



**AUDIT OF THE  
SOUTH CENTRAL LOS ANGELES REGIONAL CENTER  
FOR FISCAL YEARS 2012-13 AND 2013-14**

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**Department of Developmental Services  
February 13, 2018**

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# EXECUTIVE SUMMARY

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The Department of Developmental Services (DDS) conducted a fiscal compliance audit of South Central Los Angeles Regional Center (SCLARC) to ensure SCLARC is compliant with the requirements set forth in the Lanterman Developmental Disabilities Services Act (Lanterman Act) and Related Laws/Welfare and Institutions (W&I) Code; the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled; California Code of Regulations (CCR), Title 17; Federal Office of Management and Budget (OMB) Circulars A-122 and A-133; and the contract with DDS. Overall, the audit indicated that SCLARC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2012, through June 30, 2014, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where SCLARC'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 SCLARC's operations. A follow-up review was performed to ensure SCLARC has taken corrective action to resolve the findings identified in the prior DDS audit report.

## **Findings That Need to be Addressed.**

### **Finding 1: Overstated Claims (Repeat)**

The review of SCLARC's Uniform Fiscal Systems (UFS) Indicator Reports revealed 92 instances where SCLARC overpaid 52 vendors \$66,669.29 due to duplicate or overlapping authorizations. SCLARC has recovered \$55,911.29 of the overpayments, with a remaining balance of \$10,758.00. This is not in compliance with W&I Code, Section 54326(a)(10).

SCLARC provided additional documentation with its response to the draft report indicating it has resolved \$9,570.00 out of \$10,758.00. A balance of \$1,188.00 remains outstanding.

### **Finding 2: Credit Cards Practices**

#### **A. Credit Card Procedures Not Followed (Repeat)**

The review of credit card statements found that SCLARC continues to violate its credit card reimbursement procedures. This issue was first identified in the audit report for Fiscal Year (FY) 2005-06 and has been a recurring issue in four of the six prior audits. The review noted \$4,384.39 in credit card purchases were either missing receipts or had insufficient documentation to detail the items purchased. In addition, SCLARC reimbursed an employee \$412.85 for alcohol purchases and \$133.09 for personal expenses. SCLARC incurred a total of \$4,930.33 in unsupported and unallowable credit card expenditures. This is not in

compliance with the OMB Circular A-122 Appendix B to Part 230—Selected Items of Cost, Item 3; the State Contract, Article IV, Section 3(a) and (b); and SCLARC’s Procedures for Credit Card Purchases, Section D (1) and (3).

SCLARC provided additional documentation with its response to the draft report indicating it has resolved \$4,023.39. A balance of \$906.94 remains outstanding.

**B. Inappropriate Use of Operational Funds**

The review of the credit card statements revealed 22 instances where SCLARC inappropriately used \$17,434.96 of operations (OPS) funds for the ground-breaking of its new headquarters building, which is owned by the Friends of SCLARC (FOS) foundation, and to support fundraising activities of various organizations in the Los Angeles area. The items and services purchased were neither for the delivery of regional center services nor for administrative purposes. The use of State funds in this manner is not in compliance with OMB Circular A-122 Appendix B to Part 230—Selected Items of Cost, Item 12(a) and SCLARC’s Contract with the State, Article I, Section 11.

**C. Credit Card Issued to FOS**

The review of the credit card statements revealed that SCLARC issued a credit card to one of its employees exclusively for the purpose of making purchases for its foundation, FOS. Although FOS pays for the expenses incurred on this credit card, SCLARC is exposing itself to unnecessary financial liabilities, and this practice could raise questions on whether SCLARC and FOS are separate entities. FOS’ monthly credit card charges are co-mingled with the statements of SCLARC’s credit card holders. This is not in compliance with SCLARC’s Procedures for Credit Card Purchases, Section A.

**Finding 3: In-Kind Services (Repeat)**

The review of the Friends Housing, Inc. (FHI) account revealed that three SCLARC employees provided accounting, administrative, and program services to FHI for a total of \$2,852.47 in administrative costs for FY 2013-14. FHI is a direct-controlled entity of FOS. In return for the services provided by these employees, FHI provided funding to SCLARC consumers totaling \$1,494.94. This amount is \$1,357.53 less than the administrative costs covered by SCLARC. This issue was identified in the FY 2008-09, 2009-10, and 2011-12 audit reports. This is not in compliance with the State Contract, Article III, Section 13(b) and the First Amendment to SCLARC’s In-Kind Service Agreement with FHI.

