



**AUDIT OF THE
SOUTH CENTRAL LOS ANGELES REGIONAL CENTER
FOR FISCAL YEAR 2010-11**

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of the South Central Los Angeles Regional Center (SCLARC) revealed that SCLARC 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 DDS. The audit indicated that, overall, SCLARC maintains accounting records and supporting documentation for transactions in an organized manner. However, this report identifies some areas where SCLARC's administrative, operational controls could be strengthened. The report also identifies that SCLARC has not taken corrective action to resolve several repeat findings identified from prior DDS audits. Therefore, SCLARC must take immediate action to resolve these prior findings and provide supporting documentation to DDS with its response to the current audit indicating that these findings have been resolved and ensure that these findings do not occur in the future.

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

I. Findings that need to be addressed.

Finding 1: Over/Understated Claims (Repeat)

A review of 71 sampled Purchase of Services (POS) vendor invoices and the Operational Indicator reports revealed 349 instances in which SCLARC over or under claimed expenses to the State. The total overpayment was \$15,314.91 and total underpayment was \$3,546.99. This is not in compliance with CCR, title 17, section 54326(a)(10) and CCR, title 17, section 56917(a).

SCLARC has taken corrective action to resolve 248 instances by collecting \$12,809.63 of the overpayments, and have made payments to the affected vendors totaling \$3,544.21. The remaining 98 instances of the overpayments total \$2,505.28 and three instances of underpayments total \$2.78.

In addition, a follow-up review of the prior DDS audit report revealed SCLARC has taken corrective action to resolve instances of overpayments in which two vendors were overpaid for services provided totaling \$156,035.77. As of the audit, SCLARC has collected \$7,401.76 from one of these vendors. A balance of \$148,634.01 remains outstanding.

Finding 2: Family Cost Participation Program (FCPP) - Late Assessments

A review of the 12 sampled FCPP consumer files revealed 11 instances where SCLARC did not complete the assessments concurrently with the review of the consumer's Individual Program Plan (IPP). In addition, SCLARC has been paying more than its assessed share of cost for two of the 12 sampled consumers

participating in the program. This resulted in overpayments totaling \$7,126.02. This is not in compliance with CCR, title 17, section 50261(a), and W&I Code, section 4783(g)(4).

Finding 3: Negotiated Rate Above the Statewide Median Rate (Repeat)

A follow-up review of the prior DDS audit report revealed SCLARC contracted one vendor, [REDACTED], vendor number PX0434, service code 605, above the Statewide Median Rate requirement implemented on July 1, 2008. This resulted in a total overpayment of \$3,931.67. This is not in compliance with the requirements of the W&I Code, section 4691.9(a) and (b).

SCLARC has taken action to resolve this issue by renegotiating the contract rate, negotiating a payment plan with the vendor, and has since collected \$374.48 of the overpayments from the vendor with \$3,557.19 still outstanding.

II. Finding has been addressed and corrected by SCLARC.

Finding 4: Improper Allocation of Community Placement Plan (CPP) Funds

A review of 10 sampled CPP consumer expenses revealed SCLARC improperly allocated CPP funds. SCLARC reimbursed one vendor, SMS Transportation Company, vendor number HX0023, service code 875, using CPP funds for two consumers that had not moved from the developmental center to the community. This resulted in overpayments totaling \$8,168.16. This is not in compliance with the DDS Guidelines for Regional Center Community Placement Plan (I)(4).

SCLARC has taken corrective action to resolve this issue by collecting \$8,168.16 of the overpayments paid to the vendor. SCLARC provided supporting documentation to DDS indicating that this issue has been resolved.

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 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 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. DDS also requires regional centers to contract with independent Certified Public Accountants (CPA) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

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

DDS and South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc., entered into contract HD099019, effective July 1, 2009, through June 30, 2014. The contract specifies that South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. will operate an agency known as the SCLARC to provide services to persons with DD and their families in the Compton, San Antonio, South, Southeast, and Southwest areas. The contracts are funded by State and Federal funds that are dependent upon SCLARC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SCLARC from June 4, 2012, through June 29, 2012, and was performed by 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 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 SCLARC, effective July 1, 2009

AUDIT PERIOD

The audit period was July 1, 2010, 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 and follow-up review are:

- To determine compliance with the W&I Code (or the Lanterman Act),
- To determine compliance with CCR, title 17,
- 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 SCLARC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that SCLARC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether SCLARC was in compliance with the Lanterman Act, CCR, title 17, HCBS Waiver for the Developmentally Disabled, and the State Contract.

DDS' review of SCLARC's internal control structure was conducted to gain an understanding of the transaction flow and the policies and procedures necessary to develop appropriate auditing procedures.

DDS reviewed the annual audit report that was conducted by an independent accounting firm for fiscal year 2010-11, issued on March 13, 2012. 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 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 SCLARC. 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 SCLARC staff revealed that SCLARC 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 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 SCLARC'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 SCLARC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that SCLARC's accounting staff is properly inputting data, transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas were valid and reasonable. These tests included the following:

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance with CCR, title 17 and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed SCLARC'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 SCLARC's Rate Study. DDS examined the month of May 2010 and traced the reported information to source documents.
- Reviewed SCLARC's Case Management Time Study. DDS selected a sample of payroll time sheets for this review and compared it to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under W&I Code, section 4640.6(e), regional centers are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code, section 4640.6(c)(3):

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

- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent rate reduction to regional centers as required per W&I Code 4640.6(i) and (j).

However, under W&I Code, section 4640.6(i), 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 shall instead 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 was temporarily suspended for the February 2009 and 2010 caseload surveys.

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

- Reviewed the SCLARC 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 SCLARC. 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 will be 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 SCLARC notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that SCLARC 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 SCLARC 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 SCLARC 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 for 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 SCLARC'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 SCLARC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether SCLARC is using appropriately vendorized service providers and correct service codes, that SCLARC 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 SCLARC 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 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 SCLARC'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:

- CPP - Start-Up Funds.
- Prevention Program.
- Family Resource Center Program.

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 findings was conducted. DDS identified prior audit findings that were reported to SCLARC and reviewed supporting documentation to determine the degree and completeness of SCLARC's implementation of corrective actions. The review indicated three prior issues that have not been resolved by SCLARC. One issue is identified in the Findings and Recommendations section of this report. The remaining two issues are currently under appeal.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations Section, SCLARC was in compliance with applicable sections of CCR, title 17, the HCBS Waiver, and the State Contract with DDS for the audit period July 1, 2010, 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 SCLARC has not taken appropriate corrective actions to resolve two prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on November 5, 2012. The findings in the report were discussed at an exit conference with SCLARC on November 5, 2012. At the exit conference, we 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 DDS, Department of Health Care Services, Centers for Medicare and Medicaid Services, and SCLARC. This restriction does not limit distribution of this report, which is a matter of public record.

