AUDIT OF THE NORTH LOS ANGELES COUNTY REGIONAL CENTER FOR FISCAL YEARS 2011-12 AND 2012-13

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of the North Los Angeles County Regional Center (NLACRC) was conducted to ensure NLACRC's compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contracts with 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. A follow-up review was performed to ensure NLACRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: **<u>Family Cost Participation Program</u>**

A. <u>Late Assessments</u> (Repeat)

The sample review of 20 consumer files revealed NLACRC continues to have late assessments. There were four instances where NLACRC did not assess the parents' share of cost participation at the Individual Program Plan (IPP) meeting. This is not in compliance with W&I Code, section 4783(g)(1)(B) and (C).

NLACRC provided IPP addendums and e-mail correspondence from DDS to show that three of the four assessments were not late.

B. <u>Late Notification Letters</u>

The sample review of 20 consumer files revealed four instances where NLACRC notified parents of their assessed family cost participation more than 10 days after receipt of the parents' complete income documentation. This is not in compliance with W&I Code, section 4783(g)(3).

Finding 2: **<u>Client Trust Balances Over $2,000</u>**

A sample review of 33 Client Trust accounts revealed two Client Trust balances exceeded the $2,000 resource limit. This is a violation of the Social Security Handbook, Chapter 21, Section 2153.2.

Further review indicated that, as of April 2014, the Client Trust account balances for both consumers are below the resource limit.

Finding 3: <u>**Vendors Not Enrolled in Electronic Billing**</u>

The review of NLACRC's electronic billing process found that 14 out of 2,583 vendors have not been enrolled in electronic billing as of July 1, 2012. None of the vendors were paid by voucher or presented financial hardship, which would have precluded them from enrolling in the electronic billing process. This is not in compliance with W&I Code, section 4641.5(a).

BACKGROUND

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 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 centers' fiscal, administrative and program operations.

DDS and North Los Angeles County Regional Center, Inc., entered into a contract, HD099012, effective July 1, 2009, through June 30, 2016. This 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 the NLACRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at NLACRC from July 15, 2013, through August 9, 2013, and was conducted by the DDS Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

- California's W&I Code
- "Approved Application for the HCBS Waiver for the Developmentally Disabled"
- 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, 2011, through June 30, 2013, 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 W&I Code (or the Lanterman Act),
- To determine compliance with CCR, title 17 regulations,
- To determine compliance with the provisions of the 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, 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 (FY) 2011-12, issued on February 13, 2013.

It was noted that no management letter was issued for NLACRC. 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 the 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 the 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. 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 Social Security Administration in a timely manner. An interview with RC staff revealed that the RC 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 the Social Security Administration, or other sources, 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 NLACRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that NLACRC'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 were 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 were tested to determine compliance with CCR, title 17 and the State Contract.

- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.

- DDS reviewed 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 October 2012 and traced the reported information to source documents.

- Reviewed NLACRC's TCM 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, section 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2012 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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).

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 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 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 FCPP Schedule.

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

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

VII. Annual Family Program Fee

The Annual Family Program Fee (AFPF) was created for the purpose of assessing an annual fee of up to $200 based on income level of families of children between the ages of 0 through 17 years of age receiving qualifying services through a regional center. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the regional center, and a cost for participation is assessed to the parents under FCPP. To determine whether NLACRC is in compliance with the W&I Code, DDS requested a list of AFPF assessments and verified the following:

- The adjusted gross family income is at or above 400 percent of the Federal poverty level based upon family size.

- The child has a developmental disability or is eligible for services under the California Early Intervention Services Act.

- The child is less than 18 years of age and lives with his or her parent.

- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.

- The child does not receive services through the Medi-Cal program.

- Documentation was maintained by the regional center to support reduced assessments.

VIII. 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 needs. 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 included applicable dollar thresholds and comply with Article II of the State Contract as amended.

- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded and authorized by appropriate officials at 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 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 were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures to determine compliance with the W&I Code, section 4625.5 for 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 NLACRC's State Contract requirements as amended.