**Finding 4: Missing Contract Language**

Three Community Placement Plan (CPP) Start-up contracts between SCLARC and Inclusions Services, LLC did not contain the provision for fair and equitable recoupment of Start-up funds should the contractor fail to meet the Start-up expectations or milestones specified in the CPP contract, or if the contractor ceases to provide services to consumers prior to the number of years specified in the Start-up contract. This is not in compliance with the Guidelines for Regional Center Community Placement Plan.

**Finding 5: Deceased Consumers - Missing Consumer Records**

The review of 21 deceased consumer files revealed three files with missing death certificates. The requests for the death certificates were made in 2014; however, all three consumers were listed as deceased in 2012. This is not in compliance with State Contract, Article IV, Section 3(a) and (b).

**Finding 6: Annual Family Program Fee (AFPF) - Incorrect/Unsupported Fee Assessment**

The review of 15 AFPF assessments revealed SCLARC incorrectly assessed the fees for two families. SCLARC assessed \$150 to one family when no fee was due, based on the family's adjusted gross income. In addition, SCLARC did not have the income documentation to justify the reduced assessment of \$150 for another family. This is not in compliance with DDS' AFPF Procedures.

**Findings That Have Been Addressed and Corrected by SCLARC.**

**Finding 7: Payment Reduction**

The review of 30 sampled median rate vendor invoices revealed that SCLARC applied the rate reduction of 4.25 percent, instead of 1.25 percent, for services provided during FY 2012-13 to two vendors. This resulted in underpayments totaling \$1,737.24. This is not in compliance with Assembly Bill 1472, Chapter 25, Section 34, Section 10(a). However, SCLARC has resolved the underpayments by issuing payments to the two vendors on January 14, 2015.

**Finding 8: Improper Allocation of CPP Program Funds**

The review of 23 sampled consumers who moved from the developmental centers (DC) to the community for FYs 2012-13 and 2013-14 revealed that SCLARC continued to use CPP funds for services for two DC movers beyond the FY of their initial placement. This is not in compliance with W&I Code, Section 4418.25; the State Contract, Exhibit E; and Guidelines for

Regional Center Community Placement Plan, Section (III)(A). The total cost of services provided amounted to \$220,708.00. SCLARC resolved this issue by reclassifying the CPP payments to regular POS on May 8, 2015.

**Finding 9: Deceased Consumers - Multiple Dates of Death**

The review of SCLARC's UFS Deceased Consumers Report revealed five consumers with multiple dates of death. This is not in compliance with the State Contract, Article IV, Section 1(c)(1). SCLARC took corrective action and updated UFS to reflect the correct dates of death.

## BACKGROUND

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DDS is responsible, under the Lanterman Act, for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive, and integrated 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 (RCs). The RCs 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 (HHS), Centers for Medicare and Medicaid Services (CMS), that services billed under California's HCBS Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Section conducts fiscal compliance audits of each RC no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires RCs to contract with independent Certified Public Accountants (CPAs) 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 RC will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on RCs' fiscal, administrative, and program operations.

DDS and South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc., entered into State Contract HD099014, effective July 1, 2009, through June 30, 2016. The contract specifies South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. will operate an agency known as SCLARC to provide services to persons with DD and their families in the Compton, San Antonio, South, Southeast, and Southwest Los Angeles County Health Districts. The contract is 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 January 5, 2015, through February 11, 2015, by the Audit Section of DDS.

## **AUTHORITY**

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

## **CRITERIA**

The following criteria were used for this audit:

- W&I Code,
- "Approved Application for the HCBS Waiver for the Developmentally Disabled,"
- CCR, Title 17,
- OMB Circulars A-122 and A-133, and
- The State Contract between DDS and SCLARC, effective July 1, 2009.

## **AUDIT PERIOD**

The audit period covered July 1, 2012, through June 30, 2014, 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 RCs' fiscal, administrative and program operations. The objectives of this audit were:

- To determine compliance with the W&I Code (the Lanterman Act),
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine compliance with CCR, Title 17 regulations,
- To determine compliance with OMB Circulars A-122 and A-133, and
- To determine that costs claimed were in compliance with the provisions of the State Contract between DDS and SCLARC.

The audit was conducted in accordance with the 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 W&I Code; CCR, Title 17; the HCBS Waiver for the Developmentally Disabled; OMB Circular A-133; and the State Contract between DDS and SCLARC.

