and for consumers enrolled on HCBS 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 in the community continuously for at least 12 months, the required average ratio shall be 1:62.
- 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.

We 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

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, we reviewed the Early Intervention Program, including Early Start Plan and federal Part C funding to determine if the funds were properly accounted for in the Regional Center's accounting records.

VI. Family Cost Participation Program (FCPP)

The FCPP was created for the purpose of assessing cost participation 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. To determine whether the regional center is in compliance with Title 17 and the W&I Code, we performed the following procedures during our audit review.

- Reviewed the parents' income documentation to verify their level of participation based on the Family Cost Participation Schedule.
- Reviewed copies of the notification letters to verify the parents were notified of their assessed cost participation within 10 working days.
- Reviewed vendor payments to verify the regional center is paying for only its assessed share of cost.

VII. Other Sources of Funding

Regional centers may receive many other sources of funding. For the other sources of funding identified for TCRC, we performed sample tests to ensure that the accounting staff was inputting data properly and transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The other sources of funding identified for this audit are:

- Family Resource Center Program
- Foster Grandparents (FGP) and Senior Companion (SC)
- Self Determination Program
- Start Up Programs
- Medicare Moderation Act (Part D Funding)

VIII. Follow-up Review on Prior DDS's Audit Findings

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

CONCLUSIONS

Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, TCRC was in substantial compliance to applicable sections of Title 17, HCBS waiver, and the terms of TCRC's contract with DDS for the audit period July 1, 2005, through June 30, 2007.

Except for those items described in the Findings and Recommendations Section, 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 TCRC has taken appropriate corrective actions to resolve all prior audit issues, except for Findings eight, ten, and thirteen which are contained in the Findings and Recommendations Section.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on January 8, 2009. The findings in the report were discussed at an exit conference with TCRC on January 14, 2009. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, the Centers for Medicare and Medicaid Services, and the Tri-Counties Regional Center. It is not intended and should not be used by anyone other than these specified parties. This restriction does not limit distribution of this report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

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

- I. The following findings need to be addressed, but do not significantly impair the financial integrity of TCRC or seriously compromise its ability to account for or manage State funds.

Finding 1: Over/Under-Stated Claims

A review of TCRC's Operational Indicator reports revealed 44 instances in which TCRC over or under claimed expenses to the State. There were 33 instances of overpayments totaling \$29,852.02 due to duplicate payments and five instances of overpayments totaling \$14,221.60 due to overlapping authorizations. The remaining six instances were underpayments totaling \$1,439.05 due to rate increases for service provided. The total overpayment was \$44,073.62 and total underpayment was \$1,439.05. (See Attachment A)

Title 17, Section 54326 (a)(10) states:

"All vendors shall...

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

In addition, for good business and internal control practices, TCRC should generate and monitor the Operational Indicator reports periodically to detect and correct any overpayments that may have occurred in the course of doing business with its vendors.

Recommendation:

TCRC should recover the improper overpayments made to the respective vendors and reimburse DDS for the amount \$44,073.62 overpaid to the vendors and make payments of \$1,439.05 for the underpayments owed to the various vendors. TCRC should also develop and implement procedures to ensure the staff is monitoring the operational indicator reports quarterly; in addition to attendance documentation, rate letters, and consultant contracts to more efficiently detect duplicate payments and correct any over/under payments that may have occurred in the course of doing business with the vendors.

Finding 2: Deceased Consumers Files - Services Claimed for Deceased Consumers

The review of the deceased consumer files identified four consumers where TCRC paid for services after the date of death. The total amount overpaid was \$2,387.67 for services that were not provided. (See Attachment B)

Title 17, Section 54326 (a) states:

“All vendors shall...

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

Recommendation:

TCRC should recover the improper payments from the vendors and reimburse to DDS the amount of \$2,387.67 that was paid for services not provided.

In addition, TCRC should continue to review all current deceased consumer files to ensure that vendors are reimbursed only for services rendered.

Finding 3: Use of State Funds

The review of TCRC's Donations account revealed that TCRC donated \$1,000 of State funds to this account for the purpose of training consumers on starting their own business. State funds should not be deposited into the Donations account because these funds are for the purchase of services agreed upon under the State contract with TCRC.

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

“The State shall make available to the Contractor funds for the provision of services under this contract in advance of the Contractor's actual performance therefore, as authorized by Welfare and Institutions Code, Section 4621, subject to the following conditions:

- (c) Amounts advanced in accordance with this provision when withdrawn from said bank account(s) shall be used only for pending expenditures in accordance with the attached Exhibit A. Except as provided in “b” of this Section, the Contractor has access to the funds placed in said bank account(s) for administrative convenience only, and hereby agrees that it has no right, title or interest therein, and shall make no withdrawals except for those made solely for the purpose of satisfying claims against or expenses of the Contractor incurred pursuant to and in the performance of this agreement.”

Recommendation:

TCRC should comply with the State contract Article III, Sections 3(c) and ensure that State funds are not donated or gifted to individuals or corporations for purposes not satisfying the State contract with TCRC. In addition, TCRC should reimburse to the DDS, \$1,000 deposited in the Donations account.

