



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

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of North Los Angeles County Regional Center (NLACRC) revealed that NLACRC 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 DDS. The audit indicated that, overall, NLACRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where NLACRC'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 NLACRC's operations.

I. Findings that need to be addressed.

Finding 1: Over/Under-Stated Claims

A review of NLACRC's Operational Indicator report and Residential services revealed 18 instances in which NLACRC over or under claimed expenses to the State. The total overpayment was \$6,941.18 and total underpayment was \$367.56. This is not in compliance with CCR, title 17, sections 54326 (a)(10) and 56917(i).

NLACRC has taken corrective action by collecting \$5,508.12 of the overpayments, and have made payments to the affected vendors the \$367.56 in underpayments. The remaining balance of the overpayments totals \$1,433.06.

Finding 2: Family Cost Participation Program (FCPP)

A. Over-Stated Share of Cost

The review of the FCPP files revealed that NLACRC has been paying for the share of cost for one of the 25 sampled consumers participating in the program. As a result, NLACRC made overpayments to [REDACTED], vendor number VL2891, service code 450, which totaled \$755.66. This is not in compliance with CCR, title 17, section 50255(a).

B. Late Assessments

The sample review of the 25 consumer files revealed seven instances where NLACRC was late assessing the parents' share of cost participation at the initial Individual Program Plan (IPP) meeting. This is not in compliance with W&I Code, section 4783(g)(1)(B).

Finding 3: Purchase of Service (POS) Expenses Not Tied to Consumer Unique Client Identification (UCI) Numbers

A sample review of 29 negotiated contracts from various service codes revealed NLACRC reimbursed [REDACTED], vendor number PL0822, service code 744, under a contract UCI number. This vendor provided services under the HCBS Waiver billable service code; however, the POS expenses totaling 50,215.76 were not tied to individual consumers. This is not in compliance with CCR, title 17, section 54326(a)(3).

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 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 regional center fiscal, administrative and program operations.

DDS and North Los Angeles County Regional Center, Inc., entered into contract HD099012, effective July 1, 2009, through June 30, 2014. The contract specifies that North Los Angeles County Regional Center, Inc. will operate an agency known as the North Los Angeles County Regional Center (NLACRC) to provide services to persons with DD and their families in the East Valley, San Fernando, West Valley, and Antelope Valley areas. The contract is funded by State and Federal funds that are dependent upon NLACRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at NLACRC from October 10, 2011, through November 4, 2011, 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 NLACRC, 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 HCBS Waiver Program for the Developmentally Disabled, and
- 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 NLACRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that NLACRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether NLACRC was in compliance with the Lanterman Act, CCR, title 17, the HCBS Waiver for the Developmentally Disabled, and the State Contract.

DDS' review of NLACRC'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 26, 2011. In addition, DDS reviewed the associated management letter that was issued by the independent accounting firm. 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, 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 NLACRC. 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 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 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 the SSA in a timely manner. An interview with NLACRC staff revealed that NLACRC 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 NLACRC'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 the NLACRC operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that NLACRC 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 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 NLACRC'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 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 NLACRC's Rate Study. DDS examined the month of May 2010 and traced the reported information to source documents.
- Reviewed NLACRC'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 operations 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 Early Start Plan and Federal Part C funding to determine if the funds were properly accounted for in the regional center's accounting records.

VI. Family Cost Participation Program

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 NLACRC 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 NLACRC 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 NLACRC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during the audit review:

- Reviewed the NLACRC 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 include 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 NLACRC. 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:

- Selected a sample of Operational, Start-Up and negotiated Purchase of Service (POS) contracts subject to competitive bidding to ensure NLACRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that NLACRC 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 NLACRC 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 NLACRC 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 NLACRC'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 the State Contract requirements as amended.

VIII. Statewide/Regional Center Median Rates

The Statewide and 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 NLACRC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether NLACRC is using appropriately vendorized service providers and correct service codes that

NLACRC is paying authorized contract rates and complying with the median rate requirements for the W&I Code, section 4691.9.