IX. Statewide/Regional Center Median Rates

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, 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, has correct service codes, and that NLACRC is paying authorized contract rates and complying with the medium rate requirements of the W&I Code, section 4691.9.

- Reviewed vendor contracts to verify that NLACRC is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or regional center median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where health and safety exemptions were granted by DDS.

X. 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.
- Family Resource Center (FRC).
- First Five.

XI. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to NLACRC and reviewed supporting documentation to determine the degree and completeness of NLACRC'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, NLACRC was in compliance with applicable sections of the CCR, title 17, the HCBS waiver, and the State Contracts with DDS for the audit period, July 1, 2011, through June 30, 2013.

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 NLACRC has taken appropriate action to resolve all prior audit issues with the exception of Finding 1A. NLACRC has implemented procedures to address the issue regarding Finding 1A; however, the issue remains unresolved.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on February 10, 2014. The findings in the report were discussed at a formal exit conference with NLACRC on February 18, 2014. At the exit conference, DDS stated it would incorporate the views of responsible officials in the final report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: <u>Family Cost Participation Program</u>

A. <u>Late Assessments</u> (Repeat)

The sample review of 20 consumer files revealed instances in which NLACRC did not complete the assessments concurrently with the review of the consumer's IPP. This issue was noted in the prior audit report. In its response to the prior DDS audit report, NLACRC explained that the assessments are now completed and entered in the San Diego Information Systems (SANDIS) immediately after the IPP is completed. However, the current review revealed four instances where the assessments were completed seven or more months after the IPP was completed. In addition, a review of the consumer invoices was conducted to ensure no payments were made to the vendor for services provided that were the responsibility of the parents. The review revealed that NLACRC did not pay the vendors for the parents' share of costs during the period from the IPP meeting to the assessment date. (See Attachment A.)

NLACRC provided IPP addendums and e-mail correspondence from DDS indicating that three of the four assessments were not late.

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

"(B) 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.

(C) Reassessments for cost participation shall be conducted as part of the individual program plan or individual family service plan review pursuant to subdivision (b) of Section 4646 of this code or subdivision (f) of Section 95020 of the Government Code."

Recommendation:

NLACRC should reinforce its procedures to ensure that the parents' assessed share of cost is completed at the time of the IPP meeting as required by W&I Code, section 4783(g)(1)(B) and (C).

B. <u>Late Notification Letters</u>

The sample review of 20 consumer files revealed four instances where NLACRC notified the parents of their assessed cost participation more than

10 days after receipt of the parents' complete income documentation. The notification letters to the parents were completed a month or more after the income documentation was received. NLACRC explained that the late notification letters were due to oversight. (See Attachment B.)

W&I Code, section 4783(g)(3) states:

> "A regional center shall notify parents of the parents' assessed cost participation within 10 working days of receipt of the parents' complete income documentation."

Recommendation:

NLACRC must ensure that the parents are notified of their assessed cost participation within 10 working days of receipt of the parents' complete income documentation as required by W&I Code, section 4783(g)(3).

Finding 2: **Client Trust Balances Over $2,000**

The review of 33 Client Trust accounts revealed two Client Trust balances exceeded the $2,000 resource limit, a violation of the Social Security guidelines. 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. NLACRC explained that the balances were over $2,000 due to oversight. (See Attachment C.)

Further review indicated that, as of April 2014, the Client Trust account balances for both consumers, Unique Client Identification (UCI) numbers [redacted] and [redacted], are below the resource limit.

Social Security Handbook, Chapter 21, section 2153.2 states:

> "As of January 2003, the applicable limits are:
>
> A. $2,000 for an individual without a spouse…"

Recommendation:

NLACRC should ensure all consumer balances remain within the limits established by the Social Security guidelines.

Finding 3: **Vendors Not Enrolled in Electronic Billing**

The review of NLACRC's electronic billing process found that 14 out of 2,583 eligible vendors have not been enrolled in electronic billing as of July 1, 2012.

