CALIFORNIA HEALTH & HUMAN SERVICES AGENCY
DEPARTMENT OF DEVELOPMENTAL SERVICES
1215 O Street, Sacramento, CA 95814 • www.dds.ca.gov

PETE CERVINKA
DIRECTOR

GAVIN NEWSOM
GOVERNOR

August 13, 2026

Maya Bareket, Board President
San Andreas Regional Center, Inc.
6203 San Ignacio Avenue, Suite 200
San Jose, CA 95119

Dear Maya Bareket:

The Department of Developmental Services' (Department) Audit Services Branch has completed the audit of the San Andreas Regional Center (SARC). The period of review was from July 1, 2023, through June 30, 2025, with follow-up as needed into prior and subsequent periods. The enclosed report discusses the areas reviewed along with the findings and recommendations and includes the response submitted by SARC in Appendix B.

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

Office of Legal Affairs
Department of Developmental Services
P.O. Box 944202
Sacramento, CA 94299-9974

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

Your invoice for the total amount of $105,201.05 from the current audit findings is enclosed. When making payments to the Department of Developmental Services, please refer to the invoice number to ensure that proper credit is given. If you have any questions regarding the payment process, please contact the Accounting and Fiscal Services Section at (916) 245-2713, or via email at Accounting@dds.ca.gov.

If you have any questions regarding the audit report, please contact the Audit Services Branch at (916) 654-3695, or via email at AuditServices@dds.ca.gov.

Sincerely,

Jim Knight

JIM KNIGHT
Deputy Director
Administration Division

Attachment(s)

cc: See next page

cc: Javier Zaldivar, San Andreas Regional Center
Karla Cruz, San Andreas Regional Center
Carla Castañeda, Department of Developmental Services
Michi A. Gates, Ph.D., Department of Developmental Services
Hiren Patel, Department of Developmental Services
Tiffani Andrade, Department of Developmental Services
Diane Nanik, Department of Developmental Services
Jonathan Hill, Department of Developmental Services
Edward Yan, Department of Developmental Services
Brandon Carter, Department of Developmental Services
Luciah Ellen Nzima, Department of Developmental Services
Dong Le, Department of Developmental Services

State of California
DEPARTMENT OF DEVELOPMENTAL SERVICES
1215 O Street, MS 10-20
Sacramento, CA 95814

Maya Bareket, Board President
San Andreas Regional Center
6203 San Ignacio Avenue, Suite 200
San Jose, CA 95119

INVOICE No. **INV15585**

Date **August 13, 2026**

Headquarters

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

DEPARTMENT OF DEVELOPMENTAL SERVICES
1215 O Street, MS 10-20
Sacramento, CA 95814
Attn: Yen Tran-Lee Chief of Accounting

Vendor no. 0000042513

For: Per final audit report dated August 13, 2026, please reimburse the Department of Developmental Services for the unresolved overpayment of $105,201.05 for the Fiscal Years 2023-24 & 2024-25.

DO NOT OFFSET THIS INVOICE WITH ANY VENDOR CLAIMS.
THIS INVOICE MUST BE PAID IN FULL BY CHECK PAYABLE TO DDS.

Amount Due **$105,201.05**

DDS ACCOUNTING OFFICE ONLY:

FY	INV DATE	INV No.	Rptg Structure	Svc Loc	Program	Approp. Ref	Fund	Amount
FY23/24 & FY24/25	08/13/2026	**INV15585**	43009517	96000	9910	101	0001	$105,201.05

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.