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

DDS reviewed the annual audit report that was conducted by an independent CPA firm for FY 2012-13, issued on March 27, 2014. It was noted that no management letter was issued for SCLARC. 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 (POS)**

DDS selected a sample of POS claims billed to DDS. The sample included consumer services and vendor rates. 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 SCLARC. The rates charged for the services provided to individual consumers were reviewed to ensure compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and SCLARC.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000, as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the 10th of each month, and proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. If the correct recipient cannot be determined, the funds are returned to the Social Security Administration, or other sources, in a timely manner.
- DDS selected a sample of 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 State Contract.

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

## **II. RC Operations**

DDS selected a sample of OPS claims billed to DDS to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to ensure SCLARC's accounting staff had properly input data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, payroll ledgers, and other supporting documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of OPS expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17 and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed 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 (TCM) and RC Rate Study**

The TCM Rate Study 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 June 2013 and traced the reported information to source documents.
- Reviewed SCLARC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared it to the Case Management Time Study Forms (DS 1916) to ensure that the forms were properly completed and supported.

#### IV. Service Coordinator Caseload Survey

Under the W&I Code, Section 4640.6(e), RCs 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)(1)(2)(3)(A)(B)(C):

- “(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:
- (1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.
  - (2) An average service coordinator-to-consumer ratio of 1 to 45 for all consumers who have moved from a developmental center to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 59 consumers for more than 60 days.
  - (3) Commencing January 1, 2004, the following coordinator-to-consumer ratios shall apply:
    - (A) All consumers three years of age and younger and for consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, an average service coordinator-to-consumer ratio of 1 to 62.
    - (B) 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, an average service coordinator-to-consumer ratio of 1 to 62.
    - (C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in subparagraph (A), an average service coordinator-to-consumer ratio of 1 to 66.”

DDS also reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratios to determine reasonableness and that supporting documentation is maintained to support the survey and the ratios as required by W&I Code, Section 4640.6(e).

**V. Early Intervention Program (EIP; Part C Funding)**

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

**VI. Family Cost Participation Program (FCPP)**

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 Individual Program Plan (IPP)/Individualized Family Service Plan (IFSP). To determine whether SCLARC was 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 years who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents' income documentation to verify their level of participation based on the FCPP Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' income documentation.
- Reviewed vendor payments to verify that SCLARC was paying for only its assessed share of cost.

**VII. AFPF**

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

- The adjusted gross family income is at, or above, 400 percent of the Federal poverty level based upon family size.
- The child has a DD or is eligible for services under the California Early Intervention Services Act.
- The child is less than 18 years of age and lives with his or her parent.

- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.
- The child does not receive services through the Medi-Cal program.
- Documentation was maintained by the RC to support reduced assessments.

#### **VIII. Parental Fee Program (PFP)**

The PFP was created for the purpose of prescribing financial responsibility to parents of children under the age of 18 years who are receiving 24-hour, out-of-home care services through an RC or who are residents of a state hospital or on leave from a state hospital. Parents shall be required to pay a fee depending upon their ability to pay, but not to exceed (1) the cost of caring for a child without DD at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether SCLARC is in compliance with the W&I Code, DDS requested a list of PFP assessments and verified the following:

- Identified all children with DD who are receiving the following services:
  - (a) All 24-hour, out-of-home community care received through an RC for children under the age of 18 years;
  - (b) 24-hour care for such minor children in state hospitals. Provided, however, that no ability to pay determination shall be made for services required by state or federal law, or both, to be provided to children without charge to their parents.
- Provided DDS with a listing of new placements, terminated cases, and client deaths for those clients. Such listings shall be provided not later than the 20th day of the month following the month of such occurrence.
- Informed parents of children who will be receiving services that DDS is required to determine parents' ability to pay and to assess, bill, and collect parental fees.
- Within 10 working days after placement of a minor child, provide the parents a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope.
- A copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed, shall be submitted to DDS.

## **IX. Procurement**

The Request for Proposal (RFP) process was implemented to ensure RCs outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires RCs to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, RCs 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, 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 included applicable dollar thresholds and comply with Article II of the State Contract, as amended.
- Reviewed the RFP notification process to verify that it is open to the public and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded, and authorized by appropriate officials at SCLARC. The process was reviewed to ensure that the vendor selection process is transparent and 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, written documentation is retained as justification for such a selection.

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

- Selected a sample of Operational, CPP, 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 and written justification for final vendor selection decisions and that those contracts were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures:

- To determine compliance with the W&I Code, Section 4625.5 for contracts in place as of March 24, 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 Operational, Start-Up, and POS vendor contracts of \$250,000 or more, to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers; verified that the funds provided were specifically used to establish new or additional services to consumers, the usage of funds is of direct benefit to consumers, and the 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 or more, as well as to determine whether the process in place satisfies the W&I Code and SCLARC's State Contract requirements, as amended.