Exceptions are granted for vendors paid by vouchers and vendors who demonstrate enrolling in electronic billing will present a financial hardship. However, it was found that none of the 14 vendors were paid by vouchers or demonstrated that submitting billings electronically would have presented a financial hardship.

NLACRC explained that the 14 remaining vendors were not enrolled in electronic billing based on service codes due to the limitations of the electronic billing system regarding these service codes. However, NLACRC could not provide documentation from the vendor that would have precluded them from enrolling in the electronic billing process. In addition, NLACRC does not state in its electronic billing procedures which service codes will be exempted from electronic billing. (See Attachment D.)

W&I Code, section 4641.5(a) states:

> "(a) Effective July 1, 2011, regional centers shall begin transitioning all vendors of all regional center services to electronic billing for services purchased through a regional center. All vendors and contracted providers shall submit all billings electronically for services provided on or after July 1, 2012, with the exception of the following:
>
> (1) A vendor or provider whose services are paid for by vouchers, as that term is defined in subdivision (i) of Section 4512.
>
> (2) A vendor or provider who demonstrates that submitting billings electronically for services presents substantial financial hardship for the provider."

Also, NLACRC's Board of Trustees Policy for Service Provider Billing and Attendance Files, addressing Exemptions to the Policy states,

> "NLACRC's Executive Director may grant an exemption to a vendor or provider who substantiates, with financial records or other written documentation, a financial hardship directly associated with submitting billings electronically to NLACRC using the e-billing program."

Recommendation:

NLACRC must enroll the 14 vendors in the electronic billing process. In the event that vendors cannot be enrolled in electronic billing, NLACRC must provide DDS with proper documentation from the vendor that precludes it from the electronic billing process. This would ensure compliance with W&I Code, section 4641.5(a) and its Board of Trustees Policy for Service Provider Billing and Attendance Files.

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 March 21, 2014, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section, as well as a summary of the findings in the Executive Summary section.

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 actions would be taken to resolve the issues. During the follow-up review of the next scheduled audit, DDS' Audit Branch will confirm NLACRC's corrective actions identified in the response to the draft report.

Finding 1: **<u>Family Cost Participation Program</u>**

A. <u>Late Assessments</u> (Repeat)

NLACRC disagrees with DDS that the FCPP assessment for consumer UCI [redacted] was completed late. NLACRC explained that an incorrect IPP date of September 20, 2011, was entered into SANDIS by the service coordinator instead of an IPP date of April 10, 2012. NLACRC provided DDS with the IPP dated April 10, 2012, as support that the assessment date of April 18, 2012, was completed timely; therefore, this issue is resolved.

Further, NLACRC explained that the assessment for consumer UCI [redacted] was initiated by the service coordinator on June 18, 2012, due to the change in the respite provider. The service coordinator entered the assessment date of the January 5, 2010, in SANDIS incorrectly. Since there were no changes to the number of units or level of service in the IPP, a reassessment was not required. NLACRC provided SANDIS records to verify there were no changes to the number of units or the level of respite services. In addition, NLACRC provided e-mail correspondence from DDS explaining that, if there were no changes to the number of units or level of service, a reassessment was not required; therefore, this issue is resolved.

For consumer UCI [redacted], NLACRC stated that the assessment was late due to its practice of assessing parents after the service provider had been selected and rate letter had been issued. NLACRC stated that it has amended its FCPP policies and procedures to require parents be assessed based on the authorized number of units and not wait for the rate letter to be issued. DDS will conduct a follow–up review during the next scheduled audit to ensure the new policies and procedures are being followed.

For consumer UCI [redacted], NLACRC explained that the assessment was initiated by the service coordinator on May 20, 2013, due to an IPP annual review. Since there were no changes to the number of units or level of service, a new FCPP assessment was not required. NLACRC provided documentation which reflects that the number of units or the level of respite services did not change; therefore, this issue is resolved.