FINDINGS AND RECOMMENDATIONS

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

I. Findings that need to be addressed.

Finding 1: Over/Understated Claims (Repeat)

A review of 71 sampled POS vendor files and Operational Indicator reports revealed 349 instances in which SCLARC over or understated claims to the State for services provided to consumers. SCLARC reimbursed Project Transportation Brite, vendor number H18860, service code 882, over the number of units authorized. The total number of units billed was 36,895.57 units rather than the 36,421.00 units authorized per year. In addition, SCLARC over or understated claims to vendors due to duplicate payments, overlapping authorization and incorrectly applying the 4.25 percent rate reduction. This resulted in overpayments totaling \$15,314.91 and underpayments totaling \$3,546.99.

SCLARC has taken corrective action to resolve 248 instances by collecting \$12,809.63 of the overpayments, and have made payments to the affected vendors totaling \$3,544.21. The remaining 98 instances of the overpayments total \$2,505.28 and three instances of underpayments total \$2.78.

A follow-up review of the prior DDS audit report found 148 instances in which SCLARC overpaid Lynwood Developmental Care Inc., vendor number H73544, service code 880, and Crossroads to Success, vendor number HL0014, service code 520. These two vendors were paid incorrect rates for services provided. This resulted in overpayments totaling \$156,035.77. As of the audit, SCLARC has collected \$7,401.76 from one of these vendors. A balance of \$148,634.01 remains outstanding. (See Attachments A1, A2, and A3.)

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

“(a) All vendors shall...

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

Also, CCR, title 17, section 56917(a) states:

“Regional centers shall pay residential service providers monthly at the rate established by the Department pursuant to Section 56902(b) and (c).”

Recommendation:

SCLARC must reimburse to DDS a total of \$151,139.29 that was overpaid to the vendors and reimburse the vendor a total of \$2.78 in underpayments. In addition, SCLARC shall continue to review the Operational Indicator reports, vendor payment invoices, and rate letters to ensure any payment errors that may have occurred in the course of doing business with its vendors, are identified and corrected in a timely manner.

Finding 2: Family Cost Participation Program (FCPP) - Late Assessments

A review of 12 sampled FCPP consumer files revealed 11 instances where SCLARC did not complete the assessments for share of cost concurrently with the review of the consumers' IPP. SCLARC did not assess parents' share of cost until the receipt of income documentation, which was received several months after signing the IPP. In addition, SCLARC has been paying more than its assessed share of cost to one vendor for two of the 12 sampled consumers participating in the program. The consumer's parents were assessed at the maximum share of cost; however, SCLARC reimbursed the vendor a total of \$7,126.02 that should have been the responsibility of the parents. (See Attachment B.)

CCR, title 17, section 50261(a) states:

“Each parent shall provide the regional center with his or her proof of gross annual income pursuant to Section 4783(g)(2) and (i) of the Welfare and Institutions Code, within ten (10) working days from the date of the parents' signatures on the Individual Program Plan. The regional center may grant a ten (10) working day extension to provide documentation, if parents have acted in good faith. In no event shall more than one ten (10) working day extension be granted. Failure to provide the information will result in the regional center setting the cost participation at the maximum amount, pursuant to Section 4783(g)(4) of the Welfare and Institutions Code.”

W&I Code, section 4783(g)(4) states in part:

“Parents who have not provided copies of income documentation pursuant to paragraph (2) shall be assessed the maximum cost participation based on the highest income level adjusted for family size until such time as the appropriate income documentation is provided.”

Recommendation:

SCLARC must reimburse to DDS a total of \$7,126.02 that was overpaid to the vendors. SCLARC must develop and implement policies and procedures to ensure staff responsible are assessing parents' share of cost participation concurrently with the signing of the consumer's IPP. In addition, SCLARC should ensure that it is not paying share of cost that should have been the responsibility of the parents.

Finding 3: Negotiated Rate Above the Statewide Median Rate (Repeat)

The follow-up review of vendor contracts finalized after June 30, 2008, revealed that [REDACTED], vendor number PX0434, service code 605, was contracted above the Statewide Median Rate requirement implemented on July 1, 2008. It was found that SCLARC reimbursed the vendor at a rate of \$32.59 per hour while the median rate was \$29.00 per hour. SCLARC had entered into a contract with the vendor in January 2010, which was after the median rate requirement was in effect. This resulted in a total overpayment of \$3,931.67.

Further review indicated that SCLARC has renegotiated the contract rate, and implemented a payment plan with the vendor to collect 20 percent of the overpayment from the vendor's monthly disbursements until the amount is repaid. Currently, SCLARC has collected \$374.48 from the vendor with a remaining balance of \$3,557.19. (See Attachment C.)

W&I Code, section 4691.9(a) and (b) states, in relevant part:

“Notwithstanding any other provision of the law or regulation, commencing July 1, 2008:

- (a) No regional center shall pay an existing service provider, for services where rates are determined through a negotiation between the regional center and the provider, a rate higher than the rate in effect on June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008.
- (b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower.”

Recommendation:

SCLARC shall recover and reimburse DDS the \$3,557.19 in total overpayments made to the vendor. In addition, SCLARC must comply with the W&I Code, section 4691.9 and ensure that any rates negotiated after June 30, 2008, are equal to or below the Statewide/SCLARC Median Rates.

II. Finding has been addressed and corrected by SCLARC.

Finding 4: Improper Allocation of Community Placement Plan (CPP) Funds

A review of 10 sampled CPP consumer expenses revealed SCLARC improperly allocated CPP funds. SCLARC reimbursed SMS Transportation Company,

vendor number HX0023, service code 875, using CPP funds for two consumers that had not moved from the developmental center to the community. A discussion with SCLARC indicated that this was an oversight on its part. This resulted in an overpayment totaling \$8,168.16.

Guidelines for Regional Center Community Placement Plan (I)(4) states:

“For Deflection POS, the RC will be reimbursed only for placement costs of individuals projected to be placed in CPP-funded deflection living arrangements during the facilities’ initial fiscal year of service provision...”