- Reviewed vendor contracts to verify that NLACRC 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 NLACRC'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.
- Early Start-American Recovery and Reinvestment Act (ARRA) Funds.
- Family Resource Center.

X. 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 finding was conducted. DDS identified the prior audit finding that was reported to NLACRC and reviewed supporting documentation to determine the degree and completeness of NLACRC's implementation of corrective action.

CONCLUSIONS

Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, NLACRC was in compliance with applicable sections of CCR, title 17, 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 was determined that NLACRC has taken appropriate corrective action to resolve its prior issues identified in the audit follow-up review.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on June 25, 2012. The findings in the report were discussed at an exit conference with NLACRC on July 18, 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, the Centers for Medicare and Medicaid Services, and North Los Angeles County Regional Center. This restriction does not limit distribution of this report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

I. Findings that need to be addressed.

Finding 1: Over/Under-Stated Claims

A review of NLACRC's Operational Indicator report and Residential services revealed 18 instances in which NLACRC over or under claimed expenses to the State. There were five instances of overpayments totaling \$3,942.95 due to duplicate payments and an overpayment of \$645.38 due to an overlapping authorization. There were also three instances of overpayments due to proration errors totaling \$2,352.85 and nine underpayments due to incorrect calculation of the 3 percent rate reduction totaling \$367.56. The total overpayment was \$6,941.18 and total underpayment was \$367.56.

NLACRC has taken corrective action by collecting \$5,508.12 of the overpayments and reimbursed \$367.56 in underpayments, leaving an outstanding overpayment balance of \$1,433.06. (See Attachment A.)

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

“All vendors shall...

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

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

“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.”

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

Recommendation:

NLACRC must recover the improper overpayments made to the respective vendors and reimburse DDS for the amount \$1,433.06 overpaid to the vendors. In addition, NLACRC must ensure the staff is monitoring all its Operational Indicator reports quarterly; attendance documentation, rate letters, and consultant contracts to more efficiently detect duplicate payments and correct any over/under

payments that may have occurred in the course of doing business with the vendors.

Finding 2: Family Cost Participation Program (FCPP)

A. Over-Stated Share of Cost

The review of the FCPP files revealed that NLACRC has been paying for the cost of services that was the responsibility of the family under the requirements of the FCPP for one of the 25 sampled consumers participating in the program. Per NLACRC, this was due to their oversight. As a result, NLACRC made overpayments to [REDACTED], vendor number VL2891, service code 450, which totaled \$755.66. (See Attachment B1.)

CCR, title 17, section 50255(a) states:

“The parents of a child who meet the definition under Section 4783(a)(1) of the Welfare and Institutions Code shall be jointly and severally responsible for the assessed amount of family cost participation...”

Recommendation:

NLACRC should reimburse the \$755.66 in overpayments that resulted from incorrectly paying for the family’s share of costs. In addition, NLACRC should ensure that only the costs NLACRC is responsible for is entered into the Uniform Fiscal System to prevent the possibility of any overpayments.

B. Late Assessments

The sample review of the 25 consumer files revealed seven instances where NLACRC was late assessing the parents’ share of cost participation at the initial Individual Program Plan (IPP) meeting. The assessments for the seven consumers were completed a month or more after the initial IPP was completed. NLACRC stated this was due to its oversight. (See Attachment B2.)

W&I Code, section 4783(g)(1)(B) states:

“A regional center shall assess the cost participation for parents of newly identified consumers at the time of the initial individual program plan or individualized family service plan.”

Recommendation:

NLACRC must ensure that the parents’ assessed share of cost is completed at

the time of the initial IPP meeting as required by W&I Code, section 4783(g)(1)(B).