Finding 4: Security Deposit Not Returned

The review of TCRC's Prepaid Leases account revealed a \$524.17 security deposit to a telephone company, General Telephone and Electronic (GTE) Corporation that was not returned to TCRC when the account was closed. TCRC closed its account when GTE merged with another telephone company to form Verizon Inc., however, TCRC did not request a refund of its security deposit of \$524.17.

For good accounting and internal control practices, all security deposits recorded in the General Ledger should be returned at the end of the contract period. This will ensure the proper accounting and claiming of all security deposits.

Recommendation:

TCRC should request a refund of its security deposit from Verizon Inc. and ensure that all existing security deposits are fully returned to DDS at the end of the contract or lease period.

Finding 5: Service Coordinator Caseload Survey - Vacant Positions

The review of the Service Coordinator Caseload Survey revealed that TCRC included in its survey, six positions that were vacant for more than 60 days and three new positions that were established within 60 days of the reporting month.

W&I Code, Section 4640.6 (e)(3) states in part:

“...Data submitted by regional centers pursuant to this subdivision shall:

Not include positions that are vacant for more than 60 days or new positions established within 60 days of the reporting month that are still vacant.”

Recommendation:

TCRC should discontinue the practice of including positions that are vacant for more than 60 days or new positions established within 60 days of the reporting month that are still vacant in the Service Coordinator Caseload Survey. In addition, TCRC should develop procedures to ensure staff responsible for

completing the Service Coordinator Caseload Survey is aware of the requirements in W&I Code, Section 4640.6(e).

Finding 6: Missing Invoices and Attendance Documentation

The review of 79 Residential, Transportation, and Day Program vendor files were reviewed to ensure invoices were submitted and supported with attendance documentation. The review showed that TCRC reimbursed 61 vendors for services provided to consumers without turnaround invoices and/or attendance documentation. (See Attachment C)

Title 17, Section 50604 (d) states:

“All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but not be limited to:

(2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.

(3) A record of services provided to each consumer. The record shall include:

(C) For community-based day programs, the dates of service, place where service was provided, the start and end times of service provided to the consumer and the daily or hourly units of service provided.”

Recommendation:

TCRC should develop and implement procedures to ensure turnaround invoices and attendance documentation are available for review before reimbursing vendors for services provided to the consumer.

Finding 7: 30-Day Residential Notifications

The review of TCRC’s Residential program vendor files revealed agreements with residential facilities that contained a clause which requires consumers to give a 30-day written notification when terminating their stay with the vendor. Though no overlapping authorizations or over claimed amounts were found, this clause may result in TCRC paying for the full board and care to the residential facilities when a consumer vacates a facility prior to a 30-day notification.

Title 17, Section 56917(i) states:

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

Recommendation:

TCRC should develop and implement procedures to ensure that all contracts comply with Title 17, Section 56917(i). TCRC should also amend all existing residential contracts to ensure the contracts are for payment only for services provided.

Finding 8: Client Trust Disbursements not Supported (Repeat)

A review of the client trust money management disbursements revealed that TCRC did not have supporting receipts for checks issued to vendors for the personal spending of 18 consumers. The checks were disbursed when the consumer's resources were close to or over the \$2,000 resource limit. The funds disbursed to the 18 consumers were used for personal items. However, 47 out of 49 money management disbursements reviewed did not have receipts to support purchases made by the vendors for the consumers. This issue was identified in the prior DDS audit report. (See Attachment D)

Without supporting receipts, there is no evidence to ensure that the disbursements from the client trust funds are appropriate. In addition, the client trust funds account for benefits received from Social Security Administration.

Social Security Handbook, Chapter 16, Section 1616 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.”

Recommendation:

As the representative payee for its consumers, TCRC should develop and implement procedures to require supporting receipts for disbursements. This will ensure all money management checks disbursed to vendors are for an appropriate purpose and will ensure that there is an accurate accounting of Social Security benefits. The procedures should also include a requirement that TCRC maintains the supporting receipts on file.

Finding 9: Personal and Incidental (P&I) Funds Used to Relieve Loans

The review of TCRC's policies and procedures for the disbursement of P&I funds revealed that the P&I funds for eight consumers were used to settle outstanding board and care loans. These loans were established by TCRC while the consumers waited for their application approval for benefits from Social Security and for TCRC to assume responsibilities as representative payee for the consumers. The Supplemental Security Income (SSI) benefit is designated for the consumers' personal expenses and residential board and care services. The consumers' P&I portion of SSI benefits is intended for their own personal use and should not be used to relieve any outstanding board and care loans. Approval of the SSI benefits may include retro benefits of which, the board and care portion would be used to relieve the board and care loans for the months awaiting approval. However, the retro benefits may not fully relieve the loans due to factors such as potential delays in the application process, failure to submit an application on time, consumers' wage earnings, any overpayments due to SSA, and/or failure of parents or third party payees to remit benefits to the board and care provider.

