

**AUDIT OF THE  
REGIONAL CENTER OF ORANGE COUNTY  
FOR FISCAL YEARS 2017-18 AND 2018-19**

---

**Department of Developmental Services**

**April 20, 2021**

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

Jim Knight, Deputy Director, Administration Division  
Vicky Lovell, Chief, Research, Audit, and Evaluation Branch  
Edward Yan, Manager, Audit Section  
Luciah Ellen Nzima, Chief, Regional Center Audit Unit  
Dong Le, Supervisor, Regional Center Audit Unit

Audit Staff: Shoua Vue, Ruth Yang, and Rajiv Raman

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

# TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY.....	1
BACKGROUND .....	3
Authority .....	4
Criteria .....	4
Audit Period .....	4
OBJECTIVES, SCOPE, AND METHODOLOGY.....	5
I.    Purchase of Service .....	6
II.   Regional Center Operations .....	6
III.  Targeted Case Management (TCM) and Regional Center Rate Study .....	7
IV.   Service Coordinator Caseload Survey.....	7
V.    Early Intervention Program (EIP; Part C Funding).....	8
VI.   Family Cost Participation Program (FCPP) .....	8
VII.  Annual Family Program Fee (AFPF) .....	9
VIII. Parental Fee Program (PFP).....	9
IX.   Procurement.....	10
X.    Statewide/Regional Center Median Rates.....	12
XI.   Other Sources of Funding from DDS.....	12
XII.  Follow-up Review on Prior DDS Audit Findings.....	13
CONCLUSIONS.....	14
VIEWS OF RESPONSIBLE OFFICIALS.....	15
RESTRICTED USE.....	16
FINDINGS AND RECOMMENDATIONS .....	17
EVALUATION OF RESPONSE.....	22
ATTACHMENTS .....	A-C
REGIONAL CENTER'S RESPONSE .....	Appendix A

## EXECUTIVE SUMMARY

---

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

The audit period was July 1, 2017, through June 30, 2019, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where RCOC's administrative and operational controls could be strengthened. The only finding that would indicate a systemic issue was the need to ensure that vendors provide independent audits or reviews, when applicable. No findings were identified that would constitute major concerns regarding RCOC's operations. Also, a follow-up review was performed to ensure RCOC has taken corrective action to resolve the findings identified in the prior DDS audit report.

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

#### **Finding 1: Out-of-State Services Provided Without DDS Extension Approval**

The review of 20 sampled consumer authorizations revealed RCOC did not request approvals from the DDS Director or her designee to extend three consumers' services after the initial six-month approval to receive services out of state had expired. These three consumers' services were provided in Texas, Florida and New Mexico without approved extensions between April 2016 and March 2020. This resulted in payments to three vendors totaling \$1,006,311. This is not in compliance with W&I Code, Section 4519(a).

#### **Finding 2: Over/Understated Claims**

The review of 100 sampled purchase of service (POS) vendor files revealed eight vendors were reimbursed for services provided to consumers at incorrect rates. The rates paid to the vendors were not the same as the rates listed in the contracts or rate letters issued by RCOC and/or by DDS. In addition, RCOC incorrectly applied the 30.44 proration factor for partial-month stays for six vendors. This resulted in over/understated claims totaling \$3,450.99 and \$24,216.04, respectively. This is not in compliance with CCR, Title 17, Sections 57300(c)(2) and 56917(i).

RCOC took corrective action to resolve \$3,450.99 and \$23,428.83 of the over/understated claims, respectively. Therefore, an underpayment of \$787.21 remains outstanding.

**Finding 3: Deleted**

After further analysis of the additional documentation provided by RCOC in its response to the draft audit report, it has been determined that this was not an issue and the finding has been deleted.

**Finding 4: Remaining Trust Balances (Repeat)**

The review of the deceased consumer trust accounts revealed RCOC has not taken action to resolve \$11,649.95 remaining in one consumer's trust account. This account has been inactive since May 2014. The trust account should have been closed and the remaining funds forwarded to the consumer's beneficiaries, transferred to the Department of Health Care Services (DHCS) if required by Medicaid, or escheated to the State if unclaimed for over three years. This issue was identified in the past two DDS audit reports. This is not in compliance with the California Code of Civil Procedure, Article 2, Section 1518(a)(1).

**Finding 5: Client Trust Balance Over \$2,000 (Repeat)**

The review of RCOC's client trust accounts revealed four consumer accounts with balances that exceeded the \$2,000 resource limit. This issue was identified in the prior DDS audit report. This is not in compliance with the Social Security Handbook, Chapter 21, Section 2113.2.

RCOC provided documentation indicating that two consumers were not subject to the \$2,000 resource limit.

**Finding 6: Policies and Procedures for Vendor Audits and Reviews**

RCOC does not have procedures in place to follow up with vendors who are required to, but have not, submitted an independent audit or independent review report. It was noted that 135 out of 170 vendors who were required to contract with an independent accounting firm for an independent audit or independent review report of their financial statements did not submit an independent audit or independent review report within nine months of the end of the vendor's fiscal year. This is not in compliance with Title 17 Section 54370(a).

## BACKGROUND

---

DDS is responsible, under the W&I Code, for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive and integrated lives. To ensure that these services and supports are available, DDS contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals with DD and their families in California. These fixed points of contact are referred to as regional centers (RCs). The RCs are responsible under State law to help ensure that such persons receive access to the programs and services that are best suited to them throughout their lifetime.

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), that services billed under California's HCBS Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Section conducts fiscal compliance audits of each RC no less than every two years and completes follow-up reviews in alternate years. Also, DDS requires RCs to contract with independent Certified Public Accountants (CPAs) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

In addition to the fiscal compliance audit, each RC will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on RCs' fiscal, administrative, and program operations.

DDS and Regional Center of Orange County, Inc., entered into State Contract HD149014, effective July 1, 2014, through June 30, 2021. This contract specifies that Regional Center of Orange County, Inc. will operate an agency known as the Regional Center of Orange County (RCOC) to provide services to individuals with DD and their families in Orange County. The contract is funded by state and federal funds that are dependent upon RCOC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at RCOC from January 13, 2020, through February 12, 2020, by the Audit Section of DDS.

## **AUTHORITY**

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

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

## **AUDIT PERIOD**

The audit period was July 1, 2017, through June 30, 2019, with follow-up, as needed, into prior and subsequent periods.

## OBJECTIVES, SCOPE, AND METHODOLOGY

---

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

- To determine compliance with the W&I Code,
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine compliance with CCR, Title 17 regulations,
- To determine compliance with OMB Circulars A-122 and A-133, and
- To determine that costs claimed were in compliance with the provisions of the State Contract between DDS and RCOC.

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

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

DDS reviewed the annual audit report that was conducted by an independent CPA firm for Fiscal Year (FY) 2017-18, issued on August 23, 2019. It was noted that no management letter was issued for RCOC. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures.