Finding 3: Purchase of Service (POS) Expenses Not Tied to Consumer Unique Client Identification (UCI) Numbers

The sample review of 29 negotiated contracts from various service codes revealed that NLACRC reimbursed [REDACTED], vendor number PL0822, service code 744, under a contract UCI number for services provided to consumers. It was found that this vendor provided services under the HCBS Waiver billable service code. However, NLACRC did not tie the POS expenses totaling \$50,215.76 to individual consumers. In order to determine whether services can be claimed to the HCBS Waiver, the service must be identified to a specific consumer. (See Attachment C.)

CCR, title 17, section 54326(a)(3) states:

“(a) All vendors shall:

- (3) Maintain records of services provided to consumers in sufficient detail to verify delivery of the units of service billed...”

Recommendation:

NLACRC must reclassify the POS expenses to ensure that services are tied to individual consumers. This will ensure that all POS payments are accurately accounted for and that invoices are correctly billed to the Medicaid Waiver.

EVALUATION OF RESPONSE

As part of the audit report process, NLACRC has been provided with a draft report and was requested to provide a response to each finding. NLACRC's response dated August 20, 2012, is provided as Appendix A.

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

Finding 1: Over/Under-Stated Claims

NLACRC disagrees with overpayments to Pride Industries, vendor number HA0587, service code 875, for \$593.60 and \$111.30 for two consumers. NLACRC provided authorizations for the two consumers which showed that the vendor was authorized to transport the consumers five days a week at \$19.12 per trip. DDS agrees with NLACRC's interpretation and considers this issue resolved.

NLACRC agrees with the overpayment to Passport to Learning Inc., vendor number H33076, service code 920, for \$645.38 and to Walden Family Services, vendor number H32687, service code 520, for \$82.78. NLACRC provided documentation indicating that corrective action has been taken to resolve the \$645.38 overpayment to Passport to Learning Inc. NLACRC provided DDS a letter sent to Walden Family Services, requesting the overpayment totaling \$82.78. During the next scheduled audit, DDS Audit Branch will conduct a review to determine if NLACRC has collected the remaining balance from the vendor.

Finding 2: Family Cost Participation Program (FCPP)

A. Over-Stated Share of Cost

NLACRC agrees with the overpayment and provided a letter dated July 17, 2012, which was sent to the vendor requesting reimbursement. NLACRC stated it has not received a response from the vendor regarding the overpayment but will offset the overpayment against an open authorization to recover the overstated share of cost from the vendor. During the next scheduled audit, DDS Audit Branch will conduct a review to determine if NLACRC is not in compliance with CCR, title 17, section 50255(a).

B. Late Assessments

NLACRC stated that it disagrees with the late assessment for two of the seven consumers referred to in finding two of the DDS audit report. NLACRC provided supporting documentation for the two consumers, UCI numbers [REDACTED] and [REDACTED], as proof that the two assessments were completed within 10 working days from signing the consumers' IPP. However, DDS disagrees with NLACRC's interpretation of the assessment dates for the two consumers as the assessments were completed more than 20 working days after the IPP was signed. DDS' analysis of the information provided by NLACRC indicates that the assessments for the two consumers should have been completed by March 24, 2009, and September 9, 2010, respectively.

In addition, NLACRC agreed with five of the seven late consumer assessments, and stated that this occurred because assessments were not entered in the San Diego Information Systems (SANDIS) immediately after the parent's signature on the IPP. NLACRC stated that assessments are now completed and entered in SANDIS immediately. Further, NLACRC stated that it will provide all its Services Coordinators FCPP training to ensure compliance with W&I Code, section 4783(g)(1)(B).

Finding 3: Purchase of Service (POS) Expenses Not Tied to Consumer Unique Client Identification (UCI) Numbers

NLACRC agrees with the finding and provided documentation indicating that it has processed zero authorizations for each consumer receiving services from [REDACTED], vendor number PL0822, service code 744. This ensures POS payments to this vendor are accurately accounted for and that invoices are correctly billed to the Medicaid Waiver.