Title 17, California Code of Regulations, Section 56002(a) (28) states:

"Personal and Incidental Allowance means that portion of the supplemental Security Income/State Supplemental Program (SSI/SSP) payment designated for the personal expenses of the consumer."

Recommendation:

TCRC should discontinue the practice of using consumers' P&I funds to relieve loans that were for board and care expenses.

II. The following findings were identified during the audit, but have since been addressed and corrected by TCRC.

Finding 10: Deceased Consumers Files - Multiple Dates of Death (Repeat)

The review of the Uniform Fiscal System (UFS) Death Report identified three consumers with multiple dates of death recorded. In all of the instances there were two different dates of death. Further review found that payments were made beyond the actual date of death for two consumers. This issue was identified in the prior DDS audit report.

State Contract, Article IV, Section 1(c)(1) states in part:

“Contractor shall make available accurate and complete UFS and/or CADDIS information to the State. Accordingly Contractor shall:

- 1) Update changes to all mandatory items of the Client Master File at least annually except for the following elements, which must be updated within thirty (30) days of Contractor being aware of any of the following events:
 - a) The death of a consumer;
 - b) The change of address of a consumer; or
 - c) The change of residence type of a consumer.”

In addition, for good internal controls and accounting practices, TCRC should ensure the actual date of death is accurately recorded in UFS to avoid any potential payments after the date death.

TCRC has taken corrective action to resolve this issue by researching and correcting the date of death of the consumers' records in UFS.

Recommendation:

TCRC should ensure its staff is provided with written procedures and training on the recording of deceased consumers in UFS. In addition, TCRC should review all current deceased consumer files to ensure that only the actual date of death is recorded in UFS.

Finding 11: Payroll did not Match to the General Ledger

The review of TCRC's payroll revealed a discrepancy \$20,265.68 between Automatic Data Processing Inc.'s (ADP) May 26, 2006 payroll register and the General Ledger. TCRC issued manual checks but did not transmit the information to ADP causing an understatement to the payroll register and underpayment of the Federal and State payroll taxes.

For good business practices and to ensure accounting records are properly maintained, payroll registers should reconcile to the general ledger.

TCRC has taken corrective action in resolving this issue by transmitting payroll data to ADP and to ensure that any Federal and State taxes are paid.

Recommendation:

TCRC should implement a system to ensure when manual payroll checks are issued, the information is recorded and transmitted to ADP. TCRC should also recalculate and pay the amount of underreported Federal and State payroll taxes owed.

Finding 12: Stale Dated Checks

The review of TCRC's bank reconciliation reports from Union Bank revealed outstanding stale dated checks longer than six months. As of October 2007, TCRC had outstanding stale dated checks totaling over \$16,000.

Uniform Commercial Code, Article 4, Section 404 states:

“A bank is under no obligation to a customer having a checking account to pay a check other than a certified check, which is presented more than six months after its date, but it may charge its customer's account for a payment made thereafter in good faith.”

In addition, for good accounting and internal control practices, all stale dated checks should be reviewed and identified. This will ensure that the stale dated checks are researched and the appropriate action is taken.

TCRC took corrective action to resolve this issue by clearing all stale dated outstanding checks longer than six months.

Recommendation:

TCRC should continue to adhere to the Uniform Commercial Code for identifying and clearing outstanding checks that are greater than six months.

Finding 13: Operations Disbursement Policy not Followed (Repeat)

The review of Operations Disbursement policy and procedures revealed that TCRC's policy on processing operations invoices has not been followed. It was noted the Controller is not verifying the operations (printed) checks to cash

disbursement and batch edit reports after the checks have been run. This issue was identified in the prior DDS audit report.

Tri-Counties Regional Center's Policy Number 1503 on Processing Operations Invoices, Section III (C) states:

"After necessary changes have been made, the checks are printed and reviewed by the Controller"

TCRC took corrective action to resolve this issue by providing a signed report for the month of December 2007.

Recommendation:

TCRC should continue to follow procedures to ensure the current policy on processing operations invoices is followed.

Finding 14: Multiple Unique Client Identification (UCI) Numbers

The review of Operational Indicator Report Number 7, "Detail Listing of Duplicate Clients," disclosed one instance in which a consumer had two UCI numbers for the audit period. The review revealed that no duplicate payments were made on the UCI numbers.

For good internal control and accounting practices, TCRC should only allow one identification number for each consumer to prevent recording errors.

Corrective action was taken by TCRC to resolve this issue by making one of the UCI numbers inactive.

Recommendation:

TCRC should continue to regularly monitor the duplicate clients listing to ensure that all consumers have only one UCI number assigned.

EVALUATION OF RESPONSE

As part of the audit report process, TCRC is provided with a draft report and is requested to provide a response to each finding. TCRC's response dated April 30, 2009, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation Section and a summary of the findings in the Executive Summary Section. DDS's Audit Branch has evaluated TCRC's response. TCRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. DDS's Audit Branch will confirm TCRC's corrective actions identified in the response during the follow-up review or the next scheduled audit.

