AUDIT OF THE
EASTERN LOS ANGELES REGIONAL CENTER
FOR FISCAL YEARS 2009-10 AND 2010-11

Department of Developmental Services

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

Karyn A. Meyreles, Deputy Director, Administration Division
Edward Yan, Manager, Audit Branch
Luciah Ellen Nzima, Chief of Regional Center Audits, Audit Branch
Oscar Perez, Supervisor, Audit Branch

Audit Staff: Abel Chappell, Grace Gwarada, and Nathan Oates

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

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) fiscal compliance audit of Eastern Los Angeles Regional Center (ELARC) revealed that ELARC was in compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare and Institutions (W&I) Code, the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services (DDS). The audit indicated that, overall, ELARC maintains accounting records and supporting documentation for transactions in an organized manner. However, this report identifies some areas where ELARC's administrative, operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding ELARC's operations.

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

I. Findings that need to be addressed.

Finding 1: <u>Family Cost Participation Program (FCPP)</u>

A. <u>Late Assessments</u>

The review of 20 sampled FCPP files revealed five instances in which ELARC did not complete the assessments concurrently with the review of the consumer's Individual Program Plan (IPP). This is not in compliance with CCR, title 17, section 50267(a).

B. <u>Missing Documentation</u>

The review of 20 sampled FCPP files revealed four instances in which ELARC did not maintain the parents' income documentation in the consumer's file to verify their share of cost. In addition, there were two instances where all documentation pertaining to the assessments could not be located. This is not in compliance with CCR, title 17, section 50262(b) and the State contract Article IV, section 3(a), between DDS and ELARC.

Finding 2: <u>Targeted Case Management Time Study – Recording of Attendance</u>

The review of ELARC's Targeted Case Management (TCM) Time Study for May 2010 revealed that eight of the 18 sampled employees' time sheets had vacation and sick hours recorded that did not reconcile with what was recorded on the TCM Time Study forms (DS 1916).

Finding 3: **Materiality Threshold Not Stated on the Request For Proposal (RFP) Policy**

The review of the Board approved RFP policy revealed that ELARC did not include the applicable dollar threshold for requiring the utilization of the RFP process. This is not in compliance with the State Contract Article II,section 2 (b).

II. Findings that have been addressed and corrected by ELARC.

Finding 4: **Over/Under-Stated Claims**

A sample review of invoices for the Residential and Operational Indicator reports revealed 57 instances in which ELARC over or under-stated claime to the State for services provided to consumers. The total overpayments was $4,007.45 and total underpayments was $90.51. This is not in compliance with CCR, title 17, section 54326 (a)(10) and section 56917(i).

ELARC has taken corrective action by collecting the overpayments and issuing payment to the vendors for the underpayments.

Finding 5: **Consumer Trust Accounts**

A. Balances Over the $2,000 Resource Limit

The sample review of 32 Client Trust accounts revealed six Client Trust balances that exceeded the $2,000 resource limit mandated by the Social Security Administration. This is not in compliance with the Social Security Handbook, Chapter 21, section 2153.2.

ELARC has taken corrective action by spending down the balances of the consumers identified in the finding to within the resource limit.

B. Inactive Accounts Balances

The sample review of 32 Client Trust accounts revealed two inactive Client Trust accounts that had remaining balances. This is not in compliance with the Social Security Handbook, section 1621.

ELARC has taken corrective action by closing out the accounts and forwarding the balances to the Social Security Administration and the State Controller's Unclaimed Property Division.

BACKGROUND

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

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

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

DDS and Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc., entered into a contract, HD099004, effective July 1, 2009, through June 30, 2014. This contract specifies that Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. will operate an agency known as the Eastern Los Angeles Regional Center (ELARC) to provide services to persons with DD and their families in the Alhambra, East Los Angeles, Northeast, and Whittier areas. The contract is funded by State and Federal funds that are dependent upon the ELARC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at ELARC from December 5, 2011, through January 20, 2012 and was conducted by the DDS Audit Branch.

AUTHORITY

The audit was conducted under the authority of the Welfare and Institutions (W&I) Code, section 4780.5, and Article IV, section 3 of the State Contract.