SCLARC has taken corrective action to resolve this issue by collecting \$8,168.16 of the overpayments paid to the vendor. SCLARC provided supporting documentation to DDS indicating that this issue has been resolved.

Recommendation:

SCLARC must ensure that all expenses claimed under CPP are for services provided in the initial fiscal year of service provision. This will ensure compliance with the Regional Center CPP guidelines.

EVALUATION OF RESPONSE

As part of the audit report process, SCLARC has been provided with a draft report and was requested to provide a response to each finding. SCLARC's response dated December 7, 2012, 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 SCLARC's response. Except as noted below, SCLARC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve these issues. During the follow-up review of the next scheduled audit, the DDS Audit Branch will confirm that SCLARC has implemented corrective actions as identified in their response to the draft audit report.

Finding 1: Over/Understated Claims (Repeat)

SCLARC concurs with the prior and current overpayments totaling \$151,139.29 to the vendors. SCLARC states it has collected \$2,100.00 from the current overpayments with \$405.28 still outstanding. In addition, SCLARC stated that it had set up payment plans with vendors H73544 and HL0014 to collect \$300 and \$500 per month, respectively, until the overpayments are collected in full. Since the issuance of the draft report, SCLARC has collected \$1,600.00 from the two vendors. SCLARC provided supporting documentation indicating a total of \$3,700.00 has since been collected from current and prior overpayments and has \$147,439.29 still outstanding. However, DDS disagrees with SCLARC's negotiated payment plans with vendors H73544 and HL0014 as the payment plans are not in compliance with CCR, title 17, section 50705 (b)(3), which states:

“(b) When the overpayment is due and owing, it shall be recovered by any of the following methods:

- (3) A repayment agreement of not more than five years duration from the date the agreement is made; ”

DDS recommends that SCLARC ensure the payment plans in place with the two vendors are paid in full within five years. Within 60 days of receipt of this report, SCLARC must provide DDS documentation indicating that the payment plans have been renegotiated to five years or less.

Finding 2: Family Cost Participation Program (FCPP) - Late Assessments

SCLARC agrees with the finding and stated that it will pursue collection from the vendors. SCLARC stated that for the consumer number 6094032, it sent a collection letter to the parent requesting payment totaling \$3,777.84 since this consumer was transferred to North Los Angeles County Regional Center. In addition, for consumer number 7428252, SCLARC stated that it received the

parent's income documentation which showed that the parent's income exceeded the Federal Poverty Level. SCLARC has since reassessed the parent's FCPP at 20 percent, which reduces the parent's share of cost to \$670.24. SCLARC stated that it sent a collection letter to the family requesting the overpayment totaling \$670.24.

SCLARC stated that it will ensure that families are assessed timely and the share cost is appropriately applied to the cost of services. Further, SCLARC stated that it has implemented a more stringent protocol to ensure compliance with FCPP regulations and has provided DDS with the implemented protocols. DDS will conduct a follow-up during the next scheduled audit to ensure assessments are conducted timely, newly implemented procedures are followed and corrective action has been taken to collect overpayments totaling \$4,448.08 from the two parents.

Finding 3: Negotiated Rate Above the Statewide Median Rate (Repeat)

SCLARC agrees with the finding and as stated in its prior response, SCLARC had set up a plan with the vendor to collect 20 percent from the vendor's monthly invoice until the \$3,537.19 is fully recovered. As recommended in Finding 1, SCLARC must ensure that the payment plan in place with the vendor is in compliance with CCR, title 17, section 50705, which requires a payment agreement of no more than five years from the date the payment agreement is made with the vendor. Within 60 days of receipt of this report, SCLARC must provide DDS with documentation indicating that the payment plans are within five years. SCLARC stated that it will continue to collect the overpayment from the vendor and remit the amount to DDS' Accounting Section. SCLARC provided supporting documentation indicating that \$513.95 has been resolved with \$3,417.72 still outstanding.

**South Central Los Angeles Regional Center
Over/Understated Claims
Fiscal Year 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Stated Claims
Overpayments Due to 4.25 Percent Rate Reduction							
1		H18725		910		201007	\$15.41
2		H18725		910		201007	\$15.41
3		H18725		910		201007	\$15.41
4		H18725		910		201007	\$15.41
5		H18725		910		201007	\$15.41
6		H18725		910		201007	\$27.42
7		H18725		910		201008	\$15.41
8		H18725		910		201008	\$15.41
9		H18725		910		201008	\$15.41
10		H18725		910		201008	\$15.41
11		H18725		910		201008	\$15.41
12		H18725		910		201008	\$27.42
13		H18725		910		201009	\$15.41
14		H18725		910		201009	\$15.41
15		H18725		910		201009	\$15.41
16		H18725		910		201009	\$15.41
17		H18725		910		201009	\$15.41
18		H08280		915		201008	\$12.01
19		H08280		915		201007	\$12.01
20		H08280		915		201008	\$12.01
21		H08280		915		201008	\$12.01
22		H08280		915		201008	\$12.01
23		H08280		915		201009	\$31.27
24		H08280		915		201009	\$19.26
25		H08280		915		201009	\$19.26
26		H08280		915		201009	\$19.26
27		H08280		915		201009	\$19.26

**South Central Los Angeles Regional Center
Over/Understated Claims
Fiscal Year 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Stated Claims
28		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
29		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
30		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
31		H08280	Angelica Guest Home Care Inc	915		201009	\$14.81
32		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
33		H08280	Angelica Guest Home Care Inc	915		201009	\$14.81
34		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
35		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
36		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
37		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
38		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
39		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
40		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
41		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
42		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
43		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
44		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
45		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
46		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
47		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
48		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
49		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
50		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
51		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26
52		H08280	Angelica Guest Home Care Inc	915		201009	\$31.27
53		H08280	Angelica Guest Home Care Inc	915		201009	\$31.27
54		H08280	Angelica Guest Home Care Inc	915		201009	\$31.27
55		H08280	Angelica Guest Home Care Inc	915		201009	\$19.26