PETE CERVINKA
DIRECTOR

CALIFORNIA HEALTH & HUMAN SERVICES AGENCY
DEPARTMENT OF DEVELOPMENTAL SERVICES
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GAVIN NEWSOM
GOVERNOR

AUDIT OF THE SAN ANDREAS REGIONAL CENTER FOR FISCAL YEARS 2023-24 AND 2024-25

August 13, 2026

DEPARTMENT TEAM
Jim Knight, Deputy Director, Administration
Edward Yan, Branch Chief, Audit Services Branch
Brandon Carter, Audit Manager, Audit Services Branch
Luciah Ellen Nzima, Section Chief, Regional Center Audit Services Section
Dong Le, Supervisor, Regional Center Audit Services Section
Audit Staff: Meera Ramakrishnan, Rajiv Raman, and Shoua Vue

TABLE OF CONTENTS

Page

RESTRICTED USE

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

EXECUTIVE SUMMARY

The Department conducted a fiscal compliance audit of San Andreas Regional Center (SARC) to assess compliance with the requirements set forth in the Lanterman Developmental Disabilities Services Act and Related Laws/Welfare and Institutions Code (WIC); 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 the Department. Overall, the audit indicated that the Regional Center maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2023, through June 30, 2025, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where the Regional Center's administrative and operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding the Regional Center's operations.

A follow-up review was performed to determine whether the Regional Center has taken corrective action to resolve the findings identified in the prior Department audit report. The results of the follow-up can be found in the Conclusions section.

Findings that need to be addressed:

Finding 1: Overstated Claims Due to Rate Reform Implementation – SARC overpaid six vendors a total of $258,900.71. SARC has since recovered $153,699.66 with $105,201.05 still outstanding.

Finding 2: Financial Statement Audit Report Not Submitted Timely to the Department – SARC did not submit the reports for Fiscal Years (FY) 2022-23 and 2023-24 to the Department before the April 1st deadline.

Findings that have been corrected:

Finding 3: Duplicate Payments or Overlapping Authorizations – SARC overpaid 10 vendors a total of $30,034.30.

Finding 4: Payment for Services not Provided – SARC made payments to one vendor totaling $16,416.86 after the individual's date of death.

Finding 5: Vendor Files Not Reviewed Biennially – SARC did not conduct biennial reviews of Applicant/Vendor Disclosure Statement (DS1891) Forms and Office of Inspector General (OIG) exclusion search results for 30 vendors.

BACKGROUND

The Department and San Andreas Regional Center, Inc. entered into State Contract HD199014, effective July 1, 2019, through June 30, 2026. This contract specifies that San Andreas Regional Center, Inc. will operate an agency known as SARC to provide services to individuals with intellectual and developmental disabilities and their families. The contract is funded by State and federal funds that are dependent upon the Regional Center performing certain tasks, providing services to eligible individuals, and submitting billings to the Department.

This audit was conducted from January 5, 2026, through February 13, 2026, by the Audit Services Branch of the Department.

AUTHORITY

The audit was conducted under the authority of the WIC, Section 4780.5 and the State Contract between the Department and the Regional Center.

CRITERIA

The following criteria were used for this audit:

- WIC,
- 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 the Department and the Regional Center, effective July 1, 2019.

VIEWS OF RESPONSIBLE OFFICIALS

The Department issued the draft audit report on May 19, 2026. The findings in the draft audit report were discussed at a formal exit conference on June 2, 2026. The views of responsible officials are included in this final audit report.

CONCLUSIONS

Based upon the audit procedures performed, the Department has determined that except for the items identified in the Findings and Recommendations section, the Regional Center was in compliance with applicable audit criteria.

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

The review of four findings noted in the prior audit report revealed the Regional Center took appropriate corrective action to resolve all four findings.

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: **Overstated Claims Due to Rate Reform Implementation**

The review of 108 sampled Purchase of Service (POS) vendor files identified 26 instances in which SARC overpaid six vendors a total of $258,900.71. These overpayments occurred when SARC issued new authorizations to account for rate reform increases but did not close the corresponding prior authorizations. SARC recovered $78,536.14 of the overpayments with $180,364.57 still outstanding.

SARC subsequently provided documentation indicating it has recovered an additional $75,163.52 of the overpayments; therefore, $105,201.05 remains outstanding. (See Attachment A)

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."