CRITERIA

The following criteria were used for this audit:

- California Welfare and Institutions (W&I) Code
- "Approved Application for the Home and Community-Based Services Waiver for the Developmentally Disabled"
- California Code of Regulations, Title 17 (CCR, title 17)
- Federal Office of Management Budget (OMB) Circular A-133
- State Contract between DDS and ELARC, effective July 1, 2009

AUDIT PERIOD

The audit period was July 1, 2009, through June 30, 2011, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

- To determine compliance with the Welfare and Institution (W&I) Code (or the Lanterman Act),
- To determine compliance with Title 17 of the California Code of Regulations (CCR, title 17),
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine that costs claimed were in compliance with the provisions of the State Contract.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of ELARC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that ELARC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether ELARC was in compliance with the Lanterman Act, CCR, title 17, the HCBS Waiver for the Developmentally Disabled, and the State Contract.

DDS' review of ELARC'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 accounting firm for fiscal year 2009-10, issued on January 5, 2011. In addition, DDS found that no management letter was issued for ELARC.

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, vendor rates, and consumer trust accounts. 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 ELARC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17 and W&I Code of regulations.

- 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 (SSA). In addition, DDS determined if any retroactive Social Security benefit payments received exceeded $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 tenth of each month, and that proper documentation for expenditures was maintained.

- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to SSA in a timely manner. An interview with ELARC staff revealed that ELARC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to SSA (or other source) in a timely manner.

- 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 ELARC's bank accounts to determine whether DDS had signatory authority as required by the contract with DDS.

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

II. Regional Center Operations

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

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.

- A sample of operating expenses including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance 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 ELARC's policies and procedures for compliance with the DDS Conflict of Interest regulations and selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

The Targeted Case Management (TCM) Rate Study is the study that determines the DDS rate of reimbursement from the Federal Government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and ELARC's Rate Study. DDS examined the month of May 2010 and traced the reported information to source documents.

- Reviewed ELARC's Case Management Time Study. DDS selected a sample of payroll time sheets for this review and compared it to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under W&I Code, section 4640.6(e), regional centers 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)(3):

A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.

B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.

C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent rate reduction to regional centers as required per W&I Code 4640.6(i) and (j).

However, under W&I Code, section 4640.6(i)(2), for the period commencing February 1, 2009 to June 30, 2010, inclusive, regional centers were no longer required to provide service coordinator caseload data to DDS annually. Regional centers were instead to maintain sufficient service coordinator caseload data to document compliance with the service coordinator-to-consumer ratio requirements in effect.

Therefore, 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). This requirement is temporarily suspended for the February 2009 and 2010 caseload surveys which is reported in the month of March.

V. Early Intervention Program (Part C Funding)

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

For this program, DDS reviewed the Early Intervention Program, including the Early Start Plan and the Federal Part C funding to determine if the funds were properly accounted for in the regional center's accounting records.

VI. Family Cost Participation Program (FCPP)

The Family Cost Participation Program (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). To determine whether ELARC is in compliance with CCR, title 17 and the W&I Code, 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 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 Family Cost Participation Schedule.

- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days.

- Reviewed vendor payments to verify that ELARC is paying for only its assessed share of cost.

VII. Procurement

The Request for Proposal (RFP) process was implemented to ensure regional centers outline the vendor selection process when using the RFP process to address consumer service need. As of January 1, 2011, DDS requires regional centers to document their contracting practices as well as how particular vendors are selected to provide consumer 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 as amended.

To determine whether ELARC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during the audit review:

- Reviewed the ELARC 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 complies 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 ELARC. The process was reviewed to ensure that the vendor selection process is transparent, 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 there is written documentation retained as justification for such a selection.

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

- Select a sample of Operational, Start-Up and negotiated Purchase of Service (POS) contracts subject to competitive bidding to ensure ELARC notified the vendor community and the public of contracting opportunities available.

- Review the contracts to ensure that ELARC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and those contracts are 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 new contracts in place as of March 2011:

- Reviewed to ensure ELARC 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 ELARC's board approved POS, Start-Up and Operational vendor contracts over $250,000 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 and that the usage of funds are of direct benefit to consumers, and that contracts are supported with sufficiently detailed and measurable performance expectations and results.

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

VIII. Statewide/Regional Center Median Rates

The Statewide or Regional Center Median Rates were implemented on July 1, 2008 to ensure regional centers 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 regional centers demonstrate the exemption is necessary for the health and safety of the consumers.

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

- Reviewed sample vendor files to determine whether ELARC is using appropriately vendorized service providers and correct service codes, that ELARC is paying authorized contract rates and complying with the median rate requirements for theW&I Code, section 4691.9.

- Reviewed vendor contracts to verify that ELARC is reimbursing vendors using authorized contract median rates, verified that rates paid represented the lower of the statewide or regional center 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 health and safety exemptions are granted by DDS.

IX. Other Sources of Funding from DDS

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure ELARC'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, Community and Placement Program.