#### **X. Statewide/Regional Center Median Rates**

The Statewide and RC Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure that RCs 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 RCs 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, and that SCLARC is paying authorized contract rates and complying with the median rate requirements of 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 RC 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 required by regulation, or health and safety exemptions were granted by DDS.

- Reviewed vendor contracts to ensure that SCLARC did not negotiate rates with new service providers for services which are higher than the RC'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. DDS also ensured that units of service designations conformed with existing RC designations or, if none exists, ensured that units of service conformed to a designation used to calculate the statewide median rate for the same service code.

#### **XI. Other Sources of Funding from DDS**

RCs 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:

- Start-up Funds
- CPP
- Part C – Early Start Program
- Family Resource Center
- First Five

#### **XII. 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 of completeness of SCLARC's implementation of corrective actions.

## CONCLUSIONS

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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 the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract with DDS for the audit period July 1, 2012, through June 30, 2014.

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 SCLARC has not taken appropriate corrective action to resolve the prior audit issues.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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DDS issued the draft audit report on February 27, 2017. The findings in the draft audit report were discussed at a formal exit conference with SCLARC on March 15, 2017. The views of the responsible officials are included in this final audit report.

## **RESTRICTED USE**

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

# FINDINGS AND RECOMMENDATIONS

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## Findings That Need to be Addressed.

### Finding 1: Overstated Claims (Repeat)

The review of SCLARC's UFS Indicator Reports revealed 92 instances where SCLARC overpaid 52 vendors \$66,669.29 due to duplicate or overlapping authorizations. SCLARC has recovered \$55,911.29 of the overpayments, with a remaining balance of \$10,758.00. SCLARC stated that the overpayments occurred due to an oversight on its part during the review of the indicator reports.

SCLARC provided additional documentation with its response to the draft report indicating it has resolved \$9,570.00 out of \$10,758.00. A balance of \$1,188.00 remains outstanding. (See Attachment A)

In addition, a follow-up review of the \$148,634.01 in overpayments identified in the prior audit report revealed SCLARC has resolved the prior overpayments by issuing a check to DDS.

CCR, Title 17, Section 54326(a)(10) states in part:

(a) "All vendors shall:...

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

### Recommendation:

SCLARC must ensure staff monitor the UFS Indicator Reports to efficiently detect erroneous payments and correct any payment errors that may have occurred in the course of doing business with vendors. In addition, SCLARC must reimburse DDS a total of \$1,188.00 for the overpayments.

### Finding 2: Credit Cards Practices

#### A. Credit Card Procedures Not Followed (Repeat)

The review of SCLARC's credit card statements found that SCLARC continues to violate its credit card reimbursement procedures. This issue was initially identified in the FY 2005-06 audit report and has

been a recurring issue in four of the six prior DDS audits. The review of 24 months of credit card statements identified the following:

- 37 instances of credit card purchases without receipts totaling \$2,618.34.
- 18 instances of credit card purchases totaling \$1,766.05 without the detailed/itemized receipts.
- 18 instances of alcohol purchases totaling \$412.85.
- 3 instances of credit card purchases totaling \$133.09 that were for personal use.

SCLARC incurred a total of \$4,930.33 in unsupported and unallowable credit card expenditures.

SCLARC provided additional documentation with its response to the draft report indicating it has resolved \$4,023.39. A balance of \$906.94 remains outstanding. (See Attachment B)

OMB Circular A-122 Appendix B to Part 230—Selected Items of Cost, Item 3 states:

“Alcoholic beverages. Costs of alcoholic beverages are unallowable.”

State Contract, Article IV, Section 3(a) and (b) states in part:

“Contractor shall keep records, as follows:

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract . . . .
- b. The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor’s program.”

SCLARC's Procedures for Credit Card Purchases, Section D (1) and (3) states in part:

- “1. THE CREDIT CARD IS NOT TO BE USED FOR PERSONAL USE....
  
3. Every purchase made with the company credit card, must have an original receipt to support the expenditure and a completed credit card form. Employees who fail to provide original receipts on two occasions may have their credit card privileges suspended indefinitely.
  - A. Employees making purchases at a restaurant must obtain a receipt that indicates the item(s) purchased at the restaurant. The agency doesn't reimburse for purchases of alcohol (No exceptions).”