The audit procedures performed included the following:

**I. Purchase of Service**

DDS selected a sample of Purchase of Service (POS) claims billed to DDS. The sample included consumer services 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 RCOC. 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 RCOC.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000, as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the 10th of each month, and proper documentation for expenditures was maintained.
- DDS selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out of balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of RCOC'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 RCOC'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 RCOC'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 RCOC's Rate Study. DDS examined the months of April 2018 and April 2019 and traced the reported information to source documents.
- Reviewed RCOC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared timesheets to the Case Management Time Study Forms (DS 1916) to ensure that the forms were properly completed and supported.

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

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

- “(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:
  - (1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to

the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.

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

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

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

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

**VI. Family Cost Participation Program (FCPP)**

The FCPP was created for the purpose of assessing consumer costs to parents based on income level and dependents. The family cost participation assessments are only applied to respite, day care, and camping services that are included in the child’s Individual Program Plan (IPP)/Individualized Family Services Plan (IFSP). To determine whether RCOC 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 RCOC 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 RCOC 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 RCOC is in compliance with the W&I Code, Section 4782, DDS requested a list of PFP assessments and verified the following:

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

## **IX. Procurement**

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

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

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

The Statewide and RC Median Rates were implemented on July 1, 2008, and amended on December 15, 2011 and July 1, 2016, to ensure that RCs are not negotiating rates higher than the set median rates for services. Despite the median rate requirement, rate increases could be obtained from DDS under health and safety exemptions where RCs demonstrate the exemption is necessary for the health and safety of the consumers.

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

- Reviewed sample vendor files to determine whether RCOC is using appropriately vendorized service providers and correct service codes, and that RCOC 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 RCOC 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 RCOC 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 RCOC'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;
- Family Resource Center;

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



## CONCLUSIONS

---

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, RCOC 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 RCOC for the audit period, July 1, 2017, through June 30, 2019.

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

From the review of the two prior audit findings, it has been determined that RCOC has not taken appropriate corrective action to resolve the two findings.

## **VIEWS OF RESPONSIBLE OFFICIALS**

---

DDS issued the draft audit report on October 23, 2020. The findings in the draft audit report were discussed at a formal exit conference with RCOC on October 28, 2020. The views of RCOC's responsible officials are included in this final audit report.

## **RESTRICTED USE**

---

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

## FINDINGS AND RECOMMENDATIONS

---

### Findings that need to be addressed.

#### Finding 1: Out-of-State Services Provided Without DDS Extension Approval

The review of 20 sampled consumer authorizations revealed RCOC did not request approvals from the DDS Director or her designee to extend three consumers' services after the initial six-month approval to receive services out of state had expired. The three consumers, Unique Consumer Identification (UCI) numbers 5415609, 5684618 and 6856059, received services without approved extensions from June 2018 through October 2019, April 2016 through February 2020, and June 2018 through March 2020, in Texas, Florida and New Mexico, respectively. This resulted in payments totaling \$1,006,311 made to three vendors without approved extensions. RCOC stated that two of the consumers, UCI numbers 5415609 and 5684618, have since relocated and are now receiving services in California. RCOC also stated that it is working diligently to relocate the remaining consumer, UCI number 6856059. In addition, RCOC indicated that it has retroactively requested extensions for the periods each consumer received services out of state without DDS approvals. (See Attachment A)

W&I Code, Section 4519(a) states in part:

- “(a) The department shall not expend funds, and a regional center shall not expend funds allocated to it by the department, for the purchase of any service outside the state unless the Director of Developmental Services or the director’s designee has received, reviewed, and approved a plan for out-of-state service in the client’s individual program plan. ...

The request shall include details regarding all options considered and an explanation of why these options cannot meet the consumer’s needs. The department shall authorize for no more than six months the purchase of out-of-state services when the director determines the proposed service or an appropriate alternative, as determined by the director, is not available from resources and facilities within the state. Any extension beyond six months shall be based on a new and complete comprehensive assessment of the consumer’s needs, review of available options, and determination that the consumer’s needs cannot be met in California. An extension shall not exceed six months.”

**Recommendation:**

RCOC must reimburse DDS \$1,006,311 for services provided without an extension. In addition, RCOC must ensure it complies with the W&I Code, Section 4519 which requires the Director of DDS or her designee to receive, review and approve extensions for out-of-state services as stated in the consumer's Individual Program Plan.

**Finding 2: Over/Understated Claims**

The review of 100 sampled POS vendor files revealed eight vendors that were reimbursed for services provided to consumers at incorrect rates. The rates paid to the vendors were not the same as the rates listed in the contracts or rate letters issued by RCOC and/or by DDS. This resulted in over/understated claims totaling \$2,315.28 and \$14,240.19, respectively.

In addition, RCOC incorrectly applied the 30.44 proration factor for partial-month stays for six vendors. This resulted in over/understated claims totaling \$1,135.71 and \$9,975.85, respectively.

The total over/understated claims from incorrect rates and incorrectly applying the 30.44 proration rate were \$3,450.99 and \$24,216.04, respectively.

RCOC took corrective action to resolve \$3,450.99 and \$23,428.83 of the over/understated claims, respectively. Therefore, an underpayment of \$787.21 to one vendor remain outstanding. (See Attachment B)

CCR, Title 17, Section 57300(c)(2) states:

“(c) Regional Centers shall not reimburse vendors:

(2) For services in an amount greater than the rate established pursuant to these regulations.”

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

“(i) 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:**

RCOC must reimburse the underpayment of \$787.21 to the vendor. In addition, RCOC should ensure the rates paid to vendors match the rates

specified in the contracts and/or rate letters and the 30.44 proration factor is applied for any partial-month stays.

**Finding 3: Deleted**

After further analysis of the additional documentation provided by RCOC in its response to the draft audit report, it has been determined that this was not an issue and the finding has been deleted.

**Finding 4: Remaining Trust Balances (Repeat)**

The review of the deceased consumer trust accounts revealed RCOC has not taken corrective action to resolve \$11,649.95 remaining in a consumer's account. This trust account has been inactive since May 2014; it should have been closed and the remaining balance forwarded to the consumer's beneficiaries, transferred to the Department of Health Care Services (DHCS) if required by Medicaid, or escheated to the State if unclaimed for more than three years. This issue was also identified in the past two DDS audit reports. RCOC stated it has not taken corrective action to resolve this issue since it is still waiting for feedback from DHCS indicating that there are no outstanding bills to be paid for the consumer. California Code of Civil Procedure (CCP), Article 2, Section 1518(a)(1), states:

"All intangible personal property, including intangible personal property maintained in a deposit or account, and the income or increment on such tangible or intangible property, held in a fiduciary capacity for the benefit of another person escheats to this state if for more than three years after it becomes payable or distributable, the owner has not done any of the following:

- (A) Increased or decreased the principal.
- (B) Accepted payment of principal or income.
- (C) Corresponded in writing concerning the property.
- (D) Otherwise indicated an interest in the property as evidenced by a memorandum or other record on file with the fiduciary."

