

DEPARTMENT
OF
DEVELOPMENTAL SERVICES
AUDIT
OF
DesertArc

(Formerly Known as the Foundation for the Retarded of the Desert)

**Work Activity Program
Cost Statement**

**Habilitation:
Work Activity Program – HJ0557**

(Audit Period: May 1, 2005 through April 30, 2006)

Audit Branch

Auditors: Michael Masui, Chief of Vendor Audits
Armando Parra, Supervisor
Ernesto Galasinao

Assignment # 7-VN-2-005

**DESERTARC
COST STATEMENT
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AUDIT REPORT**

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) has audited DesertArc, formerly known as the Foundation for the Retarded of the Desert. This audit was performed upon the Work Activity Program (WAP) Cost Statement for the time period of May 1, 2005 through April 30, 2006.

The last day of fieldwork was April 19, 2007.

During the course of the DDS audit fieldwork, DesertArc contracted with an independent accounting firm to perform a special investigative audit. The final audit report and results of the special investigative audit were not provided to us, and, accordingly, we are not able to determine if their findings, if any, would impact our audit. Except for the possible effects of the special investigative audit, the results of the Cost Statement audit did not disclose any material findings. DesertArc complied with the requirements of the Welfare and Institutions (W&I) Code and the California Code of Regulations (Title 17).

BACKGROUND

The Department of Developmental Services is responsible, under the Lanterman Developmental Disabilities Services Act, for ensuring that persons with developmental disabilities receive the services and supports they need to lead more independent, productive, and normal lives. DDS contracts with 21 private, nonprofit regional centers that provide fixed points of contact in the community for serving eligible individuals with developmental disabilities and their families in California. In order for regional centers to fulfill their objectives, they secure services and supports from qualified service vendors and/or contractors. Per the Welfare and Institutions Code, Section 4648.1, DDS has the authority to audit those service providers and/or contractors that provide services and supports to the developmentally disabled.

OBJECTIVE, SCOPE, AND METHODOLOGY

Per the W&I Code, Section 4648.1(a), DDS may conduct fiscal reviews and audits of service providers' records. This audit was conducted to determine if DesertArc could substantiate the figures and calculations made in the WAP Cost Statement DS1950 and was in compliance with Title 17 for the period of May 1, 2005 through April 30, 2006.

DesertArc contracted with an independent accounting firm to perform a special investigative audit during the DDS audit fieldwork. The final audit report and results from the special investigative audit were not disclosed, and accordingly, we are not able to determine the impact upon our audit.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. The auditors reviewed the financial statements; however, this audit was not intended to express an opinion of DesertArc's financial statements. The auditors limited the review of DesertArc's internal controls to gaining an understanding of the transaction flow and billing/invoice preparation process as necessary to develop appropriate auditing procedures. The audit scope was limited to planning and performing audit procedures necessary to obtain reasonable assurance that DesertArc complied with Title 17 regulations.

DesertArc submitted a cost statement for the period of May 1, 2005 through April 30, 2006 for the following WAP program:

- WAP, HJ0557, Service Code 954

The procedures performed to determine compliance with the Title 17 regulations included, but were not limited to, the following:

- Reviewing the regional center's vendor files for contracts, rate letters, program designs, purchase of service authorizations, and correspondence pertinent to the review.
- Consulting with DDS' Community Rates Section for vendor and Cost Statement historical information.
- Interviewing Inland Regional Center's staff for vendor background and to obtain a copy of previous audit reports and Cost Statements (DS 1950).
- Interviewing DesertArc's staff and management to obtain information and source documentation to support the revenues on Tab C (Revenue Statement) and expenditures on Tab D (Expense Statement) of the Cost Statement.
- Determining non-allowable costs per Title 17 regulations.
- Verifying the calculations made on DS 1950 Cost Statement worksheets (Tabs A through H).

- Determining if the figures used on the DS1950 are supported by selecting a judgmental sample of figures on the DS1950 and tracing those amounts to the General Ledger.
- Determine if amounts identified on the DS1950 and included on the General Ledger are supported by source documentation.

CONCLUSION

Based upon the procedures performed, except for the possible effects of the special investigative audit that was contracted by DesertArc, it was found that DesertArc complied with the requirements of Title 17.

VIEWS OF RESPONSIBLE OFFICIALS

As part of the audit process, DesertArc was afforded the opportunity to respond to the draft audit report. The DDS issued a draft audit report on August 12, 2008. The draft audit report found that DesertArc complied with the requirements of Title 17. As a result, at the formal exit conference on October 16, 2008, Robin Keegan, Chief Financial Officer, expressed no disagreement regarding the audit report and indicated the report be issued as final.

RESTRICTED USE

This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, Inland Regional Center, and DesertArc. Additionally, four user regional centers that referred consumers to DesertArc and were affected by the audit results will be sent a copy of the report. This report is not intended and should not be used by anyone other than those specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

ARTHUR J. LEE, CPA
Manager
Audit Branch