**North Los Angeles County Regional Center
Over/Under-Stated Claims
Fiscal Years 2009-10 and 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/ Under Payments (A)	Resolved Over/Under Payment (B)	Net Unresolved Over/Under Payments (A-B)
Overpayments Due to Duplicate Payments									
1		HL0507	Powelson Network, Inc. #5	915		Oct-09	\$2,110.45	\$2,110.45	\$0.00
2		HA0587	Pride Industries Trans	875		Jul-09	\$593.60	\$0.00	\$593.60
3		HA0587	Pride Industries Trans	875		Aug-09	\$111.30	\$0.00	\$111.30
4		HL0521	New Horizons	520		Sep-09	\$613.40	\$613.40	\$0.00
5		HL0117	Future Transitions, Inc.	520		Dec-09	\$514.20	\$514.20	\$0.00
Total Overpayments Due to Duplicate Payments							\$3,942.95	\$3,238.05	\$704.90
Overpayments Due to Overlapping Authorizations									
6		H32687	Passport to Learning Inc.	520		Jul-09	\$645.38	\$0.00	\$645.38
Total Overpayments Due to Overlapping Authorizations							\$645.38	\$0.00	\$645.38
Overpayments Due to Proration Errors									
7		H32798	Community Options, Inc.	904		Jan-11	\$ 1,275.95	\$1,275.95	\$0.00
8		H17818		915		May-11	\$ 994.12	\$994.12	\$0.00
9		H33078	Walden Family Services	920		Jan-11	\$ 82.78	\$0.00	\$82.78
Total Overpayments Due to Proration Errors							\$2,352.85	\$2,270.07	\$82.78
Grand Totals for Overpayments							\$6,941.18	\$5,508.12	\$1,433.06
Underpayments Due Three Percent Rate Reduction									
1		PL0751	People Creating Success	113		Oct-10	(\$40.84)	\$40.84	\$0.00
2		PL0751	People Creating Success	113		Oct-10	(\$40.84)	\$40.84	\$0.00
3		PL0751	People Creating Success	113		Oct-10	(\$40.84)	\$40.84	\$0.00
4		PL0751	People Creating Success	113		Jan-11	(\$40.84)	\$40.84	\$0.00
5		PL0751	People Creating Success	113		Jan-11	(\$40.84)	\$40.84	\$0.00
6		PL0751	People Creating Success	113		Jan-11	(\$40.84)	\$40.84	\$0.00
7		PL0751	People Creating Success	113		May-11	(\$40.84)	\$40.84	\$0.00
8		PL0751	People Creating Success	113		May-11	(\$40.84)	\$40.84	\$0.00
9		PL0751	People Creating Success	113		May-11	(\$40.84)	\$40.84	\$0.00
Total Underpayments Due Three Percent Rate Reduction							(\$367.56)	\$367.56	\$0.00

**North Los Angeles County Regional Center
Family Cost Participation Program (FCPP) - Over-Stated Share of Cost
Fiscal Years 2009-10 and 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over Payments
1		VL2891		450		Jul-09	\$31.17
2		VL2891		450		Aug-09	\$31.17
3		VL2891		450		Sep-09	\$31.17
4		VL2891		450		Oct-09	\$31.17
5		VL2891		450		Nov-09	\$31.17
6		VL2891		450		Dec-09	\$31.17
7		VL2891		450		Jan-10	\$20.78
8		VL2891		450		Feb-10	\$20.78
9		VL2891		450		Mar-10	\$20.78
10		VL2891		450		Apr-10	\$20.78
11		VL2891		450		May-10	\$20.78
12		VL2891		450		Jul-10	\$61.50
13		VL2891		450		Aug-10	\$75.24
14		VL2891		450		Sep-10	\$61.50
15		VL2891		450		Oct-10	\$61.50
16		VL2891		450		Nov-10	\$61.50
17		VL2891		450		Dec-10	\$20.50
18		VL2891		450		Jan-11	\$61.50
19		VL2891		450		Feb-11	\$20.50
20		VL2891		450		Mar-11	\$20.50
21		VL2891		450		Apr-11	\$20.50
Total Over-Stated Share of Cost							\$755.66