**South Central Los Angeles Regional Center
Over/Understated Claims
Fiscal Year 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Stated Claims
56		H08280		915		201009	\$19.26
57		H08280		915		201009	\$19.26
58		H08280		915		201009	\$19.26
59		H73499		920		201007	\$52.47
60		H73499		920		201007	\$52.47
61		H73499		920		201007	\$52.47
62		H73499		920		201008	\$52.47
63		H73499		920		201009	\$52.47
64		H73499		920		201009	\$52.47
65		HX0232		113		201007	\$112.50
66		HX0232		113		201008	\$112.50
67		HX0232		113		201009	\$112.50
Total Overpayments Due to 4.25 Percent Rate Reduction							\$1,730.86
Overpayments Due to Duplicate Payments/Overlapping Authorizations							
1		H06645		915		201009	\$14.81
2		H08280		915		201007	\$12.01
3		H08280		915		201008	\$12.01
4		H16880		915		201007	\$19.26
5		H16880		915		201008	\$19.26
6		H16880		915		201009	\$19.26
7		H18725		910		201007	\$15.41
8		H18725		910		201008	\$15.41
9		H18725		910		201009	\$15.41
10		H18725		910		201007	\$15.41
11		H18725		910		201008	\$15.41
12		H18725		910		201009	\$15.41
13		H18729		915		201007	\$14.81

**South Central Los Angeles Regional Center
Over/Understated Claims
Fiscal Year 2010-11**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Stated Claims
14		H18738		915		201008	\$19.26
15		H66201		915		201007	\$52.47
16		H66201		915		201008	\$52.47
17		H66201		915		201009	\$52.47
18		H73647		915		201007	\$35.80
19		H73647		915		201008	\$35.80
20		H73647		915		201009	\$35.80
21		H73648		915		201007	\$42.81
22		H73649		915		201008	\$42.81
23		H73650		915		201009	\$42.81
24		HX0093		915		201009	\$52.47
25		HX0171		915		201008	\$0.30
26		HX0171		915		201009	\$0.30
27		HX0182		915		201007	\$0.01
28		HX0182		915		201008	\$0.01
29		HX0182		915		201009	\$0.01
30		HX0280		915		201009	\$52.47
31		HX0479		915		201008	\$52.47
Total Overpayments Due to Duplicate Payments/Overlapping Authorizations							\$774.42
Grand Total Outstanding Overpayments							\$2,505.28
Underpayments Due to Duplicate Payments/Overlapping Authorizations							
1		HX0529		915		201111	(\$0.89)
2		HX0529		915		201112	(\$0.89)
3		HX0529		915		201112	(\$1.00)
Total Outstanding Underpayments Due to Duplicate Payments/Overlapping Authorizations							(\$2.78)

**South Central Los Angeles Regional Center
Overstated Claims
Monthly Rate Higher than the Hourly Rate
Fiscal Years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10**

	Vendor Number	Vendor Name	Payment Period	Service Code	Overpayments
Fiscal Year 2004-05					
1		LDCI - Lynwood Developmental Care, Inc. - Transportation	Jul-04	880	\$1,541.57
2		LDCI - Lynwood Developmental Care, Inc. - Transportation	Aug-04	880	\$1,552.50
3		LDCI - Lynwood Developmental Care, Inc. - Transportation	Sep-04	880	\$1,552.50
4		LDCI - Lynwood Developmental Care, Inc. - Transportation	Oct-04	880	\$1,505.97
5		LDCI - Lynwood Developmental Care, Inc. - Transportation	Nov-04	880	\$1,509.41
6		LDCI - Lynwood Developmental Care, Inc. - Transportation	Dec-04	880	\$1,552.50
7		LDCI - Lynwood Developmental Care, Inc. - Transportation	Jan-05	880	\$1,388.66
8		LDCI - Lynwood Developmental Care, Inc. - Transportation	Feb-05	880	\$1,503.66
9		LDCI - Lynwood Developmental Care, Inc. - Transportation	Mar-05	880	\$1,508.09
10		LDCI - Lynwood Developmental Care, Inc. - Transportation	Apr-05	880	\$1,514.17
11		LDCI - Lynwood Developmental Care, Inc. - Transportation	May-05	880	\$1,495.00
12		LDCI - Lynwood Developmental Care, Inc. - Transportation	Jun-05	880	\$1,458.41
Total Overpayment for Fiscal Year 2004-05					\$18,082.43
Fiscal Year 2005-06					
13		LDCI - Lynwood Developmental Care, Inc. - Transportation	Jul-05	880	\$1,581.25
14		LDCI - Lynwood Developmental Care, Inc. - Transportation	Aug-05	880	\$1,504.25
15		LDCI - Lynwood Developmental Care, Inc. - Transportation	Sep-05	880	\$1,415.72
16		LDCI - Lynwood Developmental Care, Inc. - Transportation	Oct-05	880	\$1,331.34
17		LDCI - Lynwood Developmental Care, Inc. - Transportation	Nov-05	880	\$1,468.09
18		LDCI - Lynwood Developmental Care, Inc. - Transportation	Dec-05	880	\$1,457.78
19		LDCI - Lynwood Developmental Care, Inc. - Transportation	Jan-06	880	\$1,442.11
20		LDCI - Lynwood Developmental Care, Inc. - Transportation	Feb-06	880	\$1,435.78
21		LDCI - Lynwood Developmental Care, Inc. - Transportation	Mar-06	880	\$1,405.25
22		LDCI - Lynwood Developmental Care, Inc. - Transportation	Apr-06	880	\$1,325.10
23		LDCI - Lynwood Developmental Care, Inc. - Transportation	May-06	880	\$1,391.50

**South Central Los Angeles Regional Center
Overstated Claims
Monthly Rate Higher than the Hourly Rate
Fiscal Years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10**

	Vendor Number	Vendor Name	Payment Period	Service Code	Overpayments
24	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jun-06	880	\$1,391.50
Total Overpayment for Fiscal Year 2005-06					\$17,149.68
Fiscal Year 2006-07					
25	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jul-06	880	\$1,431.79
26	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Aug-06	880	\$1,496.87
27	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Sep-06	880	\$1,561.95
28	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Oct-06	880	\$1,535.33
29	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Nov-06	880	\$1,517.46
30	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Dec-06	880	\$1,544.84
31	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jan-07	880	\$1,561.95
32	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Feb-07	880	\$1,627.04
33	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Mar-07	880	\$1,600.41
34	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Apr-07	880	\$1,475.19
35	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	May-07	880	\$1,588.58
36	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jun-07	880	\$1,627.04
Total Overpayment for Fiscal Year 2006-07					\$18,568.46
Fiscal Year 2007-08					
37	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jul-07	880	\$1,627.04
38	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Aug-07	880	\$1,627.04
39	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Sep-07	880	\$1,627.04
40	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Oct-07	880	\$1,598.74
41	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Nov-07	880	\$1,589.37
42	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Dec-07	880	\$1,464.36
43	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jan-08	880	\$1,487.59
44	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Feb-08	880	\$1,503.41