**Recommendation:**

RCOC must follow up to determine whether DHCS will collect the \$11,649.95 from the deceased consumer's trust account. If DHCS is not seeking repayment from the deceased consumer, the funds must be escheated to the State.

**Finding 5: Client Trust Balance Over \$2,000 (Repeat)**

The review of RCOC's client trust accounts revealed four consumer accounts with balances that exceeded the \$2,000 resource limit. By exceeding the resource limit, consumers are at risk of losing SSI benefits that are used to offset the costs of residential services. Any residential costs not offset by SSI benefits are charged in full to the State. In its prior response, RCOC agreed with the finding and stated that it took corrective action to resolve two of the consumer balances. However, RCOC stated that the current issue occurred because RCOC did not have enough staff to monitor consumer accounts and ensure balances remain below the resource limit.

RCOC provided documentation which indicated that two consumers were not subject to the resource limit. (See Attachment C)

Social Security Handbook, Chapter 21, Section 2113.2 states:

“In order to receive SSI benefits, you cannot own countable real or personal property (including cash) in excess of a specified amount at the beginning of each month. For an individual with an eligible or ineligible spouse, the applicable limit is one and one-half times as much as that for an individual without a spouse. These limits are set by law, and they are not subject to regular cost-of-living adjustments. But they are subject to change. The limits for January 2009 are \$2,000 for an individual and \$3,000 for a couple.”

**Recommendation:**

RCOC should ensure all consumer balances remain within the resource limits established by the Social Security guidelines. If necessary or helpful, consumers or their trust account administrators could be informed about CalABLE accounts ([www.calable.ca.gov](http://www.calable.ca.gov)), which could be used to diminish the risk of exceeding the asset limit.

**Finding 6: Policies and Procedures for Vendor Audits and Reviews**

RCOC does not have procedures in place to follow up with vendors who are required to, but have not, submitted an annual independent audit or annual independent review report. It was noted that 135 out of 170 vendors who were required to contract with an independent accounting firm for an audit or review of their financial statements did not submit an audit or review within nine months of the end of the vendor's fiscal year. Failure to receive these reports limits RCOC's ability to detect vendor issues that may adversely affect services. RCOC stated it will implement written policies and procedures and ensure follow-ups are conducted.

CCR, Title 17, Section 54370(a) states:

“(a) The vendoring regional center shall be responsible for ensuring that vendors within its service catchment area comply with the vendorization requirements.”

**Recommendation:**

RCOC should ensure it follows its procedures to follow up with vendors who are required to, but have not, submitted an annual independent audit report or review.



## EVALUATION OF RESPONSE

---

As part of the audit report process, RCOC was provided with a draft audit report and requested to provide a response to the findings. RCOC's response dated November 10, 2020, is provided as Appendix A.

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

### **Finding 1: Out-of-State Services Provided Without DDS Extension Approval**

RCOC stated that it understood the requirement to request approvals from DDS but disagrees with DDS' recommendation to reimburse \$1,006,311. In addition, RCOC questioned how DDS derived the amount of the finding since it provided essential services for the consumers. DDS agrees that RCOC provided essential services for the consumers, but as stated in its response it knowingly failed to request extensions from the DDS' Director or designee, which violates the W&I Code, Section 4519. The amount requested by DDS covers the period when the three consumers (UCI numbers 5415609, 5684618 and 6856059) received services without approved extensions: from June 2018 through October 2019, April 2016 through February 2020, and June 2018 through March 2020, in Texas, Florida and New Mexico, respectively. In addition, RCOC did not provide documentation indicating that it was unable to find appropriate placements in California at the time services were provided. Therefore, RCOC must reimburse \$1,006,311 to DDS for services provided without extensions.

### **Finding 2: Over/Understated Claims**

RCOC agreed with finding and took corrective action to resolve the overstated claims totaling \$3,450.99 and reimbursed \$23,428.83 of the understated claims to its vendors before the issuance of the draft report. As a result, that leaves the remaining underpayment totaling \$787.21 to one vendor.

### **Finding 3: Deleted**

After further analysis of the additional documentation provided by RCOC in its response to the draft audit report, it has been determined that this was not an issue and the finding has been deleted.

### **Finding 4: Remaining Trust Balances (Repeat)**

RCOC agreed with the finding as stated in its prior response. RCOC's current response states it took corrective action but could not find any known

beneficiaries. Further, RCOC claimed again that it submitted another Estate Recovery Questionnaire to DHCS, sent the funds to DHCS and had the check returned. DDS appreciates the efforts RCOC took to resolve this finding. However, if RCOC's efforts have been unsuccessful, rather than repeat the same steps, it should follow DDS' recommendation and escheat the \$11,649.95 remaining in the consumer's account to the State. This will ensure compliance with the California Code of Civil Procedure, Article 2, Section 1518(a)(1).

**Finding 5: Client Trust Balance Over \$2,000 (Repeat)**

RCOC provided documentation indicating that two consumers were not subject to the \$2,000 resource limit since they received SSA benefits only. RCOC agreed that the remaining two consumers that received SSI benefits were subject to the \$2,000 resource limit. However, RCOC did not provide information on how it will resolve the resource limits. If necessary or helpful, consumers or their trust account administrators could be informed about CalABLE accounts ([www.calable.ca.gov](http://www.calable.ca.gov)), which could be used to diminish the risk of exceeding the asset limit. DDS will conduct a follow-up review during the next scheduled audit to ensure these two consumers are below the resource limit.

**Finding 6: Policies and Procedures for Vendor Audits and Reviews**

RCOC agreed with the finding and provided follow up procedures for vendors who are required to, but have not, submitted an annual independent audit report or review. RCOC stated that it will send first, second and final notices to vendors that fail to provide CPA audit reports or reviews. In addition, RCOC indicated that it will put the vendors who fail to provide a CPA report or review on a "Do Not Refer" status until the required audit or review are submitted. DDS will conduct a follow-up review during the next scheduled audit to ensure RCOC is enforcing the newly implemented procedures.

