



**AUDIT OF THE  
NORTH LOS ANGELES COUNTY REGIONAL CENTER  
FOR FISCAL YEARS 2007-08 and 2008-09**

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**Department of Developmental Services**

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## EXECUTIVE SUMMARY

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The fiscal compliance audit of North Los Angeles County Regional Center (NLACRC) revealed that the NLACRC was in substantial compliance with the requirements set forth in California Code of Regulations Title 17, the California Welfare and Institutions (W&I) Code, the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services. 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 and operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding NLACRC's operations.

The following findings were identified during the audit, but have since been addressed and corrected by NLACRC.

**Finding 1: Over/Under-Stated Claims**

A review of the Early Start programs revealed four instances in which NLACRC over and under claimed expenses to the State. These payments were either due to paying the vendor over the authorized number of units or miscalculated billings for the service months. The total overpayment was \$2,394 and the total underpayment was \$8.12. This is not in compliance with Title 17, Section 54326 (a)(10).

NLACRC has taken corrective action by making billing adjustments for the over and under payments.

**Finding 2: Deceased Consumer Files**

The review of the Uniform Fiscal System (UFS) Death report identified 15 consumers each with multiple dates of death recorded. For good internal controls and accounting practices, NLACRC should ensure the actual date of death is accurately recoded in UFS.

NLACRC has taken corrective action to resolve the multiple dates of death during the course of fieldwork by updating its records to reflect each consumer's actual date of death.

## BACKGROUND

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

DDS and North Los Angeles County Regional Center, Inc., entered into contract HD049012, effective July 1, 2004, through June 30, 2009. 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 August 3, 2009, through August 28, 2009, and was conducted by 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, Provision Number 3 of NLACRC's contract.

## **CRITERIA**

The following criteria were used for this audit:

- California Welfare and Institutions Code
- "Approved Application for the Home and Community-Based Services Waiver for the Developmentally Disabled"
- California Code of Regulations Title 17
- Federal Office of Management Budget (OMB) Circular A-133
- NLACRC's contract with DDS

## **AUDIT PERIOD**

The audit period was from July 1, 2007, through June 30, 2009, with follow-up as needed into prior and subsequent periods.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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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 to Title 17, California Code of Regulations (Title 17),
- To determine compliance to the provisions of the HCBS Waiver for the Developmentally Disabled, and
- To determine that costs claimed were in compliance to the provisions of the NLACRC's contract with DDS.

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. We limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that NLACRC was in compliance with the objectives identified above. Accordingly, we examined transactions, on a test basis, to determine whether NLACRC was in compliance with Title 17, the HCBS Waiver for the Developmentally Disabled, and the contract with DDS.

Our review of NLACRC's internal control structure was limited to gaining an understanding of the transaction flow and the policies and procedures as necessary to develop appropriate auditing procedures.

We reviewed the annual audit report that was conducted by an independent accounting firm for Fiscal Years (FYs):

- FY 2006-07, issued January 30, 2008
- FY 2007-08, issued January 28, 2009

This review was performed to determine the impact, if any, upon our audit and as necessary, to develop appropriate audit procedures.

The audit procedures performed included the following:

**I. Purchase of Service**

We selected a sample of Purchase of Service (POS) claimed and 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. For POS the following procedures were performed:

- We tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- We 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 individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of Title 17.
- We selected a sample of individual consumer trust accounts to determine if there were any unusual activities and if any individual consumer account balances were not over the \$2,000 resource limit as required by the Social Security Administration (SSA). In addition, we determined if any retroactive Social Security benefit payments received were not held longer than nine months. We 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 were maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, is not used by NLACRC. 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 the SSA (or other source) in a timely manner.
- We selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding reconciling items.
- We analyzed all of NLACRC's bank accounts to determine if DDS had signatory authority as required by the contract with DDS.
- We selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations are properly completed on a monthly basis.



## **II. Regional Center Operations**

We audited NLACRC operations and conducted tests to determine compliance to the contract with DDS. The tests included various expenditures claimed for administration to ensure that the accounting staff was properly inputting data, transactions were being 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 to Title 17 and the contract with DDS.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the contract with DDS.
- We reviewed NLACRC's policies and procedures for compliance to the Title 17 Conflict of Interest requirements and selected a sample of personnel files to determine if the policies and procedures were followed.

## **III. Targeted Case Management and Regional Center Rate Study**

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

- Reviewed applicable TCM records and verified the information submitted by NLACRC to calculate the TCM rate can be traced to the general ledgers and payroll registers.
- Reviewed the NLACRC's Case Management Time Study. We selected a sample of payroll time sheets for this review and compared these to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

## **IV. Service Coordinator Caseload Study**

Under the W&I code Section 4640.6, regional centers are required to provide service coordinator caseload data to DDS annually. Prior to January 1, 2004, the survey required regional centers to have service coordinator-to-consumer ratio of 1:62 for all consumers who had not moved from developmental centers to the community since April 14, 1993, and a ratio of 1:45 for all consumers who had moved from developmental centers to the

community since April 14, 1993. However, commencing January 1, 2004, the following service coordinator-to-consumer ratios apply:

- A. For all consumers that are three years of age and younger and for consumers that are enrolled on the HCBS 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 in the community continuously for at least 12 months, the required average ratio shall be 1:62.
- 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.