**South Central Los Angeles Regional Center
Overstated Claims
Monthly Rate Higher than the Hourly Rate
Fiscal Years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10**

	Vendor Number	Vendor Name	Payment Period	Service Code	Overpayments
45	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Mar-08	880	\$1,561.95
46	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Apr-08	880	\$1,561.95
47	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Mar-08	880	\$1,509.28
48	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jun-08	880	\$1,596.05
Total Overpayment for Fiscal Year 2007-08					\$18,753.82
Fiscal Year 2008-09					
49	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jul-08	880	\$1,603.37
50	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Aug-08	880	\$1,627.04
51	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Sep-08	880	\$1,571.23
52	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Oct-08	880	\$1,627.04
53	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Nov-08	880	\$1,600.23
54	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Dec-08	880	\$1,568.13
55	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jan-09	880	\$1,627.04
56	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Feb-09	880	\$1,519.31
57	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Mar-09	880	\$1,484.02
58	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Apr-09	880	\$1,458.23
59	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	May-09	880	\$1,339.27
60	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jun-09	880	\$1,512.69
Total Overpayment for Fiscal Year 2008-09					\$18,537.59
Fiscal Year 2009-10					
61	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jul-09	880	\$1,472.57
62	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Aug-09	880	\$1,572.70
63	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Sep-09	880	\$1,584.70
64	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Oct-09	880	\$1,615.81
65	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Nov-09	880	\$1,638.74

**South Central Los Angeles Regional Center
Overstated Claims
Monthly Rate Higher than the Hourly Rate
Fiscal Years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10**

	Vendor Number	Vendor Name	Payment Period	Service Code	Overpayments
66	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Dec-09	880	\$1,638.74
67	H73544	LDCI - Lynwood Developmental Care, Inc. - Transportation	Jun-10	880	\$1,178.63
Total Overpayment for Fiscal Year 2009-10					\$10,701.90
Total Overpayment to Lynwood Developmental Care, Inc Transportation for Fiscal Years 2004-05 through 2009-10					\$101,793.88

South Central Los Angeles Regional Center
Overstated Claims
Use of Temporary Rate Rather than Permanent Rate
Fiscal Years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10

	Vendor Number	Vendor Name	Payment Period	Service Code	Overpayments
Fiscal Year 2004-05					
1	HL0014	Crossroads to Success	Oct-04	520	\$355.75
2	HL0014	Crossroads to Success	Nov-04	520	\$532.89
3	HL0014	Crossroads to Success	Dec-04	520	\$518.94
4	HL0014	Crossroads to Success	Jan-05	520	\$602.64
5	HL0014	Crossroads to Success	Feb-05	520	\$574.74
6	HL0014	Crossroads to Success	Mar-05	520	\$546.84
7	HL0014	Crossroads to Success	Apr-05	520	\$552.42
8	HL0014	Crossroads to Success	May-05	520	\$549.63
9	HL0014	Crossroads to Success	Jun-05	520	\$552.42
Total Overpayment for Fiscal Year 2004-05					\$4,786.27
Fiscal Year 2005-06					
10	HL0014	Crossroads to Success	Jul-05	520	\$750.51
11	HL0014	Crossroads to Success	Aug-05	520	\$764.46
12	HL0014	Crossroads to Success	Sep-05	520	\$733.77
13	HL0014	Crossroads to Success	Oct-05	520	\$661.23
14	HL0014	Crossroads to Success	Nov-05	520	\$672.39
15	HL0014	Crossroads to Success	Dec-05	520	\$650.07
16	HL0014	Crossroads to Success	Jan-06	520	\$703.08
17	HL0014	Crossroads to Success	Feb-06	520	\$636.12
18	HL0014	Crossroads to Success	Mar-06	520	\$703.08
19	HL0014	Crossroads to Success	Apr-06	520	\$842.58
20	HL0014	Crossroads to Success	May-06	520	\$888.62
21	HL0014	Crossroads to Success	Jun-06	520	\$915.12
Total Overpayment for Fiscal Year 2005-06					\$8,921.03
Fiscal Year 2006-07					
22	HL0014	Crossroads to Success	Jul-06	520	\$751.19
23	HL0014	Crossroads to Success	Aug-06	520	\$636.77
24	HL0014	Crossroads to Success	Sep-06	520	\$616.87
25	HL0014	Crossroads to Success	Oct-06	520	\$661.64
26	HL0014	Crossroads to Success	Nov-06	520	\$661.64
27	HL0014	Crossroads to Success	Jan-07	520	\$562.15
28	HL0014	Crossroads to Success	Feb-07	520	\$596.97
29	HL0014	Crossroads to Success	Mar-07	520	\$656.67
30	HL0014	Crossroads to Success	Apr-07	520	\$805.91
31	HL0014	Crossroads to Success	May-07	520	\$803.42

South Central Los Angeles Regional Center
Overstated Claims
Use of Temporary Rate Rather than Permanent Rate
Fiscal Years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10

	Vendor Number	Vendor Name	Payment Period	Service Code	Overpayments
32	HL0014	Crossroads to Success	Jun-07	520	\$786.01
Total Overpayment for Fiscal Year 2006-07					\$7,539.22

Fiscal Year 2007-08					
33	HL0014	Crossroads to Success	Jul-07	520	\$747.50
34	HL0014	Crossroads to Success	Aug-07	520	\$741.75
35	HL0014	Crossroads to Success	Sep-07	520	\$718.75
36	HL0014	Crossroads to Success	Oct-07	520	\$638.25
37	HL0014	Crossroads to Success	Nov-07	520	\$615.25
38	HL0014	Crossroads to Success	Dec-07	520	\$563.50
39	HL0014	Crossroads to Success	Jan-08	520	\$563.50
40	HL0014	Crossroads to Success	Feb-08	520	\$563.50
41	HL0014	Crossroads to Success	Mar-08	520	\$563.50
42	HL0014	Crossroads to Success	Apr-08	520	\$540.50
43	HL0014	Crossroads to Success	May-08	520	\$540.50
44	HL0014	Crossroads to Success	Jun-08	520	\$540.50
Total Overpayment for Fiscal Year 2007-08					\$7,337.00