**Regional Center of Orange County  
Unauthorized Services Provided  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Vendor Name	Service Code	Unique Client Identification Number	Authorization Number	Payment Period	POS Amount
1	PM1115	Adult Community	058	5684618	16602328	201604	\$13,470.00
2	PM1115	Adult Community	058	5684618	16602328	201605	\$13,940.00
3	PM1115	Adult Community	058	5684618	16602328	201606	\$13,470.00
4	PM1115	Adult Community	058	5684618	17602328	201607	\$13,940.00
5	PM1115	Adult Community	058	5684618	17602328	201608	\$13,940.00
6	PM1115	Adult Community	058	5684618	17602328	201609	\$13,470.00
7	PM1115	Adult Community	058	5684618	17602328	201610	\$13,940.00
8	PM1115	Adult Community	058	5684618	17602328	201611	\$13,470.00
9	PM1115	Adult Community	058	5684618	17602328	201612	\$13,940.00
10	PM1115	Adult Community	058	5684618	17644365	201701	\$13,906.00
11	PM1115	Adult Community	058	5684618	17644365	201702	\$12,496.00
12	PM1115	Adult Community	058	5684618	17644365	201703	\$13,906.00
13	PM1115	Adult Community	058	5684618	17644365	201704	\$13,436.00
14	PM1115	Adult Community	058	5684618	17644365	201705	\$13,906.00
15	PM1115	Adult Community	058	5684618	17644365	201706	\$13,436.00
16	PM1115	Adult Community	058	5684618	18644365	201707	\$13,906.00
17	PM1115	Adult Community	058	5684618	18644365	201708	\$13,906.00
18	PM1115	Adult Community	058	5684618	18644365	201709	\$13,436.00
19	PM1115	Adult Community	058	5684618	18644365	201710	\$13,906.00
20	PM1115	Adult Community	058	5684618	18644365	201711	\$13,436.00
21	PM1115	Adult Community	058	5684618	18644365	201712	\$13,906.00
22	PM1115	Adult Community	058	5684618	18644365	201801	\$13,906.00
23	PM1115	Adult Community	058	5684618	18644365	201802	\$12,496.00
24	PM1115	Adult Community	058	5684618	18644365	201803	\$13,906.00
25	PM1115	Adult Community	058	5684618	18644365	201804	\$13,436.00
26	PM1115	Adult Community	058	5684618	18644365	201806	\$13,436.00
27	PM1115	Adult Community	058	5684618	19644365	201807	\$13,906.00
28	PM1115	Adult Community	058	5684618	19644365	201808	\$13,906.00
29	PM1115	Adult Community	058	5684618	19644365	201809	\$13,436.00
30	PM1115	Adult Community	058	5684618	19644365	201810	\$13,906.00
31	PM1115	Adult Community	058	5684618	19644365	201811	\$12,496.00
32	PM1115	Adult Community	058	5684618	19644365	201812	\$13,436.00
33	PM1115	Adult Community	058	5684618	19644365	201901	\$13,906.00
34	PM1115	Adult Community	058	5684618	19644365	201902	\$12,496.00
35	PM1115	Adult Community	058	5684618	19644365	201903	\$13,906.00
36	PM1115	Adult Community	058	5684618	19726881	201904	\$13,436.00

**Regional Center of Orange County  
Unauthorized Services Provided  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Vendor Name	Service Code	Unique Client Identification Number	Authorization Number	Payment Period	POS Amount
37	PM1115	Adult Community	058	5684618	19726881	201905	\$13,906.00
38	PM1115	Adult Community	058	5684618	19726881	201906	\$13,436.00
39	PM1115	Adult Community	058	5684618	20726881	201907	\$13,906.00
40	PM1115	Adult Community	058	5684618	20726881	201908	\$13,906.00
41	PM1115	Adult Community	058	5684618	20726881	201909	\$13,436.00
42	PM1115	Adult Community	058	5684618	20726881	201910	\$13,906.00
43	PM1115	Adult Community	058	5684618	20726881	201911	\$13,436.00
44	PM1115	Adult Community	058	5684618	20726881	201912	\$13,906.00
45	PM1115	Adult Community	058	5684618	20726881	202001	\$13,906.00
46	PM1115	Adult Community	058	5684618	20726881	202002	\$746.00
47	PM0808	Devereux Foundation	058	5415609	18686459	201806	\$8,160.00
48	PM0808	Devereux Foundation	058	5415609	19686459	201807	\$8,457.00
49	PM0808	Devereux Foundation	058	5415609	19686459	201808	\$8,457.00
50	PM0808	Devereux Foundation	058	5415609	19686459	201809	\$8,160.00
51	PM0808	Devereux Foundation	058	5415609	19686459	201810	\$8,457.00
52	PM0808	Devereux Foundation	058	5415609	19686459	201811	\$8,160.00
53	PM0808	Devereux Foundation	058	5415609	19686459	201812	\$8,457.00
54	PM0808	Devereux Foundation	058	5415609	19686459	201901	\$8,457.00
55	PM0808	Devereux Foundation	058	5415609	19686459	201902	\$7,566.00
56	PM0808	Devereux Foundation	058	5415609	19686459	201903	\$8,457.00
57	PM0808	Devereux Foundation	058	5415609	19722741	201904	\$8,160.00
58	PM0808	Devereux Foundation	058	5415609	19722741	201905	\$8,457.00
59	PM0808	Devereux Foundation	058	5415609	19722741	201906	\$8,160.00
60	PM0808	Devereux Foundation	058	5415609	20722741	201907	\$8,457.00
61	PM0808	Devereux Foundation	058	5415609	20722741	201908	\$8,457.00
62	PM0808	Devereux Foundation	058	5415609	20722741	201909	\$8,160.00
63	PM0808	Devereux Foundation	058	5415609	20722741	201910	\$8,316.00
64	PM0601	A Better Way	058	6856059	18663080	201806	\$11,340.00
65	PM0601	A Better Way	058	6856059	19701591	201807	\$11,718.00
66	PM0601	A Better Way	058	6856059	19702768	201808	\$11,718.00
67	PM0601	A Better Way	058	6856059	19702768	201809	\$11,340.00
68	PM0601	A Better Way	058	6856059	19702768	201810	\$11,718.00
69	PM0601	A Better Way	058	6856059	19702768	201811	\$11,340.00
70	PM0601	A Better Way	058	6856059	19702768	201812	\$11,718.00
71	PM0601	A Better Way	058	6856059	19702768	201901	\$11,718.00
72	PM0601	A Better Way	058	6856059	19702768	201902	\$10,584.00

**Regional Center of Orange County  
Unauthorized Services Provided  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Vendor Name	Service Code	Unique Client Identification Number	Authorization Number	Payment Period	POS Amount
73	PM0601	A Better Way	058	6856059	19702768	201903	\$11,718.00
74	PM0601	A Better Way	058	6856059	19702768	201904	\$11,340.00
75	PM0601	A Better Way	058	6856059	19702768	201905	\$11,718.00
76	PM0601	A Better Way	058	6856059	19702768	201906	\$11,340.00
77	PM0601	A Better Way	058	6856059	20735971	201907	\$11,718.00
78	PM0601	A Better Way	058	6856059	20735971	201908	\$11,718.00
79	PM0601	A Better Way	058	6856059	20735971	201909	\$11,340.00
80	PM0601	A Better Way	058	6856059	20735971	201910	\$11,718.00
81	PM0601	A Better Way	058	6856059	20735971	201911	\$11,340.00
82	PM0601	A Better Way	058	6856059	20735971	201912	\$11,718.00
83	PM0601	A Better Way	058	6856059	20753354	202001	\$10,935.00
84	PM0601	A Better Way	058	6856059	20753354	202002	\$10,962.00
85	PM0601	A Better Way	058	6856059	20753354	202003	\$10,935.00
<b>Total POS Amount of Unauthorized Services</b>							<b>\$1,006,311.00</b>