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

	Unique Client Identification Number	Individual Program Plan (IPP) Date	Assesment Date
1		9/8/2010	11/4/2010
2		10/19/2009	6/8/2010
3		10/27/2009	1/27/2010
4		10/6/2009	3/7/2011
5		8/12/2010	9/15/2010
6		2/24/2009	4/2/2009
7		8/18/2010	11/8/2010

**North Los Angeles County Regional Center
POS Expenses Not Tied to Consumer UCI Numbers
Fiscal Years 2009-10 and 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Payment Period	Authorization Number	POS Expenses Not Tied to Consumer UCI
1	CONTRAC	PL0822		744	Jul-09		\$3,012.00
2	CONTRAC	PL0822		744	Aug-09		\$1,083.32
3	CONTRAC	PL0822		744	Sep-09		\$2,095.85
4	CONTRAC	PL0822		744	Oct-09		\$3,187.70
5	CONTRAC	PL0822		744	Nov-09		\$3,175.15
6	CONTRAC	PL0822		744	Dec-09		\$3,237.90
7	CONTRAC	PL0822		744	Jan-10		\$2,798.65
8	CONTRAC	PL0822		744	Feb-10		\$1,518.55
9	CONTRAC	PL0822		744	Mar-10		\$1,568.75
10	CONTRAC	PL0822		744	Apr-10		\$1,342.85
11	CONTRAC	PL0822		744	May-10		\$1,744.45
12	CONTRAC	PL0822		744	Jun-10		\$1,656.60
13	CONTRAC	PL0822		744	Jul-10		\$1,593.85
14	CONTRAC	PL0822		744	Aug-10		\$1,731.90
15	CONTRAC	PL0822		744	Sep-10		\$2,572.75
16	CONTRAC	PL0822		744	Oct-10		\$1,449.34
17	CONTRAC	PL0822		744	Nov-10		\$2,477.50
18	CONTRAC	PL0822		744	Dec-10		\$3,716.25
19	CONTRAC	PL0822		744	Jan-11		\$3,158.81
20	CONTRAC	PL0822		744	Feb-11		\$2,452.73
21	CONTRAC	PL0822		744	Mar-11		\$2,093.49
22	CONTRAC	PL0822		744	Apr-11		\$1,263.53
23	CONTRAC	PL0822		744	May-11		\$1,283.84
Total POS Amount Not Tied to Consumer UCI							\$50,215.76

APPENDIX A

NORTH LOS ANGELES COUNTY REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**

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

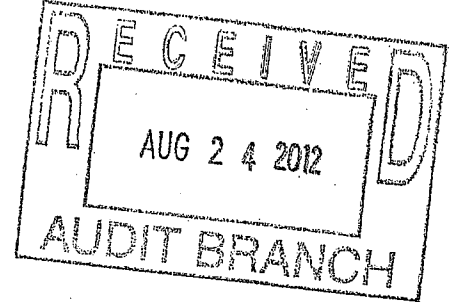


NORTH LOS ANGELES COUNTY REGIONAL CENTER

15400 Sherman Way, Suite 170 • Van Nuys, CA 91406-4211
Main Office 818/778-1900 • Fax 818/756-6140

August 20, 2012

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



RE: Draft Audit Report for Fiscal Years 2009-10 and 2010-11

Dear Mr. Yan:

The purpose of this letter is to respond to the Department of Developmental Services' (DDS) draft audit report of North Los Angeles County Regional Center (NLACRC) for fiscal years 2009-10 and 2010-11.