Recommendation:

SARC must reimburse the Department for the overpayments totaling $105,201.05 still outstanding. In addition, SARC must review and close any prior authorizations that remain open.

Finding 2: **Financial Statement Audit Reports Not Submitted Timely to the Department**

The review of SARC's financial statement audit reports for FY 2022-23 and 2023-24 revealed SARC did not submit the reports to the Department before the April 1st deadline. The FY 2022-23 and 2023-24 financial statement audit reports were submitted to the Department on June 4, 2024, and April 4, 2025, respectively.

W&I Code, Section 4639(a) states:

> "The governing board of a regional center shall annually contract with an independent accounting firm for an audited financial statement. The audit report and accompanying management letter shall be reviewed and approved by the regional center board and submitted to the department within 60 days of completion and

before April 1 of each year. Upon submission to the department, the audit report and accompanying management letter shall be made available to the public by the regional center. It is the intent of the Legislature that no additional funds be appropriated for this purpose."

Recommendation:

SARC must submit all financial statement audit reports to the Department before April 1st of each year.

Findings that have been corrected.

Finding 3: <u>**Duplicate Payments or Overlapping Authorizations**</u>

The review of the Operational Indicator Reports identified 21 instances in which SARC overpaid 10 vendors a total of $30,034.30 due to duplicate payments or overlapping authorizations. Although SARC conducts quarterly reviews, staff oversight resulted in these erroneous payments not being detected. SARC has since recovered the full amount from the vendors.

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."

Recommendation:

SARC should continue to monitor the Operational Indicator Reports for any erroneous payments that may have occurred while doing business with its vendors.

Finding 4: <u>**Payment for Services not Provided**</u>

SARC paid one vendor, a specialized residential facility (service code 113), a total of $16,416.86 after the individual's date of death. This occurred when SARC did not close the individual's authorization following the date of death but has since recovered the full amount from the vendor.

CCR, Title 17, Section 50612 (e)(1)(c) states in part:

"The Regional Center purchase of service authorization shall contain the requirements for terminating payments to service providers…

1. The circumstances for terminating payments by the Regional Center shall include:

   c. The death of the consumer”

Recommendation:

SARC should timely close any open authorizations for deceased individuals to prevent any payments to vendors.

Finding 5: **<u>Vendor Files Not Reviewed Biennially</u>**

The review of 108 sampled POS vendor files revealed SARC did not update the DS 1891 Form and OIG exclusion search result for 30 vendors on a biennial basis. SARC took corrective action by providing the updated documents to the Department for the 30 vendors.

CCR, Title 17, Section 54332(b)(1) states:

> “(b) Regional centers shall review, at least biennially or sooner upon notification by the Department of Developmental Services, Department of Health Care Services, or any governing licensing or certification board or entity, all vendor files maintained by the regional center to determine that:
>
> (1) The information required for vendorization is current, completed and accurate.”

The Applicant/Vendor Disclosure Statement General Instructions states:

> “Every applicant or vendor must complete and submit a current Applicant/Vendor Disclosure Statement, DS 1891 (disclosure statement) as part of a complete application packet for vendorization or upon request of the vendoring regional center.”

Recommendation:

SARC must review all POS vendor files biennially to confirm that vendor information is current, complete and accurate, which includes the DS 1891 form and OIG exclusion search results.

EVALUATION OF RESPONSE

As part of the audit report process, the Regional Center was provided with a draft audit report and requested to provide a response to the findings. Its response is provided as Appendix B. The Department's Audit Services Branch has evaluated the response and will confirm the appropriate corrective actions have been taken during the next scheduled audit, unless otherwise described.

Finding 1: **Overstated Claims Due to Rate Reform Implementation**

SARC provided documentation indicating that it recovered an additional $82,121.78 from its vendors. However, further analysis of the documentation provided revealed SARC incorrectly calculated the total recoveries. The correct amount recovered is $75,163.52; therefore, SARC must reimburse the $105,201.05 still outstanding to the Department.