- Prevention Program.

- Mental Health Services Act Funds.

- Early Start-American Recovery and Reinvestment Act (ARRA) Funds.

X. <u>Follow-up Review on Prior DDS Audit Findings</u>

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified the prior audit findings that were reported to ELARC and reviewed supporting documentation to determine the degree and completeness of ELARC'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, ELARC was in compliance with applicable sections of CCR, title 17, the HCBS waiver, and the State Contract with DDS for the audit period, July 1, 2009, through June 30, 2011.

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

From the review of prior audit issues, it has been determined that ELARC has taken appropriate action to resolve all prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on June 22, 2012. The findings in the report were discussed at an exit conference with ELARC on July 10, 2012. At the exit conference, DDS stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

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

I. Findings that need to be addressed.

Finding 1: **Family Cost Participation Program (FCPP)**

A. Late Assessments

The review of 20 sampled FCPP files revealed five instances in which ELARC did not complete the assessments concurrently with the review of the consumer's Individual Program Plan (IPP). It was found that these assessments were completed more than a month later. ELARC stated that the late assessments identified in the audit were due to their oversight. (See Attachment A.)

CCR, title 17, section 50267(a) states:

"The original amount of the family cost participation shall be assessed upon completion of the initial Individual Program Plan and reassessed every third year thereafter to coincide with the review of the consumer's Individual Program Plan, pursuant to Section 4646(b) of the Welfare and Institutions Code."

Recommendation:

ELARC must ensure that the cost participation for all parents in the FCPP is assessed upon the initial completion of the IPP or reassessed every third year with the review of the IPP. This would ensure compliance with the CCR, title 17, section 50267(a).

B. Missing Documentation

The review of 20 sampled FCPP files revealed four instances in which ELARC did not maintain the parents' income documentation in the consumers' file to verify their share of cost. In addition, there were two instances where all documentation pertaining to the assessments could not be located. (See Attachment B.)

CCR, title 17, section 50262(b) states:

"Any documentation submitted pursuant to Sections 50261, 50265, or 50267, any documents relied on by the executive director pursuant to 50265, and correspondence from the regional center, shall be retained by the regional center for 3 years."

State contract, Article IV, section 3(a) states in part:

"The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract…"

Recommendation:

ELARC should ensure all documents used for assessing the parents' share of cost are located and available for review. This would ensure compliance with the CCR, title 17, section 50262(b).

Finding 2: <u>Targeted Case Management Time Study – Recording of Attendance</u>

The review of ELARC's Targeted Case Management (TCM) Time Study for May 2010 revealed that eight of the 18 sampled employees' time sheets had vacation and sick hours recorded that did not reconcile with what was recorded on the TCM Time Study forms (DS 1916). The difference between the employees' time sheets and the TCM Time Study forms was a total of 20.5 hours. Though the difference did not have a significant impact on the TCM rate, hours recorded incorrectly in the TCM Time Study can affect the TCM rate billed to the Federal Government.

For good business and internal control practices, hours on the employee time sheets should be recorded correctly on the TCM Time Study forms (DS 1916). Time recorded incorrectly may result in an incorrect calculation of the TCM rate, which would result in the return of overpayments to the Federal Government.

Recommendation:

ELARC must ensure all employee time sheets are in agreement with the TCM Time Study forms (DS 1916).

Finding 3: <u>Materiality Threshold Not Stated on the Request For Proposal (RFP) Policy</u>

The review of the Board approved RFP policy revealed that ELARC did not include the applicable dollar threshold for requiring the utilization of the RFP process as required by the State contract.

State contract, Article II, section 2(b) states in part:

"Contractor shall institute a Board approved policy effective January 1, 2011 specifying the circumstances under which the regional center will issue requests for proposals to address a service need. This policy shall also address the applicable dollar thresholds for requiring the utilization of the request for proposals process; the request for proposals notification process; and, how submitted proposals will be evaluated and the applicant selected."

Recommendation:

ELARC should amend its RFP policy to ensure it addresses the applicable dollar threshold as required by the State contract, Article II, section 2(b).

II. Findings that have been addressed and corrected by ELARC.

Finding 4: **<u>Over/Under-Stated Claims</u>**

A sample review of the invoices for the Residential and Operational Indicator reports revealed 57 instances in which ELARC over or under-stated claims to the State for services provided to consumers.

There were 13 instances of overpayments due to either overlapping authorizations, duplicate payments, or duplicate authorizations. In addition, there were 41 instances of overpayments due to proration errors and the miscalculation of the 4.25 percent rate reduction. The three instances of underpayments were due to calculation errors. As a result, this amounted to a total overpayment of $4,007.45 and total underpayment of $90.51.