B. <u>Late Notification Letters</u>

NLACRC concurs with the finding and explained that, since the release of the draft audit report, it has been working diligently to ensure compliance with FCPP statutory requirements and enforcing its FCPP policies and procedures. DDS will conduct a follow-up review during the next scheduled audit to ensure compliance with the FCPP statutory requirements, policies and procedures.

Finding 2: <u>Client Trust Balances Over $2,000</u>

NLACRC disagrees with the finding that the consumer trust balances for consumers UCI [redacted] and [redacted] are over the $2,000 resource limit. NLACRC provided DDS with updated SSI guidelines and e-mail correspondence from the Social Security Administration (SSA) stating that board and care income is not counted as a resource during the month the income is received. DDS agrees with NLACRC that board and care received from the SSA should not be counted, during the month the income is received, as part of the consumers resource limit. Therefore, this issue has been resolved.

Finding 3: <u>Vendors Not Enrolled in Electronic Billing</u>

In its response, NLACRC explained that it has developed a plan to have all service providers submit their billings electronically; however, during the implementation process NLACRC realized it would be difficult for a select group of service providers, such as pharmacies, large retailers and hospitals, to transition to electronic billing. NLACRC stated this select group provides vital services to consumers and discontinuing use of the vendors would negatively impact the availability of services to consumers; therefore, it allowed these service providers to submit their billings manually.

In addition, NLACRC stated in its response that any vendors declaring substantial financial hardship, such as one-time billing, infrequent billings, or showing inconsistencies with a large vendor's billing structure, will be asked to file the newly developed "Vendor's Request For Exemption From E-Billing" form acknowledging financial hardship. NLACRC stated that upon receipt of the form, its staff will assess the vendor's response and determine if the vendor meets NLACRC's exemption criteria. If the vendor meets the exemption criteria, NLACRC will forward the form to the vendor for completion and signing as formal acknowledgement of financial hardship.

NLACRC did not provide support documentation indicating that the 14 vendors have completed and signed the form acknowledging financial difficulties or have since been enrolled in electronic billing. Therefore, within 30 days of receipt of this report, NLACRC should provide DDS with documentation demonstrating that the 14 vendors have either completed and signed the exemption form acknowledging financial hardship or have been enrolled in electronic billing.

North Los Angeles County Regional Center
Family Cost Participation Program - Late Assessments (Repeat)
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	Individual Program Plan Date	Assessement Date	Comments
1	[redacted]	9/20/11	4/18/12	Resolved
2	[redacted]	1/5/10	6/18/12	Resolved
3	[redacted]	5/2/11	12/6/11	
4	[redacted]	4/13/12	5/20/13	Resolved

North Los Angeles County Regional Center
Family Cost Participation Program - Late Notification Letters
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	Assesement Date	Date When Notification Letters Were Sent to Parents After Income Verification
1	[redacted]	8/3/12	10/4/12
2	[redacted]	6/11/12	7/12/12
3	[redacted]	2/23/12	3/22/12
4	[redacted]	2/12/13	3/22/13

North Los Angeles County Regional Center
Client Trust Balances Over $2,000
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification	Balance Over $2,000	Comments
1	[redacted]	$2,020.80	Resolved
2	[redacted]	$3,078.76	Resolved

North Los Angeles County Regional Center
Vendors Not Enrolled in Electronic Billing
Fiscal Years 2011-12 and 2012-13

	Vendor Number	Vendor Name
1	PL1201	[redacted]
2	H01597	Community Speech & Hearing
3	PW0024	Complete Access, Inc.
4	PL0997	Dental Plus California
5	H00624	J. C. Penney Company
6	PD1879	Lifeline Program Cedars
7	HL0338	Mission Community Hospital
8	PL1016	[redacted]
9	PH0900	Plaza Pharmacy
10	P66245	Sarah Medical Equip., Inc
11	PM0578	[redacted]
12	Z17617	Valencia Pharmacy
13	PL1189	West Valley Pharmacy
14	PW5585	Woodsmall Law Group

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

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March 21, 2014

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 2011-12 and 2012-13

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 2011-12 and 2012-13.