Finding 2: **Financial Statement Audit Reports Not Submitted Timely to the Department**

SARC stated it has implemented a tracking process to support timely compliance going forward. In addition, SARC stated it has already submitted the FY 2024-25 Financial Statement Audit Report before the April 1st deadline.

San Andreas Regional Center
Overstated Claims Due to Rate Reform Implementation
Fiscal Years 2023-24 & 2024-25

No.	Vendor Number	Authorization Number	Payment Period	Overpayment	Corrected	Outstanding Balance
1	HS0355	25010083	1/2025 - 3/2025	$1,478.78	$1,478.78	$0.00
2	HS0356	25010081	1/2025 - 3/2025	$442.11	$442.11	$0.00
3	HS0363	25010250	1/2025 - 3/2025	$4,725.96	$4,725.96	$0.00
4	HS0363	25010251	1/2025 - 3/2025	$2,774.59	$2,774.59	$0.00
5	HS0363	25010252	1/2025 - 3/2025	$4,893.65	$4,893.65	$0.00
6	HS0363	25010253	1/2025 - 3/2025	$3,414.89	$3,414.89	$0.00
7	HS0363	25010254	1/2025 - 3/2025	$1,737.93	$1,737.93	$0.00
8	HS0363	25010255	1/2025 - 3/2025	$853.72	$853.72	$0.00
9	HS0363	25010256	1/2025 - 3/2025	$3,933.21	$3,933.21	$0.00
10	HS0364	25009839	1/2025 - 3/2025	$3,704.54	$3,704.54	$0.00
11	HS0364	25009880	1/2025 - 2/2025	$226.92	$226.92	$0.00
12	HS0364	25010257	1/2025 - 3/2025	$914.70	$914.70	$0.00
13	HS0364	25010258	1/2025 - 2/2025	$335.39	$335.39	$0.00
14	HS0364	25010259	1/2025 - 3/2025	$3,003.27	$3,003.27	$0.00
15	HS0857	25003527	1/2025 - 6/2025	$25,347.78	$12,673.89	$12,673.89
16	HS0857	25458910	1/2025 - 6/2025	$25,347.78	$12,673.89	$12,673.89
17	HS0857	25458912	1/2025 - 6/2025	$25,347.78	$12,673.89	$12,673.89
18	HS0857	25597946	1/2025 - 6/2025	$25,347.78	$12,673.89	$12,673.89
19	HS0857	26458908	7/2025 - 9/2025	$12,673.89	$0.00	$12,673.89
20	HS0857	26458910	7/2025 - 9/2025	$12,673.89	$0.00	$12,673.89
21	HS0857	26458912	7/2025 - 9/2025	$12,673.89	$0.00	$12,673.89
22	HS0857	26597946	7/2025 - 9/2025	$12,673.89	$0.00	$12,673.89
23	HS1357	25982486	1/2025	$2,616.80	$2,616.80	$0.00
24	HS1357	25987354	1/2025	$2,616.80	$2,616.80	$0.00
25	HS1357	25988004	1/2025 - 3/2025	$39,947.09	$36,137.16	$3,809.93
26	HS1357	25989407	1/2025 - 3/2025	$29,193.68	$29,193.68	$0.00
Total Overstated Claims:				**$258,900.71**	**$153,699.66**	**$105,201.05**

APPENDIX A

SCOPE, OBJECTIVES, AND METHODOLOGY

The Department is responsible, under the WIC, for ensuring that persons with intellectual and developmental disabilities receive the services and supports they need to lead more independent, productive, and integrated lives. To secure these services and supports, the Department contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals 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.

The Department also is responsible for providing assurance to the federal Department of Health and Human Services, Centers for Medicare, and Medicaid Services, 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 providing this assurance, the Audit Services Section conducts fiscal compliance audits of each Regional Center no less than every two years and completes follow-up reviews in alternate years.