CCR, title 17, section 54326 (a)(10) states in part:

"(a) All vendors shall:

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

Also, CCR, title 17, sections 56917(i) states:

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

ELARC has taken corrective action by collecting the overpayments and issuing payments to the vendors for the underpayments.

Recommendation:

ELARC should reinforce its procedures to ensure the staff is monitoring the Operational Indicator reports quarterly; in addition to attendance documentation, rate letters, and consultant contracts to more efficiently detect duplicate payments and correct any over or under payments that may have occurred in the course of doing business with the vendors.

Finding 5: <u>Consumer Trust Account</u>

A. <u>Balances Over the $2,000 Resource Limit</u>

The sample review of 32 Client Trust accounts revealed six trust balances that exceeded the $2,000 resource limit mandated by the Social Security Administration. By exceeding the asset limit, consumers are at risk of losing Supplemental Security Income (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. Consequently, not managing the consumers' trust balances within the asset limit exposes the State to an increased share of residential service costs.

Social Security Handbook, Chapter 21, section 2153.2 states:

"As of January 2009, the applicable limits are:
A. $2,000 for an individual without a spouse…"

ELARC has taken corrective action by spending down the balances of the consumers identified in the finding to within the resource limit.

Recommendation:

ELARC should continue to improve its management of consumers' trust account balances to ensure the balances remain within the limits established by the Social Security guidelines.

B. <u>Inactive Accounts Balances</u>

The sample review of 32 Client Trust accounts revealed two inactive Client Trust accounts that had remaining balances. Further review found that the two trust accounts were inactive since January 1996 and December 2004.

Social Security Handbook, section 1621 states:

"A representative payee who is no longer serving as a payee must turn over any saved benefits and any interest earned on the benefits to us for transfer to the new payee."

ELARC has taken corrective action by closing out the accounts and forwarding the remaining balances to the Social Security Administration and the State Controller's Unclaimed Property Division.

Recommendation:

ELARC should continue to improve its management of consumers' trust account balances to ensure the funds are returned to the appropriate beneficiaries when the accounts are inactive.

EVALUATION OF RESPONSE

As part of the audit report process, ELARC has been provided with a draft report and was requested to provide a response to each finding. ELARC's response dated July 30, 2012, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section as well as a summary of the findings in the Executive Summary section.

DDS' Audit Branch has evaluated ELARC's response. Except as noted below, ELARC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. During the follow-up review of the next scheduled audit, the DDS Audit Branch will confirm ELARC's corrective actions in their response to the draft audit report.

Finding 1: Family Cost Participation Program (FCPP)

A. Late Assessments

ELARC agrees with the finding and stated that it will incorporate the recommendations provided by DDS to ensure parents are assessed for FCPP. In addition, ELARC will implement changes in their procedures to hold Service Coordinators accountable to comply with assessments. ELARC will also complete assessments concurrently with the review of the consumer's IPP. Follow up will be performed during the next scheduled audit to determine if ELARC is in compliance with the CCR, title 17, section 50267 (a) requirements.

B. Missing Documentation

ELARC agrees with the finding and stated it will incorporate DDS' recommendations to ensure all documents used for assessing the parents' share of cost are located and available for review. Follow up will be performed during the next scheduled audit to determine if ELARC is in compliance with CCR, title 17, section 50262 (b) and the State contract, Article IV, section 3 (a).

Finding 2: Targeted Case Management Time Study – Recording of Attendance

ELARC concurs with the finding and explained that during the next Time Study Survey, time cards will be printed out each week and reviewed by the Supervisor to ensure time off recorded is accurately reflected on both the time sheets and

DS 1916s before submitting the forms to DDS. Follow up will be performed during the next scheduled audit to determine if this issue has been corrected.

Finding 3: **<u>Materiality Threshold Not Stated on the Request for Proposal (RFP) Policy</u>**

ELARC stated that it did not post the revised RFP policy on its website because it was awaiting approval from DDS. ELARC has replaced the original version of the policy with an approved revised policy on April 12, 2011, and has posted it on their website. DDS Audits staff has verified that the revised policy has been posted and contains a materiality threshold.