Fiscal Year 2008-09					
45	HL0014	Crossroads to Success	Jul-08	520	\$563.50
46	HL0014	Crossroads to Success	Aug-08	520	\$701.50
47	HL0014	Crossroads to Success	Sep-08	520	\$874.00
48	HL0014	Crossroads to Success	Oct-08	520	\$874.00
49	HL0014	Crossroads to Success	Nov-08	520	\$862.50
50	HL0014	Crossroads to Success	Dec-08	520	\$874.00
51	HL0014	Crossroads to Success	Jan-09	520	\$874.00
52	HL0014	Crossroads to Success	Feb-09	520	\$848.07
53	HL0014	Crossroads to Success	Mar-09	520	\$848.16
54	HL0014	Crossroads to Success	Apr-09	520	\$820.26
55	HL0014	Crossroads to Success	May-09	520	\$848.16
56	HL0014	Crossroads to Success	Jun-09	520	\$848.16
Total Overpayment for Fiscal Year 2008-09					\$9,836.31

Fiscal Year 2009-10					
57	HL0014	Crossroads to Success	Jul-09	520	\$825.84
58	HL0014	Crossroads to Success	Aug-09	520	\$809.10
59	HL0014	Crossroads to Success	Sep-09	520	\$848.16
60	HL0014	Crossroads to Success	Oct-09	520	\$848.16
61	HL0014	Crossroads to Success	Nov-09	520	\$848.16
62	HL0014	Crossroads to Success	Dec-09	520	\$848.16

**South Central Los Angeles Regional Center
Overstated Claims
Use of Temporary Rate Rather than Permanent Rate
Fiscal Years 2004-05, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10**

	Vendor Number	Vendor Name	Payment Period	Service Code	Overpayments
63	HL0014	Crossroads to Success	Jan-10	520	\$848.16
64	HL0014	Crossroads to Success	Feb-10	520	\$848.16
65	HL0014	Crossroads to Success	Mar-10	520	\$848.16
66	HL0014	Crossroads to Success	Apr-10	520	\$848.16
Total Overpayment for Fiscal Year 2009-10					\$8,420.22
Total Overpayment to Crossroads to Success for Fiscal Years 2003-04 through 2009-10					\$46,840.04

**South Central Los Angeles Regional Center
Family Cost Participation Program (FCPP) - Late Assessments
Fiscal Year 2010-11**

	Unique Client Identification Number		IPP Date	Assessment Date
1			1/10/2011	3/10/2011
2			1/28/2010	3/25/2011
3			10/13/2010	3/2/2011
4			8/25/2010	4/12/2011
5			10/14/2010	4/5/2011
6			9/21/2009	3/22/2011
7			6/19/2009	4/12/2011
8			3/10/2009	10/20/2010
9			3/30/2009	7/22/2010
10			6/30/2011	10/26/2011
11			3/24/2011	4/20/2011

**South Central Los Angeles Regional Center
Negotiated Rate Set Above the Median Rate
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments
1		PX0434		605		Jan-10	\$233.35
2		PX0434		605		Feb-10	\$402.08
3		PX0434		605		Mar-10	\$306.95
4		PX0434		605		Apr-10	\$382.34
5		PX0434		605		May-10	\$378.75
6		PX0434		605		Jun-10	\$385.03
7		PX0434		605		Jul-10	\$411.06
8		PX0434		605		Aug-10	\$484.65
9		PX0434		605		Sep-10	\$439.78
10		PX0434		605		Oct-10	\$386.74
11		PX0434		605		Nov-10	(\$221.40)
12		PX0434		605		Dec-10	\$342.36
Total Overpayment Due to Negotiated Rate Set Above the Statewide Median Rate							\$3,931.67

APPENDIX A

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**

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

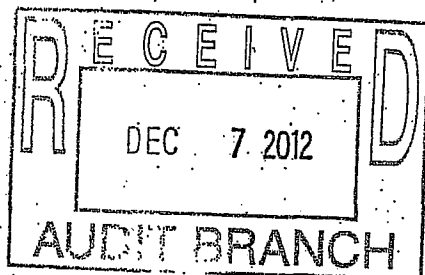
Yan, Ed@DDS

From: Roy Doronila <RoyD@sclarc.org>
Sent: Friday, December 07, 2012 11:51 AM
To: Nzima, Ellen@DDS; Yan, Ed@DDS; Winfield, Brian@DDS; Meyreles, Karyn@DDS; Bargmann, Nancy@DDS
Cc: Hassan M. Hirsi; Hailemarjam, Yewhala@DDS Reg Ctr; Johnson, Robert@DDS Reg Ctr; Marsha Mitchell-Bray; Lee, Reuben@DDS Reg Ctr; Henderson, Dexter@DDS Reg Ctr
Subject: FY 10-11 Audit
Attachments: SCLARC Response to DDS Findings and Recommendations FY10-11 Audit.pdf

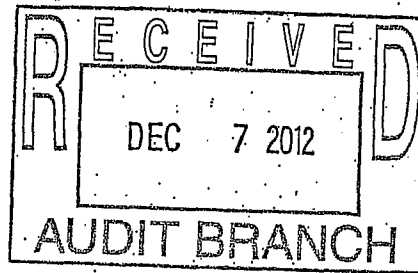
Good Morning Everyone,

On behalf of Mr. Dexter Henderson, I am submitting our response to your findings and recommendations of your audit of SCLARC for FY 10-11.

Roy Doronila



SCLARC
Response to DDS Findings and Recommendations
FY 2010-11 Audit



Finding 1: Over/Under Stated Claims.

SCLARC agrees with the finding but disagree with the recommendation that it will reimburse DDS a total of \$151,139.29 immediately. However, we will continue to collect the overpayments from the respective vendors, including but not limited to the following vendors:

1. H73544 Lynwood Developmental Care with a repayment plan of \$300 per month;
2. HL0014 Crossroads to Success with a repayment plan of \$500 per month.

\$500
FH

The amounts collected are remitted on a monthly basis to Mr. Bob Ecklund-DDS Accounting Department (Attachment 1).

Finding 2: Family Cost Participation Program (FCPP)-Late Assessments.

SCLARC agrees with the finding but disagree with the recommendation that it will reimburse DDS a total of \$7,126.02 immediately. However, SCLARC will pursue collection and has billed the families the total amount of \$4,448.08 (Attachment 1):

1. UCI# 6094032-SCLARC sent a collection letter to the parent requesting payment of \$3,777.84. This case was closed on 9/26/12 and transferred to North Los Angeles Regional Center;
2. UCI# 7428252-SCLARC received the parent's income information and the parent's income exceeds the Federal Poverty Level. As a result, the parent's Family Cost Participation percentage is 20% which amounts to \$620.24 ($\$3,351.18 \times 20\%$). SCLARC sent a collection letter to the family requesting payment of \$670.24.