Audit Finding #1

Over/Under-stated Claims

DDS found eighteen (18) instances in which NLACRC over or under claimed expenses to the State. The total overpayment was \$6,941.18 and the total underpayment was \$367.56. NLACRC took prior corrective action by collecting \$5,508.12 of the overpayments and by processing \$367.56 of the underpayments to the effected vendors. The remaining balance of the uncollected overpayments totals \$1,433.06 as follows:

Line #	UCL #	Vendor #	Vendor Name	Service Code	Authorization #	Pymt. Period	Overpayment
1		HA0587	Pride Industries Trans	875		Jul-09	\$ 593.60
2		HA0587	Pride Industries Trans	875		Aug-09	\$ 111.30
3		H32687	Passport to Learning Inc	520		Jul-09	\$ 645.38
4		H33078	Walden Family Services	920		Jan-11	\$ 82.78
Total							\$ 1,433.06

NLACRC Response

- Line #1: Pride Industries - \$593.60
NLACRC disagrees with the overpayment finding. Authorization [redacted] allows for transportation five days per week at a rate of \$19.12 per one-way trip (net rate of \$18.55 after 3% payment reduction effective during July 2009). For July 2009, the vendor billed for 32 one-way trips over 19 days, which was within the authorization for transportation five days per week. The vendor was paid \$593.60 for the 32 one-way trips (\$18.55 x 32 one-way trips = \$593.60). There is no overpayment for July 2009. (Supporting documentation is provided in Attachment A.)

▪ Line #2: Pride Industries - \$111.30

NLACRC disagrees with the overpayment finding. Authorization [REDACTED] allows for transportation five days per week at a rate of \$19.12 per one-way trip (net rate of \$18.55 after 3% payment reduction effective during August 2009). For August 2009, the vendor billed for 27 one-way trips over 15 days, which was within the authorization for transportation five days per week. The vendor was paid \$500.85 for the 27 one-way trips (\$18.55 x 27 one-way trips = \$500.85). There is no overpayment for August 2009. (Supporting documentation is provided in Attachment B.)

▪ Line #3: Passport to Learning Inc. - \$645.38

NLACRC agrees with the overpayment finding and has taken correction action by collecting the overpayment of \$645.38. (Supporting documentation is provided in Attachment C.)

▪ Line #4: Walden Family Services - \$82.78

NLACRC agrees with the overpayment finding. NLACRC has attempted to collect the overpayment of \$82.78 from the vendor. On January 18, 2012, NLACRC sent a letter to the vendor requesting reimbursement of the overpayment. The vendor failed to respond to the letter. On August 8, 2012, NLACRC sent a second request for reimbursement. As of the date of this response letter, NLACRC has not received a response from the vendor. NLACRC is unable to offset the overpayment since there are no open authorizations for the vendor. If the vendor receives a new authorization for services, NLACRC will offset the overpayment against payments under the new authorization. NLACRC will continue its efforts in collecting the overpayment from the vendor. (Supporting documentation is provided in Attachment D.)

Audit Finding #2A

FCPP Over-Stated Share of Cost

DDS reviewed twenty-five (25) consumer files and found that NLACRC paid for the share of cost for one of the consumers participating in the FCPP program. This resulted in an overpayment of \$755.66 to [REDACTED] vendor number VL2891.

NLACRC Response

NLACRC agrees with the overpayment finding. On July 17, 2012, NLACRC sent a letter to the vendor requesting reimbursement of the overpayment. As of the date of this response letter, NLACRC has not received a response from the vendor. Although the vendor has an existing open authorization, NLACRC has not received billing from the vendor to allow for an offset of the overpayment. If the vendor submits billings under the open authorization, NLACRC will offset the overpayment against payments under the open authorization. NLACRC will continue its efforts in collecting the overpayment from the vendor. (Supporting documentation is provided in Attachment E.)

Audit Finding #2B

FCPP Late Assessments

DDS reviewed (25) consumer files and found seven (7) instances in which NLACRC was late in completing the FCPP assessments.

NLACRC Response

NLACRC disagrees with the late assessment finding for two of the seven instances and agrees with the late assessment finding for five of the seven instances.