Audit Finding #1A

Family Cost Participation Program – Late Assessments (Repeat)
DDS sampled 20 consumer Family Cost Participation Program (FCPP) files and determined that in four instances, NLACRC did not complete the FCPP assessments concurrently with the review of the consumer's individual program plan (IPP). Furthermore, DDS concluded that "from the review of prior audit issues, it has been determined that NLACRC has not taken appropriate corrective action to resolve a prior audit issue indicated in this report as a repeat issue."

Line #	UCI #	Initials	IPP Date	Assessment
1	[redacted]	[redacted]	09/20/11	04/18/12
2	[redacted]	[redacted]	01/05/10	06/18/12
3	[redacted]	[redacted]	05/02/11	12/06/11
4	[redacted]	[redacted]	04/13/12	05/20/13

NLACRC Response

- Line #1: Consumer [redacted] (UCI # [redacted])

In reviewing the FCPP assessment for consumer [redacted], NLACRC determined that the NLACRC Service Coordinator entered the incorrect IPP sign date of September 20, 2011 in the FCPP assessment in SANDIS. Day care and respite services were assessed at the IPP addendum, dated April 10, 2012 (Attachment A). NLACRC provided the FCPP Notification Form 101 to the parents at the IPP addendum meeting. NLACRC completed the notification letter to the parents on April 18, 2012 notifying them of their FCPP assessment. Therefore, the FCPP assessment for consumer [redacted] was completed timely.

- Line #2: Consumer [redacted] (UCI #[redacted])

In reviewing the FCPP assessment for consumer [redacted], NLACRC determined that the FCPP assessment dated June 18, 2012 was initiated by the requirement to convert from parent-vendored respite to an agency or FMS service effective July 1, 2012, not by an IPP meeting (Attachment B). There were no changes to the respite services or units in the conversion from parent-vendored respite to agency respite for consumer [redacted], and therefore, an FCPP assessment was not required in accordance with Title 17 as well as instructions from DDS. However, the NLACRC Service Coordinator initiated the FCPP assessment using the date of the last IPP since the field in the SANDIS FCPP assessment must be completed. The FCPP assessment was initiated by the CSC on June 18, 2012 based on the conversion from parent-vendored respite to agency respite, and a notification letter was sent to the parent on June 18, 2012. Therefore, the FCPP assessment for consumer [redacted], although not required, was completed timely.

- Line #3: Consumer [redacted] (UCI #[redacted])

In reviewing the FCPP assessment for consumer [redacted], NLACRC determined that the NLACRC Service Coordinator entered the incorrect IPP sign date of May 2, 2011 in the FCPP assessment in SANDIS. Respite services were discussed at the IPP on May 2, 2011. However, there was no respite outcome per the IPP. Respite services were assessed per the IPP addendum, dated October 1, 2011 (Attachment C). NLACRC notified the parent of FCPP requirements concurrent with the IPP addendum and mailed the FCPP Notification Form 101 to the parents. The parents opted to be vendored for respite services and submitted their vendorization packet to NLACRC's Community Services Department. Due to the maximum FCPP assessment for the family's share of cost established by DDS's FCPP Program Guide, an accurate FCPP assessment could not be completed without the service provider's approved rate. Since NLACRC could not comply with DDS's FCPP Program Guide without the service provider's approved rate, it was NLACRC's practice at that time, in October 2011, to complete the FCPP notification letter to the parents once the parent selected a service provider with an approved rate. The parent's vendorization and rate for respite was completed in December 2011, and NLACRC completed the notification letter to the parents on December 6, 2011. NLACRC subsequently reviewed its FCPP policies and procedures beginning in June 2012, when DDS released the draft audit report of NLACRC's fiscal years 2009-10 and 2010-11. DDS further provided guidance in February 2013 establishing that NLACRC could complete an FCPP assessment based solely on service units and disregard the maximum share of cost established by DDS's FCPP Program Guide until such time that the parents select a service provider with an approved rate (Attachment D). NLACRC has subsequently amended its FCPP policies and procedures to require assessments and notification to the parents based solely on service units when a service provider with an approved rate has not been selected.