In addition to the fiscal compliance audit, each Regional Center is monitored by the Department's Federal Programs Branch 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 Department monitoring system that provides information on the Regional Centers' fiscal, administrative, and program operations.

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

- To determine compliance with the WIC,
- 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 the Department and the Regional Center.

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 the Regional Center's financial statements. The Department limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that the Regional Center was in compliance with the objectives identified above.

The Department review of the Regional Center'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.

The Department reviewed available annual audit report(s) that were conducted by an independent Certified Public Accounting firm. This review was performed to determine the impact, if any, upon the Department audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

The Department selected a sample of Purchase of Service (POS) claims billed to the Department. The sample included individual services and vendor rates. The sample also included individuals who were eligible for the HCBS Waiver Program. For POS claims, the following procedures were performed:

- The Department tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.

- The Department selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by the Regional Center. The rates charged for the services provided to individuals were reviewed to ensure compliance with the provision of the WIC; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between the Department and the Regional Center.

- If applicable to this audit, the Department selected a sample of Individual 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, the Department determined if any retroactive Social Security benefit payments received exceeded the $2,000 resource limit for longer than nine months. The Department also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the 10th of each month, and proper documentation for expenditures was maintained.

- The Department analyzed all bank accounts to determine whether the Department had signatory authority, as required by the State Contract with the Department.

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

II. Regional Center Operations

The Department selected a sample of OPS claims billed to the Department to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to assure that 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.

- The Department reviewed the Regional Center's policies and procedures for compliance with the Department Conflict of Interest regulations, and the Department 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 Department rate of reimbursement from the federal government. The following procedures were performed upon the study:

- The Department examined the two TCM Rate Studies submitted to the Department during the audit period and traced the reported information to source documents.

- A review of the recent Case Management Time Study (required to be submitted every three years) is conducted if the study was not reviewed during the prior audit. The Department selected a sample of the Case Management Time Study Forms (DS 1916) for examination and reconciled them to the corresponding payroll timesheets to ensure that the forms were properly completed and supported.

IV. **Service Coordinator Caseload Survey**

Under the WIC, Section 4640.6(e), Regional Centers are required to provide service coordinator caseload data to the Department. The Department verified that the documentation was maintained to support the service coordinator caseload survey ratios.

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. **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 a Regional Center 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 the Department, or (2) the cost of services provided, whichever is less. To determine compliance with the WIC Section 4784, the Department 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 a Regional Center for children under the age of 18 years;

    (b) 24-hour care for such minor children in state hospitals;

    (c) provided, however, that no ability to pay determination may be made for services required by state or federal law, or both, to be provided to children without charge to their parents.

- Provided the Department with a listing of new placements, terminated cases, and client deaths for those clients. Such listings must 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 the Department 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, and a return envelope within 10 working days after placement of a minor child.

- Provided the Department a copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed.

VII. Procurement

The Request for Proposal (RFP) process was implemented so that Regional Centers outline the vendor selection process when using the RFP process to address individual service needs. As of January 1, 2011, the Department requires Regional Centers to document their contracting practices, as well as how particular vendors are selected to provide individual services. By implementing a procurement process, Regional Centers 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 the Regional Center implemented the required RFP process, the Department performed the following procedures during the audit review:

- Reviewed the Regional Center'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 the Regional Center. The process was reviewed to ensure that the vendor selection process is transparent and impartial and avoids the appearance of favoritism. Additionally, the Department 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.