**Tri-Counties Regional Center
Over/Under-Statement Claims
Fiscal Years 2005-06 and 2006-07**

Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Month/Year	Over/Under Payment
Overpayments Due to Duplicate Payments						
1	6634362	HT0146 Roldan Adult Res Fac	915	6188913	11/05	\$2,220.00
2	6606998	H57778 Pritchard Home II	915	6189485	9/05	\$1,904.00
3	6606998	H57778 Pritchard Home II	915	6189485	10/05	\$1,904.00
4	6606998	H57778 Pritchard Home II	915	6189485	11/05	\$1,904.00
5	6606998	H57778 Pritchard Home II	915	6189485	12/05	\$1,904.00
6	6638018	HT0170 Villa Esperanza-To ILS	520	7170392	11/06	\$48.80
7	6800175	H30999 Pathway Enterprises, Inc.	510	6181509	8/06	\$18.72
8	6800175	H30999 Pathway Enterprises, Inc.	510	6181509	10/05	\$971.72
9	6682937	HT0261 Casa Naomi Cathedral Oaks	400	6180826	3/06	\$117.00
10	6682937	HT0261 Casa Naomi Cathedral Oaks	400	6180826	1/06	\$117.00
11	6687087	H57789 Kumskow Home	905	6188057	3/06	\$1,674.45
12	6699849	H57772 Sojourn - ILS	520	6195953	3/06	\$433.12
13	5565296	HT0086 Roldan Adult Res Fac	400	6150890	7/05	\$114.00
14	5565296	HT0086 Roldan Adult Res Fac	400	6150890	8/05	\$114.00
15	5565296	HT0086 Roldan Adult Res Fac	400	6150890	10/05	\$114.00
16	6530794	HC0507 Farroll Home	915	6183396	12/05	\$877.00

**Tri-Counties Regional Center
Over/Under-Styled Claims
Fiscal Years 2005-06 and 2006-07**

Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Month/Year	Over/Under Payments
17 5466719	HT0146	Roldan Adult Res Fac #2	915	6187498	10/05	\$2,220.00
18 5466719	HT0146	Roldan Adult Res Fac #2	868	6187497	10/05	\$1,902.78
19 5803531	HT0170	Villa Esperanza-To ILS	520	7150588	11/06	\$29.28
20 6713978	H57755	Caring Home, The	400	7196094	12/06	\$117.00
21 6638181	PT0334	Roldan Adult Res Fac #2	109	6188968	12/05	\$2,866.88
22 5511555	HC0507	Farroll Home	915	6183399	9/05	\$2,837.00
23 6713428	HC0507	Farroll Home	915	6184838	9/05	\$2,989.77
24 6605852	HT0170	Villa Esperanza-To ILS	520	7196869	11/06	\$48.80
25 6604369	H31724	Life Steps Found	520	7084208	7/06	\$210.00
26 6604369	H31724	Life Steps Found	520	7084208	8/06	\$210.00
27 6604369	H31724	Life Steps Found	520	7084208	9/06	\$210.00
28 6604369	H31724	Life Steps Found	520	7084208	10/06	\$210.00
29 6604369	H31724	Life Steps Found	520	7084208	11/06	\$210.00
30 6604369	H31724	Life Steps Found	520	7084208	12/06	\$153.70
31 6604369	H31724	Life Steps Found	520	7084208	1/07	\$210.00
32 6633185	H15291	Simmons Residential Care	915	6180596	9/05	\$877.00
33 6601178	HT0076	Defehr Adult Residential	400	6130069	7/05	\$114.00

**Tri-Counties Regional Center
Over/Under-Statement Claims
Fiscal Years 2005-06 and 2006-07**

Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Month/Year	Over/Under Payments
Total Due to Duplicate Payments						
\$29,852.02						
Overpayment Due to Overlapping Authorizations						
1	6606998	H15376 Pritchard Home	915	6189485	9/05-12/05	\$7,616.00
2	6800175	H30999 Pathway Enterprises	510	6181509	10/05	\$971.72
3	6604723	H15370 Caccam's Mineral Wells	915	7201098	7/06-8/06	\$3,277.79
4	6603560	H15504 Terry's Care Home	915	7095075	8/06	\$943.63
5	6604623	H45757 MG Family Home	915	6184661	4/06	\$1,412.46
Total Due to Overlapping Authorizations						
\$14,221.60						
Underpayments Due to Rate Increases						
1	6602369	H14611 Stein Educ Center ADC	510	7191108	7/06	(\$117.00)
2	6602369	H14611 Stein Educ Center ADC	510	7191108	8/06	(\$134.55)
3	6602369	H14611 Stein Educ Center ADC	510	7191108	9/06	(\$111.15)
4	6602369	H14611 Stein Educ Center ADC	510	7191108	10/06	(\$111.15)
5	6603560	HT0333 ST Andrew's Residence	915	7200857	8/06	(\$898.00)
6	4834309	H57692 Vocational Skills	515	6171571	7/05-11/05	(\$67.20)
Grand Total for Underpayments						
(\$1,439.05)						

Tri-Counties Regional Center
Services Claimed for Deceased Consumers
Fiscal Years 2005-06 and 2006-07