**Regional Center of Orange County  
Over and Understated Claims  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	POS Amount	Under/Over Payments	Resolved	Outstanding Balance
<b>Overstated Claims</b>										
1	H13779	6810642	915		19651015	October 2018	\$2,170.63	\$494.00	\$494.00	\$0.00
2	HM0833	6877166	920		18654169	April 2018	\$7,197.35	\$9.31	\$9.31	\$0.00
3	HM0173	6815316	920		18629863	July 2017 - September 2017	\$33,714.00	\$1,284.00	\$1,284.00	\$0.00
		6889492	920		18674068	September 2017 - October 2017	\$13,468.25	\$512.70	\$512.70	\$0.00
4	H13842	6802752	904		19725303	April 2019	\$3,219.22	\$15.27	\$15.27	\$0.00
							<b>Total Overstated Claims Due to Incorrect Rates</b>	<b>\$2,315.28</b>	<b>\$2,315.28</b>	<b>\$0.00</b>
5	HM1178	6924661	113		18671444	September 2017	\$6,914.52	\$891.51	\$891.51	\$0.00
6	HM0713	6815316	920	L14S	18629863	October 2017	\$2,584.26	\$98.39	\$98.39	\$0.00
7	HM0578	6876015	920	L4I	18682494	January 2018	\$579.52	\$145.81	\$145.81	\$0.00
							<b>Total Overstated Claims Due to Incorrect 30.44 Proration</b>	<b>\$1,135.71</b>	<b>\$1,135.71</b>	<b>\$0.00</b>
							<b>Grand Total Overstated Claims</b>	<b>\$3,450.99</b>	<b>\$3,450.99</b>	<b>\$0.00</b>

<b>Understated Claims</b>										
8	HM0695	1947084	510		19531554	January 2019 - April 2019	\$5,708.32	(\$15.23)	(\$15.23)	\$0.00
		1947480	510		19582565	January 2019 - April 2019	\$4,913.53	(\$13.07)	(\$13.07)	\$0.00
		1998806	510		19505189	January 2019 - April 2019	\$5,419.28	(\$14.47)	(\$14.47)	\$0.00
		4820015	510		19535345	January 2019 - April 2019	\$5,455.43	(\$14.55)	(\$14.55)	\$0.00
		4880630	510		19345463	January 2019 - April 2019	\$4,769.00	(\$12.70)	(\$12.70)	\$0.00
		4881335	510		19665440	January 2019 - April 2019	\$4,624.50	(\$12.30)	(\$12.30)	\$0.00
		4881799	510		19476957	January 2019 - April 2019	\$5,816.69	(\$15.54)	(\$15.54)	\$0.00
		5022587	510		19440023	January 2019 - April 2019	\$6,069.62	(\$16.18)	(\$16.18)	\$0.00
		5023031	510		19572638	January 2019 - April 2019	\$3,974.15	(\$10.60)	(\$10.60)	\$0.00
		5364914	510		19560670	January 2019 - April 2019	\$4,732.89	(\$12.59)	(\$12.59)	\$0.00
		5418058	510		19380545	January 2019 - April 2019	\$5,491.55	(\$14.65)	(\$14.65)	\$0.00
		5500566	510		19367963	January 2019 - April 2019	\$5,888.97	(\$15.71)	(\$15.71)	\$0.00
		5553037	510		19379500	January 2019 - April 2019	\$5,997.35	(\$16.00)	(\$16.00)	\$0.00

**Regional Center of Orange County  
Over and Understated Claims  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	POS Amount	Under/Over Payments	Resolved	Outstanding Balance
8	HM0695	5579032	510		19593224	January 2019 - April 2019	\$5,816.72	(\$15.51)	(\$15.51)	\$0.00
		5622402	510		19724852	April 2019	\$1,517.40	(\$4.05)	(\$4.05)	\$0.00
		5637673	510		19383269	January 2019 - April 2019	\$5,961.22	(\$15.91)	(\$15.91)	\$0.00
		5683545	510		19720356	February 2019 - April 2019	\$3,396.09	(\$9.06)	(\$9.06)	\$0.00
		5707898	510		19488709	January 2019 - April 2019	\$5,636.08	(\$15.02)	(\$15.02)	\$0.00
		5843701	510		19719588	February 2019 - April 2019	\$3,034.80	(\$8.10)	(\$8.10)	\$0.00
		5843800	510		19720398	February 2019 - April 2019	\$3,685.13	(\$9.82)	(\$9.82)	\$0.00
		5844105	510		19343536	January 2019 - April 2019	\$5,491.56	(\$14.64)	(\$14.64)	\$0.00
		5940341	510		19343492	January 2019 - April 2019	\$5,997.38	(\$15.97)	(\$15.97)	\$0.00
		6008791	510		19362309	January 2019 - April 2019	\$6,105.74	(\$16.29)	(\$16.29)	\$0.00
		6020283	510		19343528	January 2019 - April 2019	\$5,852.87	(\$15.58)	(\$15.58)	\$0.00
		6023014	510		19693855	January 2019 - April 2019	\$5,997.37	(\$15.98)	(\$15.98)	\$0.00
		6041107	510		19619507	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		6097552	510		19708211	January 2019	\$72.33	(\$0.12)	(\$0.12)	\$0.00
		6214290	510		19510589	January 2019 - April 2019	\$6,069.61	(\$16.19)	(\$16.19)	\$0.00
		6216114	510		19553148	January 2019 - April 2019	\$5,780.61	(\$15.39)	(\$15.39)	\$0.00
		6529697	510		19707166	January 2019 - April 2019	\$5,961.24	(\$15.89)	(\$15.89)	\$0.00
		6702866	510		19343538	January 2019 - April 2019	\$5,563.82	(\$14.83)	(\$14.83)	\$0.00
		6800147	510		19687369	January 2019 - April 2019	\$5,997.37	(\$15.98)	(\$15.98)	\$0.00
		6800579	510		19343539	January 2019 - February 2019	\$2,962.57	(\$7.88)	(\$7.88)	\$0.00
6800717	510		19563440	January 2019 - April 2019	\$5,852.85	(\$15.60)	(\$15.60)	\$0.00		
6800942	510		19571833	January 2019 - March 2019	\$3,181.99	(\$5.81)	(\$5.81)	\$0.00		
6801002	510		19578358	January 2019 - April 2019	\$5,563.82	(\$14.83)	(\$14.83)	\$0.00		
6801208	510		19703323	January 2019 - April 2019	\$5,563.81	(\$14.84)	(\$14.84)	\$0.00		
6801518	510		19665442	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00		
6801570	510		19343503	January 2019 - April 2019	\$5,347.05	(\$14.25)	(\$14.25)	\$0.00		
6801767	510		19559908	January 2019 - February 2019	\$1,880.27	(\$3.43)	(\$3.43)	\$0.00		