Additionally, SCLARC will ensure that families are assessed timely and the share cost is appropriately applied to the cost of services. We have implemented a more stringent protocol (Attachment 2) to ensure that we comply with the timelines.

Finding 3: Negotiated Rate above the Statewide Median Rate.

SCLARC agrees with the finding but disagree with the recommendation that it will reimburse DDS a total of \$3,537.19 immediately. However, we will continue to collect the overpayment from the vendor in the amount equivalent to 20% of the vendors invoice and remit the amount to Mr. Bob Ecklund-DDS Accounting Department (Attachment 1).

SCLARC

Attachment 1

Schedule of Overpayments and Remaining Balance
FY 10-11 AuditFinding 1

Vendor #	Vendor Name	Amount of Overpayment	Payment Received	Balance
H73544	LDCI Lynwood Developmental Care Inc.	\$ 101,793.88	\$ 600.00	\$ 101,193.88
HL0014	Crossroads to Success	\$ 54,241.89	\$ 8,401.76	\$ 45,840.13
H18275	Blanca/Lorenzo Arriola*	\$ 285.99	\$ 285.99	\$ -
H08280	Angelica Guest Home Care Inc.	\$ 792.55	\$ -	\$ 792.55
H73499	Tijay Renee Residential	\$ 314.82	\$ -	\$ 314.82
HX0232	Choice R US - Faust	\$ 337.50	\$ -	\$ 337.50
H06645	Bell Gardens Manor	\$ 14.81	\$ -	\$ 14.81
H08280	Angelica Guest Home Care Inc.	\$ 24.02	\$ -	\$ 24.02
H16880	Pasa Alta West	\$ 57.78	\$ -	\$ 57.78
H18725	Blanca/Lorenzo Arriola*	\$ 92.46	\$ -	\$ 92.46
H18729	Larks Adult Residential	\$ 14.81	\$ -	\$ 14.81
H18738	Rita Adult Residential	\$ 19.26	\$ -	\$ 19.26
H66201	Soar with your own Wings	\$ 157.41	\$ -	\$ 157.41
H73647	Kath's Care Home II	\$ 107.40	\$ -	\$ 107.40
H73648	Papillon Village	\$ 128.43	\$ -	\$ 128.43
HX0093	Hilite's Manor	\$ 52.47	\$ -	\$ 52.47
HX0171	Alexander's Home	\$ 0.60	\$ -	\$ 0.60
HX0182	Wright Residential	\$ 0.03	\$ -	\$ 0.03
HX0280	Guiding Hands Residential Care Inc.	\$ 52.47	\$ -	\$ 52.47
HX0479	64th Street Adult Residential Facility	\$ 52.47	\$ 52.47	\$ -
HX0529	That's Home III, LLC	\$ 2.78	\$ -	\$ 2.78
Total		\$ 158,543.83	\$ 9,340.22	\$ 149,203.61

Finding 2

UCI #	Consumer's Name	Amount of Overpayment	Payment Received	Balance
6094032	Angel Herrera	\$ 3,777.84	\$ -	\$ 3,777.84
7428252	Samantha Martinez	\$ 620.24	\$ -	\$ 620.24
Total		\$ 4,398.08	\$ -	\$ 4,398.08

Finding 3

Vendor #	Vendor Name	Amount of Overpayment	Payment Received	Balance
PX0434	Barbara Linares	\$ 3,931.67	\$ 513.95	\$ 3,417.72
Total		\$ 3,931.67	\$ 513.95	\$ 3,417.72



Family Cost Participation Program (FCPP) Protocol

4783. (a) (1) The Family Cost Participation Program is hereby created in the State Department of Developmental Services for the purpose of assessing a cost participation to parents, as defined in Section 50215 of Title 17 of the California Code of Regulations, who have a child to whom all of the following applies:

- (A) The child has a developmental disability.
- (B) The child is 0 years of age through 17 years of age.
- (C) The child lives in the parents' home.
- (D) The child receives services and supports purchased through the regional center, (Respite, Child Day Care, and/or Camp).
- (E) The child is not eligible for Medi-Cal.

Initial Assessment

- 1) If eligible, FCPP must be completed during the Triennial IPP (every 36 months) or at the beginning of funding for an eligible service. It is highly recommended that the SC contact the family days in advance prior to the IPP visit to remind the family to secure a copy of the financial documentation for the meeting. If an addendum is being completed the SC must make an appointment with family to obtain copies of the financial documentation.

Please note that if SC is securing a new respite or day care service and the family has never been assessed for FCPP, SC must complete the FCPP packet mentioned in the Initial Assessment portion of this protocol prior to the BOS approval of the service. Refer to steps # 3 - 8 of the Initial Assessment for further instructions.

- 2) If eligible, obtain the FCPP packet from Quality Manager or designee. The packet consists of the following documents: FCPP Regional Center IPP Agreement, FCPP Notification of Intent letter (2 copies), DDS' FCPP Program Guide, SCLARC's FCPP Assessment Worksheet, Family Financial Statement (for undocumented or self-employed parents) and SCLARC's Self-Addressed Stamped Envelope (SASE).
- 3) Prior to the IPP (Addendum) meeting, the SC must complete the FCPP Assessment Worksheet.
 - When completing the worksheet the SC must take into account the total number of children residing in the household including the consumer(s).
 - Under the Assessment Type section of the worksheet, SC must check the "Initial Assessment" box.

**** SC must contact the family to inform them to have a copy of W-2 statement, or a copy of two most recent payroll stubs, or the previous year's income tax or other records to be submitted to SC at the time of the IPP meeting.**

4) During the IPP (Addendum) meeting, the SC must complete the following actions:

- Parents/legal guardians/conservators must sign the "Family Cost Participation Program Regional Center IPP Agreement" form.
- Parents/legal guardians/conservators must sign the two copies of the FCPP Notification of Intent letter. The SC must write on the form the date the income documents must be submitted to the Regional Center which is the 10 working days from the IPP Date.
- A copy of the FCPP Guide, the White FCPP Assessment Worksheet, one of the copies of the FCPP Notification of Intent letter, and the SASE must be given to the family. Once these documentations are provided to the family, it becomes the family's responsibility to mail (using the SASE) the financial documentation (W-2's, tax returns, paycheck stubs, etc.) and the White FCPP Assessment Worksheet to the Regional Center (RC) within 10 working days of the IPP meeting. If the family does not have legal documentation (W-2's, tax returns, paycheck stubs, etc.), then the SC must provide them with the "Family Financial Statement - Self Declaration" form.
- The SC must emphasize to the family the importance of submitting the income documents within the 10 working days of the IPP. If the parents do not submit the income documentation within the agreed timeline, the RC will calculate the share of cost at the maximum co-payment amount of 100 % and the services will be suspended and eventually terminated.