In accordance with Title 17, section 50267(a), the family cost participation shall be assessed upon completion of the Individual Program Plan (IPP). Each parent must provide the regional center with proof of gross annual income within ten working days from the date of the parent's signatures on the IPP, and the regional center may grant a ten working day extension to provide documentation (Title 17, section 50261(a)). The regional center must then notify parents of the assessed cost participation within ten working days of receipt of the parents' complete income documentation (W&I Code, section 4783(g)(3)).

For consumer UCI number [REDACTED], the IPP was dated August 12, 2010. Based on statutory requirements, the deadline to complete the assessment was September 23, 2010. The assessment was completed on September 15, 2010, which is in accordance with statutory requirements.

For consumer UCI number [REDACTED], the IPP was dated February 24, 2009. Based on statutory requirements, the deadline to complete the assessment was April 7, 2009. The assessment was completed on April 2, 2009, which is in accordance with statutory requirements.

UCI#	IPP Date	Assessment Date	Deadline Date	10 Working Days from IPP Date	10 Working Day Extension	10 Working Days for Notification
[REDACTED]	08/12/10	09/15/10	09/23/10	08/26/10	09/09/10	09/23/10
[REDACTED]	02/24/09	04/02/09	04/07/09	03/10/09	03/24/09	04/07/09

NLACRC reviewed the five instances in which the FCPP assessments were completed late and determined that the assessments were not entered timely into the SANDIS program by the service coordinators. NLACRC's FCPP procedures require service coordinators to enter assessments into SANDIS immediately upon the parent's signature on the IPP. The FCPP assessment in SANDIS alerts accounting staff that an assessment is needed.

NLACRC has reviewed the FCPP procedures and requirements with the service coordinators of the five cases. Additionally, NLACRC has revised its FCPP procedures to specify that service coordinators must enter assessments into SANDIS within three business days of the IPP signature date. Further, NLACRC will complete a training on FCPP procedures and requirements for all service coordinators by September 30, 2012, as well as provide a quarterly review of FCPP procedures with service coordinators at regular unit meetings.

Audit Finding #3

POS Expense Not Tied to Consumer UCI Numbers

DDS sampled twenty-nine (29) negotiated contracts and found one vendor, [REDACTED] under vendor number PL0822, that provided services under a Home and Community-Based Services (HCBS) Waiver billable service code, but the POS expenses were not tied to individual consumers.

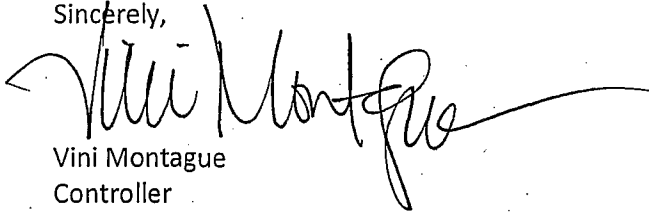
NLACRC Response

The vendor was paid under a contract authorization and submitted its monthly billing with a list of consumers who received services during the service month and the dates that the services were

provided to the consumer. However, NLACRC agrees that there were no zero (\$0) authorizations generated for the consumers for which the vendor provided services. Since the vendor is paid by contract, NLACRC will process zero (\$0) authorizations for each of the consumer receiving services so that the POS expenditures may be tied to a specific consumer. (Supporting documentation is provided in Attachment F.)

This concludes NLACRC's response to DDS's draft audit report of NLACRC. If you have any questions, please contact me at (818) 756-6388.

Sincerely,

A handwritten signature in black ink, appearing to read "Vini Montague", with a long horizontal flourish extending to the right.

Vini Montague
Controller

cc: George Stevens, Executive Director
Kim Rolfes, CFO
Diane Ambrose, Deputy Director
Joan Daniels, Consumer Services Director
Susana Gil, Consumer Services Director
Oscar Perez, DDS