- Line #4: Consumer [redacted] (UCI #[redacted])

In reviewing the FCPP assessment for consumer [redacted], NLACRC determined that the FCPP assessment dated May 20, 2013 was initiated by an annual review that occurred on May 20, 2013, not by the IPP addendum dated April 13, 2012. The IPP addendum dated April 13, 2012 changed respite agencies due to a service provider closure on March 23, 2012. There were no changes to the respite services and no changes to the service units, and therefore, an FCPP assessment was not required in accordance with Title 17 as well as instructions from DDS. On May 20, 2013, the NLACRC Service Coordinator completed an annual review for the consumer and initiated an FCPP assessment on May 20, 2013 (Attachment E). NLACRC sent a notification letter to the parent on June 4, 2013. Therefore, the FCPP assessment for consumer [redacted], although not required, was completed timely.

- Summary

NLACRC disagrees with DDS's statement that NLACRC has not taken appropriate corrective action to resolve a prior audit issue. DDS released its draft audit report of NLACRC's fiscal years 2009-10 and 2010-11 on June 25, 2012 and its final audit report on October 10, 2012. NLACRC's management staff began reviewing its FCPP policies and procedures and implementing corrective measures immediately upon receipt of DDS's draft audit report in June 2012. Three of the four assessments that were noted as late by DDS were completed prior to the release of the draft audit on June 25, 2012 (Line #1-April 18, 2012; Line #2-June 18, 2012; and Line #3-December 16, 2011). The only assessment that was completed subsequent to the release of the draft audit (Line #4-May 20, 2013) was completed timely, as demonstrated above.

NLACRC asserts that DDS's findings of late assessments sampled from prior to June 25, 2012 would not have provided NLACRC an opportunity to demonstrate the effectiveness of its corrective measures to resolve the prior audit.

Audit Finding #1B

Family Cost Participation Program – Late Notification Letters

DDS sampled 20 consumer FCPP files and determined that in four instances, NLACRC notified parents of their assessed cost participation more than 10 days after receipt of the parents' complete income documentation.

Line #	UCI #	Initials	IPP Date	Assessment
1	[redacted]	[redacted]	08/03/12	10/04/12
2	[redacted]	[redacted]	06/11/12	07/12/12
3	[redacted]	[redacted]	02/23/12	03/22/12
4	[redacted]	[redacted]	02/12/13	03/22/13

NLACRC Response

- Line #1: Consumer [redacted] (UCI # [redacted])

NLACRC agrees with DDS's finding that NLACRC notified the parents of their FCPP assessment late.

- Line #2: Consumer [redacted] (UCI # [redacted])

NLACRC agrees with DDS's finding that NLACRC notified the parents of their FCPP assessment late.

- Line #3: Consumer [redacted] (UCI # [redacted])

NLACRC agrees with DDS's finding that NLACRC notified the parents of their FCPP assessment late.

- Line #4: Consumer [redacted] (UCI # [redacted])

NLACRC agrees with DDS's finding that NLACRC notified the parents of their FCPP assessment late.

- Summary

NLACRC has reviewed the FCPP procedures and requirements with the staff of the four cases. Since the release of DDS's draft audit of NLACRC's fiscal years 2009-10 and 2010-11, NLACRC has been working diligently in ensuring compliance with FCPP statutory requirements. NLACRC will continue to work diligently in enforcing its FCPP policies and procedures and ensuring compliance with FCPP statutory requirements.

Audit Finding #2

Client Trust Balances Over $2,000

DDS reviewed 33 Client Trust accounts and determined that two Client Trust balances exceeded the $2,000 resource limit, a violation of Social Security guidelines.