**Regional Center of Orange County  
Over and Understated Claims  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	POS Amount	Under/Over Payments	Resolved	Outstanding Balance
8	HM0695	6802095	510		19687468	January 2019 - April 2019	\$6,069.62	(\$16.18)	(\$16.18)	\$0.00
		6802446	510		19399078	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		6802563	510		19343544	January 2019 - April 2019	\$6,033.49	(\$16.09)	(\$16.09)	\$0.00
		6802887	510		19726889	April 2019	\$144.53	(\$0.37)	(\$0.37)	\$0.00
		6802923	510		19561227	January 2019 - April 2019	\$5,202.53	(\$13.87)	(\$13.87)	\$0.00
		6802986	510		19343551	January 2019 - April 2019	\$5,274.81	(\$14.04)	(\$14.04)	\$0.00
		6803151	510		19602956	January 2019 - April 2019	\$3,688.22	(\$6.73)	(\$6.73)	\$0.00
		6803397	510		19601507	January 2019 - April 2019	\$5,672.19	(\$15.14)	(\$15.14)	\$0.00
		6803733	510		19343500	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		6803992	510		19557653	January 2019 - April 2019	\$4,624.50	(\$12.30)	(\$12.30)	\$0.00
		6804025	510		19427908	January 2019 - April 2019	\$4,985.76	(\$13.29)	(\$13.29)	\$0.00
		6804059	510		19675843	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		6804356	510		19572980	January 2019 - March 2019	\$2,529.01	(\$6.74)	(\$6.74)	\$0.00
		6804545	510		19539791	January 2019 - April 2019	\$6,105.75	(\$16.28)	(\$16.28)	\$0.00
		6804770	510		19343531	January 2019 - April 2019	\$4,949.63	(\$13.20)	(\$13.20)	\$0.00
		6805033	510		19656327	January 2019 - April 2019	\$6,069.61	(\$16.19)	(\$16.19)	\$0.00
		6805093	510		19687942	January 2019 - April 2019	\$6,069.61	(\$16.19)	(\$16.19)	\$0.00
		6805151	510		19479902	January 2019 - April 2019	\$5,636.07	(\$15.03)	(\$15.03)	\$0.00
		6805189	510		19693062	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		6805650	510		19560617	January 2019 - April 2019	\$4,335.44	(\$11.56)	(\$11.56)	\$0.00
6805941	510		19343523	January 2019 - April 2019	\$5,780.58	(\$15.42)	(\$15.42)	\$0.00		
6806096	510		19509430	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00		
6806599	510		19692856	January 2019 - April 2019	\$5,491.55	(\$14.65)	(\$14.65)	\$0.00		
6807743	510		19565250	January 2019 - April 2019	\$5,744.45	(\$15.33)	(\$15.33)	\$0.00		
6807821	510		19684597	January 2019 - April 2019	\$5,708.32	(\$15.23)	(\$15.23)	\$0.00		
6807840	510		19559396	January 2019 - April 2019	\$3,649.00	(\$9.73)	(\$9.73)	\$0.00		
6808097	510		19603907	January 2019 - February 2019	\$2,169.55	(\$3.95)	(\$3.95)	\$0.00		



**Regional Center of Orange County  
Over and Understated Claims  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	POS Amount	Under/Over Payments	Resolved	Outstanding Balance
8	HM0695	6808219	510		19581930	January 2019 - April 2019	\$5,997.38	(\$15.97)	(\$15.97)	\$0.00
		6808229	510		19554440	January 2019 - April 2019	\$6,002.41	(\$10.94)	(\$10.94)	\$0.00
		6808679	510		19343546	January 2019 - April 2019	\$5,419.31	(\$14.44)	(\$14.44)	\$0.00
		6808791	510		19687811	January 2019 - April 2019	\$5,889.01	(\$15.67)	(\$15.67)	\$0.00
		6808810	510		19597770	January 2019 - April 2019	\$6,069.61	(\$16.19)	(\$16.19)	\$0.00
		6808866	510		19634747	January 2019 - April 2019	\$5,997.35	(\$16.00)	(\$16.00)	\$0.00
		6809006	510		19668328	January 2019 - April 2019	\$5,997.37	(\$15.98)	(\$15.98)	\$0.00
		6809572	510		19672852	January 2019 - April 2019	\$5,383.15	(\$14.38)	(\$14.38)	\$0.00
		6810535	510		19432403	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		6811355	510		19509240	January 2019 - April 2019	\$6,069.62	(\$16.18)	(\$16.18)	\$0.00
		6811378	510		19557662	January 2019 - April 2019	\$5,852.82	(\$15.63)	(\$15.63)	\$0.00
		6811440	510		19710274	January 2019 - April 2019	\$3,649.01	(\$9.72)	(\$9.72)	\$0.00
		6816797	510		19560665	January 2019 - April 2019	\$5,816.71	(\$15.52)	(\$15.52)	\$0.00
		6822604	510		19679179	January 2019 - April 2019	\$5,708.32	(\$15.23)	(\$15.23)	\$0.00
		6837780	510		19554353	January 2019 - April 2019	\$4,443.83	(\$11.85)	(\$11.85)	\$0.00
		6855426	510		19580212	January 2019 - April 2019	\$5,744.45	(\$15.33)	(\$15.33)	\$0.00
		6855564	510		19692026	January 2019 - April 2019	\$3,468.40	(\$9.20)	(\$9.20)	\$0.00
		6859957	510		19647706	January 2019 - April 2019	\$5,852.85	(\$15.60)	(\$15.60)	\$0.00
		6863591	510		19685704	January 2019 - April 2019	\$5,888.98	(\$15.70)	(\$15.70)	\$0.00
		6869394	510		19555003	January 2019 - April 2019	\$5,708.32	(\$15.23)	(\$15.23)	\$0.00
6870259	510		19699907	January 2019 - April 2019	\$4,624.50	(\$12.30)	(\$12.30)	\$0.00		
6873202	510		19343513	January 2019 - April 2019	\$5,491.60	(\$14.60)	(\$14.60)	\$0.00		
6873865	510		19670270	January 2019 - April 2019	\$4,985.77	(\$13.28)	(\$13.28)	\$0.00		
6878406	510		19384388	January 2019 - April 2019	\$3,974.16	(\$10.59)	(\$10.59)	\$0.00		
6885277	510		19625843	January 2019 - April 2019	\$5,599.98	(\$14.90)	(\$14.90)	\$0.00		
6892458	510		19506601	January 2019 - April 2019	\$5,455.42	(\$14.56)	(\$14.56)	\$0.00		
6892846	510		19506598	January 2019 - April 2019	\$3,865.79	(\$10.29)	(\$10.29)	\$0.00		