We also reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratio 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

**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 we reviewed the Early Intervention Program, including Early Start Plan and Federal Part C funding to determine if the funds were properly accounted for in NLACRC's accounting records.

**VI. Family Cost Participation Program**

The Family Cost Participation Program (FCPP) was created for the purpose of assessing cost participation 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. To determine whether NLACRC is in compliance with Title 17 and the W&I Code, we performed the following procedures during our audit review.

- 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 the parents were notified of their assessed cost participation within 10 working days.
- Reviewed vendor payments to verify the regional center is paying for only its assessed share of cost.

## **VII. Other Sources of Funding**

Regional centers may receive many other sources of funding. For the other sources of funding identified for NLACRC, we performed sample tests to ensure that the accounting staff was 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 other sources of funding identified for this audit are:

- Family Resource Center Program.
- Start Up Programs.
- Medicare Moderation Act (Part D Funding).

## **VIII. Follow-up Review on Prior DDS's Audit Findings**

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. We 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 action taken.

## CONCLUSIONS

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Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, NLACRC was in substantial compliance to applicable sections of Title 17, the HCBS waiver, and the terms of NLACRC's contract with DDS for the audit period July 1, 2007, through June 30, 2009.

Except for those items described in the Findings and Recommendations Section, 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 corrective actions to resolve all prior audit issues.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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We issued a draft report on February 23, 2010. The findings in the report were discussed at an exit conference with NLACRC on March 15, 2010. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

## **RESTRICTED USE**

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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 the North Los Angeles County Regional Center. It is not intended and should not be used by anyone other than these specified parties. This restriction does not limit distribution of this report, which is a matter of public record.

## FINDINGS AND RECOMMENDATIONS

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The following findings were identified during the audit, but have since been addressed and corrected by NLACRC.

**Finding 1: Over/Under-Stated Claims**

A review of the Early Start program revealed four instances in which NLACRC over and under claimed expenses to the State. There was one instance of an overpayment totaling \$2,394 due to paying over the authorized number of units and three instances of underpayments totaling \$8.12 due to miscalculated billings in the service month.

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.”

NLACRC has taken corrective action by making billing adjustments for the over and under payments.

**Recommendation:**

NLACRC should continue to review the payment invoices, the number of units authorized, and rate reductions per each consumer or vendor to ensure any over or under payments are addressed and corrected that may have occurred in the course of doing business with its vendors.

**Finding 2: Deceased Consumer Files**

The review of the UFS Death report identified 15 consumers each with multiple dates of death recorded. In all of the instances, there were two different dates of death for these consumers. Though the 15 consumers had multiple dates of death recorded, no payments were found to have been made beyond the actual date of death for each consumer.

Article IV, 1(C) of the contract between DDS and NLACRC states in part:

“Contractor shall make available accurate and complete UFS and/or CADDIS information to the state. Accordingly, Contractor shall:

Update changes to all mandatory items on the Client Master File as least annually except for the following elements, which must be updated within thirty (30) days of Contractor being aware of any of the following events:

- a) The death of a consumer;
- b) The change of address of a consumer; or
- c) The change of residence type of a consumer.”

In addition, for good internal controls and accounting practices, NLACRC should ensure the actual date of death is accurately recorded in UFS to avoid any potential payments after the date of death.

NLACRC has taken corrective action to resolve the multiple dates of death during the course of fieldwork by updating its records to reflect each consumer’s actual date of death.

**Recommendation**

NLACRC should review all current deceased consumer files to ensure that only the actual date of death is recorded in UFS.



## EVALUATION OF RESPONSE

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As part of the audit report process, NLACRC is provided with a draft report and is requested to provide a response to each finding. NLACRC's email response dated March 15, 2010, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section and a summary of the findings in the Executive Summary section. DDS' Audit Branch has evaluated NLACRC's response. NLACRC's response addressed the audit findings and provided reasonable assurance that corrective action has been taken to resolve the issues. DDS' Audit Branch will confirm NLACRC's corrective actions in the response during the follow-up review or the next scheduled audit.

**APPENDIX A**

**NORTH LOS ANGELES COUNTY REGIONAL CENTER**

**RESPONSE**

**TO AUDIT FINDINGS**

**Nzima, Ellen@DDS**

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**From:** Ellen Stein [ELLENS@nlacrc.org]  
**Sent:** Monday, March 15, 2010 9:59 AM  
**To:** Yan, Ed@DDS; Nzima, Ellen@DDS  
**Cc:** Ambrose, Diane@DDS Reg Ctr; Editha Docot; Eduardo Gonzales; Stevens, George@DDS Reg Ctr; Rolfes, Kim@DDS Reg Ctr; Michele Marra; Susan Pittman  
**Subject:** NLACRC DDS Audit FY 2007-08 and FY 2008-09

Dear Ed and Ellen,

It was a pleasure speaking with you today regarding the audit findings for the recent DDS Audit for FY 2007-08 and FY 2008-09.

Today we reviewed, by telephone conference call, the findings from the draft audit which you sent to George Stevens with an accompanying letter dated February 23, 2010.

This email is to notify you that North Los Angeles County Regional Center concurs with the two findings in the aforementioned draft audit.

Please contact me if you have any questions or need more information regarding this audit.

Thank you,

Ellen

Ellen L. Stein  
Deputy Director and Chief Financial Officer  
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3/17/2010