Line #	UCI #	Initials	Balance
1	[redacted]	[redacted]	$ 2,020.80
2	[redacted]	[redacted]	$ 3,078.76

NLACRC Response

Per Social Security Administration's Understanding Supplemental Security Income SSI Resources – 2013 Edition (Attachment F), "cash received for medical or social services that we do not count as income is not a resource for one month." Since Supplemental Security Income (SSI) payments are funds for social services for the consumer, SSI payments are excluded from countable resources in the month that they are paid. Accordingly, NLACRC was notified by Social Security Administration via email on January 16, 2013, that "retained SSI payments do not count as a resource in the month they are paid" (Attachment G). Therefore, in order to determine a consumer's countable resources, SSI payments received during the month must be excluded from the consumer's trust account balance.

Furthermore, California Code of Regulation (CCR), Section 56917(d) establishes that regional centers must pay residential service providers in arrears. NLACRC must therefore maintain one month of board and care payment in the consumer's trust account until payment in the subsequent month.

- Line #1: Consumer [redacted] - $2,020.80

  The ending balance of consumer [redacted] Client Trust account as of July 2013 is $2,020.80. During the month of July 2013, consumer [redacted] received SSI benefits in the amount of $1,122.00. The SSI benefits must be excluded from the consumer's ending trust account balance to determine the consumer's countable resources. After excluding the SSI benefits received during the month, the consumer's countable resources of $898.80 is below the $2,000 resource limit.

Account Balance	$	2,020.80
SSI Benefits Received During Month	$	(1,122.00)
Countable Resources	$	898.80

- Line #2: Consumer [redacted] - $3,078.76

  The ending balance of consumer [redacted] Client Trust account as of July 2013 is $3,078.76. During the month of July 2013, consumer [redacted] received SSI benefits in the amount of $1,129.50. The SSI benefits must be excluded from the consumer's ending trust account balance to determine the consumer's countable resources. After excluding the SSI benefits received during the month, the consumer's countable resources of $1,949.36 is below the $2,000 resource limit.

Account Balance	$	3,078.86
SSI Benefits Received During Month	$	(1,129.50)
Countable Resources	$	1,949.36

Audit Finding #3

Vendors Not Enrolled in Electronic Billing

DDS reviewed NLACRC's electronic billing process and found 14 out of 2,583 vendors have not been enrolled in electronic billing as of July 1, 2012. Per DDS, none of the 14 vendors were paid by voucher or presented financial hardship, which would have precluded them from enrolling in the electronic billing process. Per DDS, this is not in compliance with Welfare & Institutions Code, section 4641.5(a).

NLACRC Response

When Welfare & Institutions Code, Section 4641.5 was enacted, NLACRC developed a plan to implement the requirement for all service providers to submit their billings electronically. During the implementation process, however, it became evident that implementation of the electronic billing requirement among a small, select group of service providers (i.e. pharmacies, large retailers, hospitals, etc.) would be impossible and unrealistic. It became apparent that Welfare & Institutions Code, Section 4641.5 failed to recognize the operational realities of requiring all service providers to submit their billings electronically and that allowing for an exemption from the requirement solely based on payments by voucher or financial hardship was inadequate. NLACRC further recognized that this small, select group of vendors provides vital services for our consumers and discontinuing the use of the vendors would negatively impact the availability of services to our consumers. Therefore, NLACRC allowed a small, select group of service providers, based on service code, to submit their billings manually rather than electronically so as not to affect services for our consumers.

Although NLACRC asserts that there is a structural problem with Welfare and Institutions Code, Section 4641.5, NLACRC agrees with DDS's findings that the 14 vendors were not enrolled in electronic billing and did not submit for an exemption based on financial hardship. It is NLACRC's position that the structural problem with the statute should be addressed by state legislators, however, NLACRC is committed to its compliance with statutory requirements. Therefore, NLACRC will implement the use of a Vendor's Request for Exemption from eBilling Form (Attachment H). NLACRC will require service providers to complete the Request for Exemption from eBilling Form if they are unable to comply with the requirement to submit billings electronically.

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,

Vini Montague

Vini Montague
Controller

cc: George Stevens, Executive Director
Kim Rolfes, Chief Financial Officer
Diane Ambrose, Deputy Director
Joan Daniels, Consumer Services Director
Susana Gil, Consumer Services Director