	Unique Client Identification Number	Vendor Number	Authorization Number	Service Code	Date of Death	Service Month/Yr	Amount Claimed
1	6632520	HT0270	01789340	854	9/11/06	11/06	235.28
2	6606998	H57778	07189485	915	8/10/06	8/06	1,352.86
3	6635638	H15463	07108240	627	1/5/07	2/07	38.53
4	7933004	H00553	06161715	400	7/1/05	7/05	761.00
Total Amount Claimed							<u>\$2,387.67</u>

Tri-Counties Regional Center
Missing Invoices and Attendance Documentation
Fiscal Years 2005-06 and 2006-07

Vendors with Missing Invoices				
	Vendor Name	Vendor Number	Service Code	Service Months
1	Canyon Verde - Segundo	HW0197	505	Aug-05, Sep-05
2	TASC - The Adult Skills Center	HL0287	505	May-07
3	Escuela Del Rio II	H57710	505	Aug-05, Sep-05, Jun-06, Sep-06, May-07, Jun-07
4	Devereux - Life Enrichment Devereux California	H32040	505	Aug-05, Sep-05, Jun-06, Aug -06, Sep-06, May-07, Jun-07
5	Los Angeles Regional Center	H17623	505	Jun-06, Sep-06
6	Work Training Program - Project Life Skills - S.B.	H01987	505	Aug-05, Sep-05, May-06, Jun-06, Sep-06, May-07, Jun-07
7	Alpha Resource Center	H07329	510	Aug-05, Sep-05, Jun-06, Sep-06, May-07, Jun-07
8	Vacational Training Center	H10292	510	Aug-05, Sep-05, May-06, Jun-06, Aug-06, Sep-06, May-07, Jun-07
9	HCAR - Community SVCS	H11386	510	Oct-06
10	ARC VC COPE - ADC	H15214	510	Aug-05, Sep-05, Jun-06, Sep-06, May-07, Jun-07

Tri-Counties Regional Center
Missing Invoices and Attendance Documentation
Fiscal Years 2005-06 and 2006-07

Vendors with Missing Invoices

	Vendor Name	Vendor Number	Service Code	Service Months
11	ARC VC Integrated Work Program	H15483	510	Jun-06, Sep-06
12	Work Training Program - SB Integrated Work	H15485	510	Aug-06, Sep-06, May-07, Jun-07
13	City Community Services	H31840	510	Jul-05
14	ARC VC SUPP SVCS Independent Living	H09989	520	Aug-05, Sep-05, Jun-06, Sep-06, May-07, Jun-07
15	Work Training Program - SB I.L.S	H15048	520	Aug-05, Sep-05, May-06, Jun-06, Aug-06
16	Work Training Program - Supportive Services	H15505	520	Aug-05, Sep-05
17	LOV ARC - DTI	H19723	520	May-07, Jun-07
18	City Community Service - SB	H32059	520	Jul-05
19	Work Training Program - In - Home SB North	H89260	520	Aug-05, Sep-05, May-06, Jun-06, Sep-06, May-07, Jun-07
20	SVS	H08701	875	Sep-05

Tri-Counties Regional Center
Missing Invoices and Attendance Documentation
Fiscal Years 2005-06 and 2006-07

Vendors with Missing Invoices					
	Vendor Name	Vendor Number	Service Code	Service Months	
21	ARC SD Residential Services	H27420	880	Jun-06	
22	Jay Nolan Com	H32946	880	May-06, Aug-06	
23	La Mesa Work Center	HQ0292	880	May-06	
24	West Coast Paratrasit	HT0164	875	Jun-07	
25	South Land Transportation	HT0196	875	Aug-05, Sep-05	
26	Country Roads	HR0217	113	May-06, Jun-06, Aug-06, Sep-06	
27	Work Inc. Via Riviera Home	HT0039	113	Aug-05, Sep-05, May-06, Jun-06, Aug-06, Sep-06, May-07, Jun-07	
28	LE-NA' Residential # 3	HT0212	113	Aug-05, Sep-05, May-06, Jun-06, Aug-06, Sep-06, May-07, Jun-07	
29	Call - San Antonio	H15443	113	May-07, Jun-07	
30	Community Options Inc.	H57697	904	Aug-05, Sep-05, May-06, Jun-06, Aug-06, Sep-06, May-07, Jun-07	

Tri-Counties Regional Center
Missing Invoices and Attendance Documentation
Fiscal Years 2005-06 and 2006-07

Vendors with Missing Invoices				
	Vendor Name	Vendor Number	Service Code	Service Months
31	Gantos Home	H06838	905	Jun-06, Sep-06
32	Derrick Family Home	H10144	905	Sep-05, Jun-06, Sep-06, May-07
33	Zachery Nyzinda HM	H15061	905	Sep-05, May-06, Jun-06, Sep-06, May-07, Jun-07
34	Barretts Adult Res.	H15233	905	Sep-05, Jun-06, Sep-06, May-07
35	Rancour Adult Resid. Fac.	H15313	905	Aug-05, Sep-05, Jun-06, Sep-06, May-07, Jun-07
36	Hobson Facility	H15457	905	Sep-05, Jun-06, Sep-06, May-07
37	Canfield Family Home	H04227	910	Aug-05, Sep-05, Jun-06, Sep-06
38	Little-Verardo Home #1	H15421	910	Aug-05, Sep-05, Jun-06, Sep-06
39	Julie's Family Home	H15496	910	Sep-05, Jun-06, Sep-06, May-07, Jun-07
40	Seward Small Family Home	H63701	910	Aug-05, Sep-05, May-06, Jun-06, Aug-06, Sep-06, Jun-07