**Regional Center of Orange County  
Over and Understated Claims  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	POS Amount	Under/Over Payments	Resolved	Outstanding Balance
8	HM0695	6892977	510		19665444	January 2019 - April 2019	\$5,708.35	(\$15.20)	(\$15.20)	\$0.00
		6893731	510		19543091	January 2019 - April 2019	\$4,805.15	(\$12.78)	(\$12.78)	\$0.00
		6893758	510		19621341	January 2019 - April 2019	\$5,925.08	(\$15.82)	(\$15.82)	\$0.00
		6893834	510		19582818	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		6894059	510		19435937	January 2019 - April 2019	\$5,563.82	(\$14.83)	(\$14.83)	\$0.00
		6894129	510		19571824	January 2019 - April 2019	\$5,383.18	(\$14.35)	(\$14.35)	\$0.00
		6894399	510		19560597	January 2019 - April 2019	\$5,238.66	(\$13.97)	(\$13.97)	\$0.00
		6895781	510		19627367	January 2019 - April 2019	\$5,780.59	(\$15.41)	(\$15.41)	\$0.00
		6896687	510		19692600	January 2019 - April 2019	\$4,190.91	(\$11.19)	(\$11.19)	\$0.00
		6898019	510		19352731	January 2019 - April 2019	\$5,852.87	(\$15.58)	(\$15.58)	\$0.00
		6898055	510		19695043	January 2019 - April 2019	\$5,997.35	(\$16.00)	(\$16.00)	\$0.00
		6898992	510		19530348	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		6899018	510		19596640	January 2019 - April 2019	\$5,347.03	(\$14.27)	(\$14.27)	\$0.00
		6899420	510		19684145	January 2019 - April 2019	\$5,058.00	(\$13.50)	(\$13.50)	\$0.00
		6994192	510		19553400	January 2019 - April 2019	\$5,852.84	(\$15.61)	(\$15.61)	\$0.00
		7301097	510		19343494	January 2019 - March 2019	\$3,254.32	(\$5.93)	(\$5.93)	\$0.00
		7305408	510		19393705	January 2019 - April 2019	\$5,563.82	(\$14.83)	(\$14.83)	\$0.00
		7404548	510		19717680	February 2019 - April 2019	\$4,118.68	(\$10.97)	(\$10.97)	\$0.00
		7406684	510		19694549	January 2019 - April 2019	\$5,274.81	(\$14.04)	(\$14.04)	\$0.00
		7520133	510		19664936	January 2019 - April 2019	\$5,455.45	(\$14.53)	(\$14.53)	\$0.00
7521057	510		19681975	January 2019	\$687.01	(\$1.26)	(\$1.26)	\$0.00		
7526296	510		19571862	January 2019 - April 2019	\$5,636.08	(\$15.02)	(\$15.02)	\$0.00		
7541451	510		19343549	January 2019 - April 2019	\$6,069.61	(\$16.19)	(\$16.19)	\$0.00		
7543994	510		19343493	January 2019 - April 2019	\$5,202.50	(\$13.90)	(\$13.90)	\$0.00		
7546914	510		19343529	January 2019 - April 2019	\$6,033.49	(\$16.09)	(\$16.09)	\$0.00		
7568758	510		19614829	January 2019 - April 2019	\$4,732.88	(\$12.60)	(\$12.60)	\$0.00		
7581590	510		19719493	February 2019 - April 2019	\$3,612.87	(\$9.63)	(\$9.63)	\$0.00		

**Regional Center of Orange County  
Over and Understated Claims  
Fiscal Years 2017-18 and 2018-19**

No.	Vendor Number	Unique Client Identification Number	Service Code	Sub Code	Authorization	Service Month	POS Amount	Under/Over Payments	Resolved	Outstanding Balance
8	HM0695	7597343	510		19646753	January 2019 - April 2019	\$4,190.95	(\$11.15)	(\$11.15)	\$0.00
		7601575	510		19558457	January 2019 - April 2019	\$6,141.88	(\$16.37)	(\$16.37)	\$0.00
		7610881	510		19705280	January 2019 - April 2019	\$6,105.75	(\$16.28)	(\$16.28)	\$0.00
		7623284	510		19666300	January 2019 - April 2019	\$4,732.87	(\$12.61)	(\$12.61)	\$0.00
		7704376	510		19448510	January 2019 - April 2019	\$5,491.59	(\$14.61)	(\$14.61)	\$0.00
9	HM1178	7834559	510		19343525	January 2019 - April 2019	\$5,672.19	(\$15.14)	(\$15.14)	\$0.00
		6896568	113		18661236	January 2018	\$14,413.58	(\$715.91)	(\$715.91)	\$0.00
		6924661	113		18671444	January 2018 - February 2018	\$24,069.76	(\$4,110.48)	(\$4,110.48)	\$0.00
10	HM1157	5187125	915		18695401	May 2018 - June 2018	\$2,680.64	(\$787.21)	\$0.00	(\$787.21)
11	H13779	6801347	915		19651185	November 2018	\$827.28	(\$28.44)	(\$28.44)	\$0.00
		6806599	915		18387569	December 2017	\$1,719.79	(\$930.21)	(\$930.21)	\$0.00
12	H04278	6896827	915		18601304	July 2017	\$1,933.15	(\$716.85)	(\$716.85)	\$0.00
		7542913	904		18643718	October 2017	\$6,327.63	(\$94.37)	(\$94.37)	\$0.00
14	HM0173	6812317	920		19664898	July 2018 - October 2018	\$43,240.00	(\$1,712.00)	(\$1,712.00)	\$0.00
		6889492	920		19674068	July 2018 - October 2018	\$43,240.00	(\$1,712.00)	(\$1,712.00)	\$0.00
		7580432	920		19693763	July 2018 - October 2018	\$43,240.00	(\$1,712.00)	(\$1,712.00)	\$0.00
<b>Total Understated Claims Due to Incorrect Rates</b>							<b>(\$14,240.19)</b>	<b>(\$13,452.98)</b>	<b>(\$787.21)</b>	
15	HM1315	6801459	113	14	19714952	December 2018	\$5,135.13	(\$9,823.27)	(\$9,823.27)	\$0.00
16	HM1157	6899695	915	L4I	18687755	March 2018	\$4,608.50	(\$141.91)	(\$141.91)	\$0.00
17	HM0173	7580432	920	L14	18671978	July 2017	\$8,024.50	(\$10.68)	(\$10.68)	\$0.00
<b>Total Understated Claims Due to Incorrect 30.44 Proration</b>							<b>(\$9,975.85)</b>	<b>(\$9,975.85)</b>	<b>\$0.00</b>	
<b>Grand Total Understated Claims</b>							<b>(\$24,216.04)</b>	<b>(\$23,428.83)</b>	<b>(\$787.21)</b>	

**Regional Center of Orange County  
Client Trust Balance Over \$2,000  
Fiscal Years 2017-18 and 2018-19**

<b>No.</b>	<b>Unique Client Identification Number</b>	<b>Balance as of February 2020</b>
1	6808982	\$4,623.89
2	6892792	\$3,072.51

**APPENDIX A**

**REGIONAL CENTER OF ORANGE COUNTY**

**RESPONSE  
TO AUDIT FINDINGS**

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



REGIONAL CENTER  
OF ORANGE COUNTY

November 10, 2020

Mr. Edward Yan, Manager  
Audit Branch  
Department of Developmental Services  
1600 Ninth Street, Room 230, MS 2-10  
Sacramento, CA 95814

Dear Mr. Yan:

The Regional Center of Orange County's (RCOC's) response to the draft report of the audit conducted by the Department of Developmental Services (DDS) is as follows for the fiscal years ended June 30, 2018 and 2019.