**** IMPORTANT ** - The signature dates of the aforementioned documents MUST be the same date of the IPP Addendum date.**

5) Within 24 hours of the IPP meeting, the SC must complete the following actions:

- The yellow copy of the FCPP Assessment worksheet and the original FCPP Notification of Intent letter must be placed in the case file's Correspondence section.
- The following documents must be submitted to Quality Manager or designee:
 - o A copy of the RC FCPP Agreement Page
 - o A copy of the Signed FCPP Notification of Intent letter
 - o Pink copy of the FCPP Assessment Worksheet
 - o Copies of income document given by family (if applicable)

6) Quality Manager or designee will forward to MIS Department the documents submitted by SC within 24 hours of the IPP meeting.

7) The MIS Department will process the documentation and will provide the FCPP letter explaining the family's share of cost and if applicable the number of hours

the family and the RC will fund. MIS Department will forward all correspondence to Quality Manager for follow up. Quality Manager or designee will mail the original FCPP determination letters to the family and vendor. A copy of the letter will be forwarded to SC for filing under the "Fiscal Data" tab.

- 8) If a share of cost is determined, within 24 hours of receipt of communication from Quality Manager, the SC must modify the existing POS, submit in person the approved Original POS to Quality Manager and develop a new addendum with the following statement under the "Justification of Service" section of the POS and the Plan for Consumer/Family and Plan for SCLARC Supports sections of the addendum: "Consumer is eligible to participate in the FCPP program, therefore family was assessed and will fund for # hours and the regional center will fund for # hours."

Reopening an Existing Assessment

Once an assessment is completed, the assessment must be reopened if the following events occur: if the consumer becomes eligible for Medi-Cal and/or if the consumer's service level changes (increase or decrease of vendored services, adding new eligible services). These events may occur at anytime after the Triennial IPP (within 36 months).

A. Medi-Cal Eligibility

- 1) If a consumer becomes eligible for Medi-Cal, SC must obtain a copy of the Medi-Cal card, and complete a new FCPP worksheet.
 - Under the Assessment Type section of the worksheet, SC must check the "Reopen" box and choose the correct event.
 - SC may add any comments at the bottom of the worksheet and forward the FCPP worksheet with the copy of the Medi-Cal card to Quality Manager. Quality Manager will verify in the Department of Health Services Eligibility Verification system the validity of the Medi-Cal card. SC should not provide the family with a copy of the worksheet.
- 2) Quality Manager will forward all documents to MIS Department. MIS Department will forward all correspondence to Quality Manager for follow up. Quality Manager or designee will mail the original FCPP determination letters to the family and vendor. A copy of the letter will be forwarded to SC for filing under the "Fiscal Data" tab.
- 3) If a share of cost was previously determined and a POS was adjusted, SC may need to modify the existing POS and change to 100% Regional Center funding. This POS modification must be completed by SC within 24 hours of receipt of correspondence from Quality Manager.
- 4) If a share of cost was 0% then SC does not need to modify the existing POS.

B. Additions or Changes in Eligible Services

- 1) If the consumer's vendor service level changes (decreases or increases in services) or if a new service is added, a new FCPP worksheet must be completed.
 - Under the Assessment Type section of the worksheet, SC must check the "Reopen" box and choose the correct event.
 - In the comment section, SC will add the service changes or the new service added with the correct amount and will forward the FCPP worksheet, with the POS requests for the new or modified services to the Quality Manager (Action Log, POS, FCPP worksheet, List of Open Authorizations). Quality Manager will forward the POS to the POS Review Committee. Once approved, Quality Manager will forward the original POS to MIS for processing.

*** Please note that if SC is securing a new respite or day care service and the family has never been assessed for FCPP, SC must complete the FCPP packet mentioned in the Initial Assessment portion of this protocol prior to the POS approval of the service. Refer to steps #5 - 8 of the Initial Assessment for further instructions.*

- 2) MIS will determine the share of cost and will inform Quality Manager of any modifications to the POS if needed. If a modification is needed, Quality Manager will request SC to modify the POS. SC must also generate the addendum (if a share of cost is involved, complete the addendum as instructed in step 8 under the Initial Assessment section) within 24 hours of the receipt of the request from Quality Manager.
- 3) Once the calculations are completed and/or modifications are processed, MIS will provide Quality Manager with the copy the FCPP letter explaining the modification (if necessary). Quality Manager will mail the letter to the family and vendor and forward a copy to SC to be filed under the "Fiscal Data" tab.

FCPP Reassessments

Once an assessment is completed, the FCPP assessment may be reassessed if the following events occur: if there are changes to the family's situation (this event may occur at anytime after the Triennial IPP) or consumer is due for the new Triennial IPP.

A. If There are Changes in Family Situation

- 1) If a consumer has a major change to his/her family situation, the consumer's parent must complete a new FCPP worksheet and provide any supporting documentation (e.g. unavoidable or uninsured catastrophic loss with direct economic impact on the family, or who substantiate, with receipts, significant

unreimbursed medical costs associated with care for a child who is a regional center consumer) to the RC.

- 2) SC must complete a new FCPP worksheet and under the Assessment Type section of the worksheet must check the "Reassessment" box and choose the correct event.
- 3) Once completed, SC must forward the FCPP worksheet with supporting documentation to Quality Manager. Quality Manager will then forward all documentation to MIS for further processing.
- 4) Once adjustments are made, MIS will provide Quality Manager with the FCPP letter explaining the modification (if necessary). Quality Manager will mail the letter to the family and vendor and forward a copy to SC for filing under the "Fiscal Data" tab.
- 5) MIS will inform Quality Manager if the modification of an open POS is necessary.

B. Triennial IPP Development

- 1) If SC conducted the Triennial IPP and the consumer was previously assessed at the last Triennial IPP (36 months ago) for FCPP, then SC must complete a new FCPP worksheet.
- 2) Under the Assessment Type section of the worksheet, SC must check the "Reassessment" box and select the "New IPP" box.
- 3) Refer to Steps #2 - 8 under the "Initial Assessment" section for further instructions.