**Tri-Counties Regional Center
Missing Invoices and Attendance Documentation
Fiscal Years 2005-06 and 2006-07**

Vendors with Missing Invoices					
	Vendor Name	Vendor Number	Service Code	Service Months	
41	Schwed Small Family Home	H89234	910	Aug-05, Sep-05	
42	Sickelton Small Family HM	HT0090	910	Aug-05, Sep-05, May-06, Jun-06, Aug-06, Sep-06, May-07	
43	Creative Alternative for Learning & Living, Inc.- San Antonio	H15443	915	Sep-05	
44	Creative Alternative for Learning & Living, Inc. - Ramona Hous	H57711	915	Sep-05, May-06, Jun-06, Aug-06, Sep-06	
45	ARC - VC Home Loma	H57765	915	Sep-05, May-06, Jun-06, Sep-06, Jun-07	
46	Pritchard Family Adult Facility	H57778	915	Aug-05	
47	Futures Unlimited	H57801	915	May-06, Jun-06, Sep-06, May-07	
48	White House	HT0166	915	Aug-05, Sep-05, May-06, Jun-06, Sep-06, May-07	
49	Pairo's Adult Res IV	HT0251	915	Sep-05, Jun-06, Sep-06, May-07	
50	Domingos Family Home	H03535	920	Sep-05, Sep-06, May-07, Jun-07	

**Tri-Counties Regional Center
Missing Invoices and Attendance Documentation
Fiscal Years 2005-06 and 2006-07**

Vendors with Missing Invoices				
	Vendor Name	Vendor Number	Service Code	Service Months
51	Morning Sky School	H12562	920	Aug-06, Sep-06, Oct-06, Nov-06, Dec-06
52	Wilcox's Mesa Home	H15049	920	Aug-05, Sep-05, May-06, Jun-06, Sep-06, May-07
53	Deverux - Alpha Phoenix	H15515	920	Aug-05, May-06, Jun-06
54	Deverux - Cielo Azul	H15516	920	Jul-05, Aug-05
55	Deverux - Sunan	H15521	920	Aug-05, Sep-05, May-06, Jun-06

Vendors Missing Invoices and Attendance Documentation				
	Vendor Name	Vendor Number	Service Code	Service Months
1	ARC VC COPE - Basics	H15216	515	May-07, Jun-07
2	Call - BMP Day Train Center	H15444	515	Aug-05, Sep-05, Jun-06, Sep-06, May-07, Jun-07
3	Vocational Skills Service BMP/Thrift Store	H57692	515	Aug-05, Sep-05, Jun-06, Aug-06, Sep-06, May-07
4	Work Inc. - S.B. BMP	H57739	515	Aug-05, Sep-05, May-06, Jun-06, Sep-06, May-07, Jun-07
5	Work Inc. - S.M. BMP	H57746	515	Sep-05, May-06, Jun-06, Sep-06
6	ARC VC OJAI Enrich Center	H57757	515	Aug-05, Sep-05, Jun-06, Sep-06, May-07, Jun-07

Tri-Counties Regional Center
Client Trust Spend Down Disbursements
Fiscal Years 2005-06 and 2006-07

	Unique Client Identification Number	Check Number	Money Management Disbursement Amount
1	6631418	11695	\$586.00
2	7894213	216937	\$500.00
3	7894213	223301	\$200.00
4	6504443	224315	\$2,300.00
5	6608753	189202	\$1,000.00
6	6633403	218585	\$814.60
7	6606541	187484	\$2,273.57
8	6606541	187984	\$2,000.00
9	6606541	199043	\$500.00
10	6606541	199044	\$1,690.02
11	6606541	11787	\$1,200.00
12	6606541	204393	\$1,000.00
13	6606541	206134	\$1,000.00
14	6606541	209655	\$1,344.72
15	6606541	215400	\$1,000.00
16	6606541	220485	\$2,200.00
17	6603176	224423	\$5,000.00
18	7518764	186858	\$300.00
19	7518764	189346	\$300.00
20	7518764	196779	\$250.00
21	7518764	198689	\$300.00
22	7518764	201428	\$350.00
23	7518764	216818	\$500.00
24	6020366	218408	\$100.00
25	6699532	209725	\$300.00
26	6699532	221184	\$1,000.00
27	6688905	222243	\$1,500.00
28	6688906	222244	\$1,500.00
29	6601367	193384	\$160.00
30	6601123	192247	\$2,500.00
31	6601123	192248	\$1,600.00
32	6601123	11715	\$600.00
33	6601123	212834	\$400.00
34	6601123	212835	\$500.00