The Department performed the following procedures to determine compliance with the State Contract:

- Selected a sample of Operations, Community Placement Plan, and negotiated POS contracts subject to competitive bidding to ensure the

Regional Center notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that the Regional Center 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, the Department performed the following procedures:

- To determine compliance with the WIC, Section 4625.5: Reviewed to verify that the Regional Center 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 the Regional Center Board-approved Operations, Start-Up, and POS vendor contracts of $250,000 or more, to verify that the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to individuals; verified that the funds provided were specifically used to establish new or additional services to individuals, the usage of funds is of direct benefit to individuals, and the contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess the 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 WIC and State Contract requirements.

VIII. <u>Statewide/Regional Center Median Rates</u>

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, July 1, 2016, and April 1, 2022. Regional Centers may not negotiate rates higher than the set median rates for services. Despite the median rate requirement, rate increases can be obtained from the Department under health and safety exemptions where Regional Centers demonstrate the exemption is necessary for the health and safety of the individuals.

To determine compliance with the Lanterman Act, the Department performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether the Regional Center is using appropriately vendorized service providers and correct service codes and is paying authorized contract rates and complying with the median rate requirements of WIC Section 4691.9.

- Reviewed vendor contracts to verify that the Regional Center is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or Regional Center median rate set after June 30, 2008. Additionally, the Department 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 the Department.

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

IX. <u>Other Sources of Funding from the Department</u>

Regional Centers may receive other sources of funding from the Department. The Department performed sample tests on identified sources of funds from the Department to ensure the Regional Center'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 the Department identified in this audit may include:

- Community Placement Plan;
- Part C – Early Start Program;
- Family Resource Center;
- Foster Grandparent;
- Senior Companion;
- Mental Health Services Act;
- HCBS Compliance;
- Language Access and Cultural Competency Program; and
- Enhanced Community Integration for Children and Adolescents.

X. **Follow-up Review on Prior Department Audit Finding(s)**

As an essential part of the overall Department monitoring system, a follow-up review of prior Department audit finding(s) was conducted, if applicable. The Department identified prior audit finding(s) and reviewed supporting documentation to determine the degree of completeness of implementation of corrective actions.

APPENDIX B

SAN ANDREAS REGIONAL CENTER'S RESPONSE TO THE AUDIT FINDINGS

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

SAN ANDREAS REGIONAL CENTER

SANTA CLARA COUNTY

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Member of the Association of Regional Center Agencies

June 29, 2026

Edward Yan
Audit Section
Department of Developmental Services
1215 O Street, MS 9-20
Sacramento, CA 95814

SUBJECT: FISCAL YEARS 2023-24 AND 2024-25 AUDIT RESPONSE

Dear Mr. Yan,

This letter shall serve as San Andreas Regional Center's (SARC) response to the draft audit report for Fiscal Years 2023-24 and 2024-25, dated May 19, 2026.

Finding 1: Overstated Claims Due to Rate Reform Implementation,
SARC agrees with this finding. Of the total amount identified, $180,364.57 remained outstanding as of the draft report. Since that time, $82,121.78 has been applied against vendor payments, reducing the remaining overpayment to $98,242.79.

SARC will reimburse DDS $98,242.79 for vendor overpayments related to the Rate Reform implementation. SARC will continue to apply offsets to future vendor payments as amounts are recovered. SARC has strengthened internal procedures, including enhanced review and monitoring of Operational Indicator Reports, to prevent recurrence.

Finding 2: Financial Statement Audit Report Not Submitted Timely
SARC acknowledges that the Financial Statement Audit Reports for Fiscal Years 2022–23 and 2023–24 were not submitted by the April 1 deadline. To ensure timely compliance going forward, SARC has implemented a formal reminder and tracking process. Financial statements continue to be submitted promptly upon finalization by our independent auditors.

SARC confirms that the FY 2024–25 Financial Statement Audit Report was submitted by the required deadline.

Please contact me if additional information is needed.

Sincerely,

Karla Cruz (Jun 29, 2026 12:00:31 PDT)

Karla Cruz
Chief Financial Officer

"Consumers First Through Service, Advocacy, Respect and Choice"
Serving Persons with Developmental Disabilities