There were no findings or exceptions noted in the following areas:

- Uniform Fiscal Systems reconciliations
- Signatory authority
- Bank reconciliations
- Regional Center Operations, including
  - Personnel files,
  - Time sheets,
  - Payroll ledgers,
  - Equipment inventory and
  - Conflict of Interest.
- Targeted Case Management and Regional Center Rate Study
- Service Coordinator Caseload Survey calculations
- Early Intervention Program (Part C funding)
- Family Cost Participation Program
- Annual Family Program Fee
- Parental Fee Program (PFP)
- Procurement
- Board approval of contracts over \$250,000
- Statewide/Regional Center Median rates, and

November 10, 2020

RCOC's Response to DDS' Draft Audit Report

- Other Sources of Funding from DDS, including Start-Up Funds, Community Placement Plan, and the Family Resource Center.

There were findings in the following six areas.

DDS Finding 1: Out-of-State Services Provided without DDS Extension Approval

“The review of 20 sample consumer authorizations revealed RCOC did not request approvals from the DDS Director or her designee to extend three consumers' services after the initial six-month approval to receive services out of state had expired. These three consumers' services were provided in Texas, Florida and New Mexico without approved extensions between April 2016 and March 2020. This resulted in payments to three vendors totaling \$1,006,311. This is not in compliance with W&I Code, Section 4519(a).”

RCOC's Response to Finding 1

RCOC understands the requirement to request approvals from DDS to extend out-of-state services. RCOC questions how DDS derived the amount of the finding. Audit findings are paid from regional centers' Operations allocations. The Operations allocation is approximately 10% of the Purchase of Services (POS) allocation. To equate the POS cost to the amount of the audit finding for an administrative error appears to be punitive and perhaps not the best use of RCOC's resources.

From an Operations perspective, RCOC did not meet the requirement. From a POS perspective, RCOC was unable to find appropriate placements in California at the time services were provided. If RCOC had submitted the requests, DDS would have approved them. This is a case where RCOC authorized needed services, vendors provided said services, and RCOC paid for these out-of-state placement services. Because this is not a POS finding, RCOC respectfully asks that DDS determine an appropriate pecuniary punishment for a procedural error.

RCOC will appeal the amount of the finding.

DDS Finding 2: Over/Understated Claims

“The review of 100 sampled purchase of service (POS) vendor files revealed eight vendors were reimbursed for services provided to consumers at incorrect rates. The rates paid to the vendors were not the same as the rates listed in the contracts or rate letters issued by RCOC and/or by DDS. In addition, RCOC incorrectly applied the 30.44 proration factor for partial-month stays for six vendors. This resulted in over/understated claims totaling \$3,450.99 and \$24,216.04, respectively. This is not in compliance with CCR, Title 17, Sections 57300(c)(2) and 56917(i).”

RCOC's Response to Finding 2

RCOC agrees with the amounts in the finding. RCOC has paid all the underpayments, except for one which is from a closed fiscal year, and recovered all the overpayments.

DDS Finding 3: Rental Leases - Security Deposit Not Returned

“The review of four lease agreements revealed RCOC did not recover the remaining security deposit from one of its landlords, Crestview Partners, after its lease ended in October 2016. The remaining security deposit amounted to \$3,282.27 after building maintenance expenses incurred by the landlord totaling \$15,844.13 were deducted from the original security deposit amount of \$19,126.40. This is not in compliance with State Contract, Article III, Sections 4 and W&I Code, Section 4631 (b).”

RCOC's Response to Finding 3

RCOC disagrees with the finding. RCOC returned the space “broom clean,” completed a walk through and the gave the keys to the landlord's representative on October 13, 2016. Crestview contended that RCOC was in holdover; RCOC disputed that and refused to pay for holdover, parking and late charges which Crestview continued to bill to RCOC. Rather than litigate the holdover, which would have been expensive, RCOC waited to see if Crestview Partners would pursue legal action; it did not. In 2019, the building was sold. No demands were made in escrow; there is no further obligation between Crestview Partners and RCOC.

DDS Finding 4: Remaining Trust Balances (Repeat)

“The review of the deceased consumer trust accounts revealed RCOC has not taken action to resolve \$11,649.95 remaining in one of its consumer's trust account. This account has been inactive since May 2014. The trust account should have been closed and the remaining funds forwarded to the consumer's beneficiaries or escheated to the State if unclaimed for over three years. This issue was identified in the past two DDS audit reports. This is not in compliance with the California Code of Civil Procedure, Article 2, Section 1518(a)(1).”

RCOC's Response to Finding 4

RCOC agrees with the finding in the general; however, there are no beneficiaries known to RCOC. RCOC has taken corrective action. RCOC submitted the Estate Recovery Questionnaire (Notice of Death) to the Department of Health Care Services, Estate Recovery Section, earlier this year and did not receive a response; RCOC resubmitted the Notice of Death in November. RCOC sent the funds to California Department of Health Care Services; DHCS returned RCOC's check.



DDS Finding 5: Client Trust Balance Over \$2,000 (Repeat)

“The review of RCOC’s client trust accounts revealed four consumer accounts with balances that exceeded the \$2,000 resource limit. This issue was identified in the prior DDS audit report. This is not in compliance with the Social Security Handbook, Chapter 21, Section 2113.2.”

RCOC's Response to Finding 5

RCOC does not agree with the finding as drafted. Two of the persons served receive only Social Security Administration (earned) benefits; there is no resource limit for SSA benefits. RCOC agrees with the finding for the two persons served who receive Supplementary Security Income (unearned) benefits and are subject to the resource limit.

DDS Finding 6: Policies and Procedures for Vendor Audits and Reviews

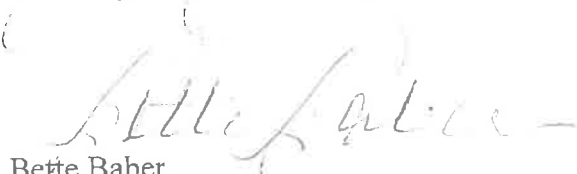
“RCOC does not have procedures in place to follow up with vendors who are required to, but have not, submitted an independent audit or independent review report. It was noted that 135 out of 170 vendors who were required to contract with an independent accounting firm for an independent audit or independent review report of their financial statements did not submit an independent audit or independent review report within nine months of the end of the vendor's fiscal year. This is not in compliance with Title 17 Section 54370(a).”

RCOC's Response to Finding 6

RCOC developed the procedure and sent it to DDS.

Please call me if you have any questions at (714) 796-5296.

Sincerely,



Bette Baber  
CFO

c: Larry Landauer  
Marta Vasquez  
Raudel Perez  
Liliana Castillo  
Linda Pham