Tri-Counties Regional Center
Client Trust Spend Down Disbursements
Fiscal Years 2005-06 and 2006-07

	Unique Client Identification Number	Check Number	Money Management Disbursement Amount
35	6601123	215860	\$300.00
36	6601123	218752	\$400.00
37	6601123	221222	\$500.00
38	6701868	195778	\$750.00
39	6630678	197443	\$720.00
40	6630678	205432	\$1,260.00
41	6630678	219671	\$530.00
42	6630678	222835	\$500.00
43	6601071	190874	\$549.40
44	6601071	217121	\$150.00
45	6637329	188190	\$124.80
46	6637329	210936	\$325.90
47	6637329	217428	\$252.06

APPENDIX A

TRI-COUNTIES REGIONAL CENTER

RESPONSE

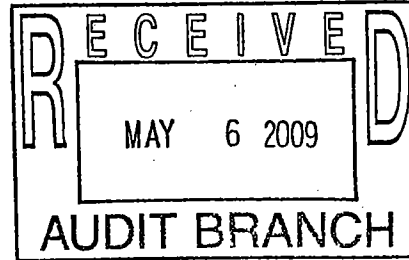
TO AUDIT FINDINGS



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April 30, 2009

Ed Yan
Chief, Regional Center Audits
Department of Developmental Services
1600 Ninth Street
Sacramento, CA 95814

RE: DDS AUDIT OF TRI-COUNTIES REGIONAL CENTER FY 2005-06 THROUGH FY 2006-07

Dear Ed,

Tri-Counties Regional Center (TCRC) herewith submits its response to the Department's Fiscal Compliance Review for the 2005-06 and 2006-07 fiscal years. The response has been prepared with input from staff having responsibility over the specific areas being audited. Our response is as follows:

FINDING 1:

Over/Under-Statement Claims: A detail review of the TCRC's Operational Indicator reports revealed 44 instances in which TCRC over or under claimed expenses to the State. These payments were either due to duplicate payments or overlapping authorizations. The total overpayment was \$44,073.62 and the total underpayment was \$1,439.05.

RESPONSE:

To date, almost all overpayments have been recovered and paid back to DDS. There are two vendors that we are attempting to work out a repayment plan to recover the remaining overpayments.

The audit indicator reports were not being run and reviewed on a consistent basis due to turnover in key accounting staff. Per the auditors' recommendation, TCRC is now generating and monitoring the Operational Indicator reports on a monthly basis to detect and correct over or underpayments.

FINDING 2:

Deceased Consumers Files – Services Claimed for Deceased Consumers: The review of the deceased consumer files identified four instances where TCRC paid four vendors for services after the date of death of the consumers. The total amount of overpayments was \$2,387.67.



RESPONSE:

TCRC's POS department had been running a query to identify cases that were closed to ensure that the POS authorization had been canceled. The report showed the date the case was closed – which in the case of death can be several months after the fact.

A new query has been created to pick up the actual date of death. This query will now be used to ensure cancellations of authorizations for deceased persons have been completed.

Of the items found during the audit, there is one outstanding item. We are attempting to work out a repayment plan with the vendor involved.

FINDING 3:

Use of State Funds: The review of TCRC's Donations account revealed that TCRC donated \$1,000 of State funds to its Donations account for the purpose of training consumers on starting their own business.

RESPONSE: TCRC made this donation out of its Operations account to support a joint project with Area Board IX. TCRC was the fiscal agent. The intent of this project was to support individuals with developmental disabilities to create and operate viable businesses that give the individual who owns and operates them a source of income, and more control over their life. TCRC has made donations to other non-profit organizations in the past for other purposes which we believe were consistent with our mission and contract with DDS.

Although we are in disagreement with the auditors' recommendation, TCRC will reimburse to DDS the \$1,000 and when future requests for assistance are received, they will be funded out of the POS budget, consistent with regulations and the IPP.

FINDING 4:

Security Deposit Not Returned: The review of TCRC's Prepaid Leases account revealed a \$524.17 security deposit to a telephone company, General Telephone and Electronic (GTE) Corporation that was not returned to TCRC when the account was closed. TCRC closed its account when GTE merged with another telephone company, however, TCRC did not request a refund of its security deposit of \$524.17.

RESPONSE: The security deposit referred to in the finding has been on the TCRC books for many years, we believe prior to the hire dates of the current Controller and CFO. Given the date the deposit was originally made, TCRC no longer has records to indicate source documentation. In addition, since the company no longer exists, TCRC is unable to pursue a refund. Therefore, we will work with the DDS auditors to appropriate remove this entry. In the future, TCRC will ensure that security deposits are monitored and promptly collected, with documentation for the original deposit and attempts at collection.

FINDING 5:

Service Coordinator Caseload Survey – Vacant Positions: The review of the Service Coordinator Caseload Survey revealed that TCRC included in its survey, six positions that were vacant for more than 60 days and three new positions established within 60 days of the reporting month.