Eastern Los Angeles Regional Center
Family Cost Participation Program - Late Assessments
Fiscal Years 2009-10 and 2010-11

	Unique Client Identification Number	Assessment Date	Date IPP Signed
1	[redacted]	9/28/2010	8/2/2010
2	[redacted]	5/3/2011	3/22/2011
3	[redacted]	1/19/2012	8/16/2011
4	[redacted]	9/16/2011	7/11/2011
5	[redacted]	6/28/2011	5/12/2011

Eastern Los Angeles Regional Center
Family Cost Participation Program - Missing Documentation
Fiscal Years 2009-10 and 2010-11

	Unique Client Identification Number
1	[redacted]
2	[redacted]
3	[redacted]
4	[redacted]
5	[redacted]
6	[redacted]

APPENDIX A

EASTERN LOS ANGELES REGIONAL CENTER

RESPONSE
TO AUDIT FINDINGS

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

EASTERN LOS ANGELES REGIONAL CENTER

1000 S. Fremont Ave. • P.O. Box 7916 • Alhambra, CA 91802-7916 • (626) 299-4700 • FAX (626) 281-1163

RECEIVED
AUG - 1 2012
AUDIT BRANCH

July 30, 2012

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

Dear Mr. Yan:

We had a conference call on Tuesday, July 10, 2012 at 10:00a.m. with the DDS' Audit Branch to discuss the findings of the audit conducted at Eastern Los Angeles Regional Center from December 5, 2011 through January 20, 2012 for the fiscal years 2009-10 and 2010-11.

Our responses to the findings are attached. These findings were discussed during our teleconference and any issues were addressed. We discussed the corrections and new procedures in place to correct our findings. In reference to Finding 3 we would appreciate if you would consider the attached documents as clarification in that ELARC had already met the requirement of stating the applicable dollar threshold on the Request for Proposal (RFP) Policy and that we were in fact in compliance with the State Contract Article II Section 2 (b). Except for Finding 3 we, at Eastern Los Angeles Regional Center, are in agreement with the auditor's findings.

Sincerely,

Patricia Alvarez

Patricia Alvarez
Chief, Administrative Services

Enclosure

EASTERN LOS ANGELES REGIONAL CENTER

Family Cost Participation Program (FCPP)

Finding 1: A. Late Assessments & B. Missing Documentation

In response to the findings, ELARC will incorporate the recommendations provided by DDS on the Draft Audit Report. In addition ELARC will implement the following activities and changes:

- In compliance with CCR, title 17 Section 50262(a) and the State contract Article IV, section 3(a), Consumer Services Supervisors will receive listing of those FCPP assessments due for the following month and will hold SC accountable to comply with assessments due by the end of the birth month. Issues related to non compliance with FCPP requirements by the family will be resolved with the issuance of necessary notices and documented in the consumer chart.

- ELARC will make every effort to complete assessments concurrently with the review of the IPP. ELARC's practice is to review IPP's during the consumer's birth month. However, if and when a new request in respite, day care or camp is made outside of the usual birth month, an IPP meeting shall be convened in order to amend the IPP (addendum) to include the FCPP Requirements and commitments.

- A centralized internal auditing system shall be incorporated into Consumer Services effective August 2012. A Consumer Services designee will review 10 consumer charts a month to ensure compliance with WIC 4783. The review will be conducted on consumer charts three months following the birth month. The thorough review will provide feedback to the service coordinator and supervisors. It will be documented on a form that full compliance has been achieved.

Targeted Case Management Time Study

Finding 2: Recording of Attendance

ELARC uses an electronic time keeping program for staff; time cards will be printed out each week of the Time Study Survey for the Supervisor and Service Coordinator to reference and ensure accurate time off periods are recorded accurately on their Time Study Survey Form. This has been presented to the Supervisors and has been shared with their Service Coordination staff, ELARC will ensure better compliance on the next Time Study Survey.

Request For Proposal (RFP) Policy

Finding 3: Materiality Threshold Not Stated on the RFP Policy

The ELARC Board of Directors approved a revised policy (see attached policy dated 4/12/11, 1.a.) on Requests for Proposals (see attached Meeting Minutes page 6, 1.b.) on 4/12/11 which included the Materiality Threshold. Frances Jacobs, ELARC Manager of Community Services made reference to it in her email to Jeffry Takili, DDS Auditor dated January 19, 2012 (see attached email, 1.c.). Unfortunately, Ms. Jacobs forgot to attach the referenced documents which are included in this response.

There was a delay in posting the revised policy on our website while ELARC awaited confirmed approval of the DDS. Since that time DDS informed ELARC that if we do not get a response from them the policy is accepted and we would only receive notice from them if it is not accepted. Given this information, ELARC replaced the original version of the policy with the approved policy dated 4/12/11 posting on our website. Therefore, please consider this clarification and the attached documents in ELARC having met this requirement and advise us as to the decision in this matter.