RESPONSE:

During our investigation of this finding, it was discovered that 2 service coordinators (SCs) in FY 2005/06 and 1 SC in FY 2006/07 who terminated more than 60 days prior to December 1st were included in the ratios. Additionally, it was discovered that 3.6 new SC positions were included in the FY 2006/07 survey that were established since December 1, 2006. We were unable to confirm whether similar established positions were included in the FY 2005/06 report.

TCRC's Human Resources Director produced the survey in 2006. When he left TCRC, the CFO completed the survey in 2007. There were changes in the instructions based on changes in the Lanterman Act that impacted the 2006 survey, however, it appears they may not have been interpreted properly. Since the 2007 survey was based on TCRC's procedure used in 2006, both the 2006 and 2007 surveys were completed using outdated information. Overall, the intent of the caseload ratios was met as open positions were filled and not left vacant.

TCRC has since changed its process for completing the caseload ratio survey and has made improvements in the supporting documentation.

FINDING 6:

Missing Invoices and Attendance Documentation: A total sample of 79 Residential, Transportation and Day Program vendor files revealed that TCRC reimbursed 61 vendors for services provided to consumers without monthly invoices and/or attendance documentation.

RESPONSE:

Per the auditors, of the 61 vendors noted, 55 were found to have no paper invoice and 6 were found to have no paper invoice or attendance sheet. TCRC has an extensive amount of vendors using the electronic attendance and web-billing programs. Although copies were not located during the audit fieldwork, no payments were made without either a paper or an electronic invoice.

For the electronic invoices, the attendance information and invoice is up-loaded into our system. There are no paper invoices received. The majority of vendors on the auditors' list shown as missing invoices are billing electronically. There is a report that can be generated from UFS showing the attendance information. Because the report can be quite large it is suggested that this information be viewed on line. Instructions were given to the auditors on how to access this report.

For the paper invoices, due to the fact that we changed from filing invoices alphabetically to filing by check run date, many invoices were re-filed. Also, we had several different temporary

staff that worked on this project that unfortunately led to a great deal of misfiling. At this point, TCRC does not have available staff resources to change the filing system back to alpha-order.

FINDING 7:

30-Day Residential Notification: The review of TCRC's Residential program vendor files revealed agreements with residential facilities that contained a clause which requires consumers to give a 30-day written notification when terminating their stay with the vendor. Though no overlapping authorizations or over claimed amounts were found, this clause may result in TCRC paying for the full board and care to the residential facilities when a consumer vacates a facility prior to a 30-day notification.

RESPONSE:

TCRC is supposed to give 30 days notice to residential providers per Title 17, Section 56718. Once notice is given, then providers are aware that payment will not be provided beyond the termination date. TCRC will review the language in its contract with residential providers to ensure it is consistent with the intent of Title 17.

FINDING 8:

Client Trust Disbursements Not Supported (Repeat): A review of the client trust money management disbursements revealed that TCRC did not have receipts to support 47 checks that were issued to vendors for the spending down of consumer funds. Without support receipts, there is no evidence to ensure that the disbursements from the client trust funds are appropriate.

RESPONSE:

The 47 checks noted above were issued to 18 consumers. It has been difficult keeping up with the workload in the Client Trust area, given limited staff resources and Trust caseload ratios of 1:600. Therefore, in August of 2008, TCRC outsourced its Client Trust division to Trust Management Services in Sacramento. We have worked closely with them through the transition to ensure findings noted above are resolved. We understand that TMS has strict procedures on collecting receipts for purchases and we believe they will be in compliance with the Social Security regulations.

FINDING 9:

Personal and Incidental (P&I) Funds Used to Relieve Loans: The review of TCRC's policies and procedures for the disbursement of Personal and Incidental (P&I) funds revealed eight consumers' P&I funds were used to settle outstanding board and care loans. These loans were established by TCRC while the consumers waited for their application approval for benefits from Social Security and for TCRC to assume the responsibilities as the representative payee for the consumers. The SSI benefit is designated for the consumers' personal expenses and residential board and care services. The consumers' P&I portion of SSI benefits is intended for their own personal use and should not be used to relieve any outstanding board and care loans.

Letter to Ed Yan, DDS

April 30, 2009

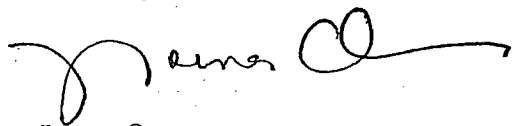
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RESPONSE:

TCRC believed its policy on using P&I funds for Board & Care loans was in compliance with regulations and best practices. TCRC is in agreement with the findings and understands why this practice should change. In August of 2008, TCRC outsourced its Client Trust division to Trust Management Services in Sacramento. TCRC will work with TMS to ensure they do not use P&I funds to relieve loans for board and care expenses.

We appreciate your staff's efforts and suggestions in improving internal controls and accounting processes at TCRC. If you or your staff needs additional information, please contact me at (805) 884-7292.

Sincerely,



Lorna Owens
Chief Financial Officer

c: Omar Noorzad, Ph.D., Executive Director
Phil Stucky, Controller
Leslie Burton, POS Manager