**Recommendation:**

SCLARC must enforce its credit card procedures by suspending credit card privileges for those employees who fail to provide itemized receipts for purchases made using credit cards. In addition, SCLARC must ensure that credit cards issued to employees are not used to purchase personal items or alcohol. Furthermore, SCLARC must reimburse to DDS a total of \$906.94 for the unsupported expenditures.

**B. Inappropriate Use of Operational Funds**

The review of the credit card statements revealed 22 instances where SCLARC inappropriately used OPS funds for items and services that were neither for the delivery of RC services nor for administrative purposes. SCLARC used OPS funds totaling \$9,813.26 to cover expenses for the ground-breaking ceremony of its new office building, which is owned by FOS. These expenses were for catering, valet services, ceremonial shovels and hardhats, and gift bags for attendees of the ground-breaking ceremony. In addition, it was found that SCLARC spent \$7,550.00 to support the fundraising activities of various organizations in the Los Angeles area and sent three gift baskets totaling \$71.70 to SCLARC's attorneys. This resulted in a total of \$17,434.96 in inappropriate use of OPS funds. (See Attachment C)

OMB Circular A-122 Appendix B to Part 230—Selected Items of Cost, Item 12(a) states:

“Donations and contributions.

- a. Contributions or donations rendered. Contributions or donations, including cash, property, and services, made by the organization, regardless of the recipient, are unallowable.”

SCLARC’s Contract with the State, Article I. Standard Terms and Conditions, Section 11 Definitions, states:...

- f. “Operations Budget” means that portion of a Contractor’s budget allocation set forth in Exhibit A that is intended for the delivery of regional center “direct consumer services” and “administration.”
- g. “Direct Consumer Services” means those direct services to persons with developmental disabilities delivered by Contractor. These services include but are not limited to case management, funds management for persons with developmental disabilities, rights assurance, diagnosis and assessment, intake, prevention, quality assurance, program development, and other services under the Lanterman Act provided directly by Contractor.
- h. “Administration” means those support activities required of Contractor that are essential to the efficient conduct of business.”

**Recommendation:**

SCLARC must reimburse DDS a total of \$17,434.96 for the inappropriate use of OPS funds. In addition, SCLARC must ensure its OPS funds are used only for the delivery of RC services and for administration purposes.

**C. Credit Card Issued to Friends of SCLARC (FOS)**

The review of SCLARC’s credit card statements revealed that SCLARC issued a credit card to one of its employees exclusively for the purpose of making purchases for FOS. Although SCLARC was reimbursed for expenses incurred on the credit card, extending credit to other entities exposes SCLARC to unnecessary financial liabilities and could raise questions on whether SCLARC and FOS are separate entities.

SCLARC's Procedures for Credit Card Purchases, Section A states:

“South Central Los Angeles Regional Center (SCLARC) business credit cards will be issued to staff as approved by the Executive Director and for staff who travel regularly on Regional Center business. The use of the credit card is for food and lodging plus certain other business expenses that may be needed on a business trip. Non-Travel business expenses may be charged to the credit card with prior Regional Center authorization.”

Good business practice dictates that credit card privileges be granted to SCLARC employees to charge expenses necessary in the official conduct of company business. Therefore, granting credit card privileges to FOS, which is a separate entity, is not appropriate.

**Recommendation:**

SCLARC must cancel the credit card issued to FOS. SCLARC must also follow its credit card procedures and ensure that credit cards are only issued to staff for business-related purchases.

**Finding 3: In-Kind Services (Repeat)**

The review of FHI's account revealed that three SCLARC employees provided accounting, administrative, and program services to FHI for a total of \$2,852.47 in administrative costs for FY 2013-14. FHI is a direct-controlled entity of FOS. In return for the services provided by these employees, FHI provided funding to SCLARC consumers totaling \$1,494.94. This amount is \$1,357.53 less than the administrative costs covered by SCLARC. This occurred because SCLARC improperly credited FHI with \$1,375.00 of funding that was provided by FOS. This issue was identified in the audit reports for FYs 2008-09, 2009-10, and 2011-12.

State Contract, Article III, Section 13(b) states:

“b. Through a written agreement between the Contractor and a foundation, or similar entity, Contractor may provide in-kind administrative services to a foundation, or similar entity, provided such agreement requires reimbursement from the foundation to the Contractor for any services performed by the Contractor or its employees on behalf of the foundation or similar entity. In-kind reimbursement shall be in the form of specifically identifiable, non-monetary benefits for persons with developmental disabilities.”

First Amendment to In-Kind Services Agreement (SCLARC and Friends Housing, Inc.) states in part:

1. Valuation of SCLARC's In-Kind Services The Agreement identified the percentage of time applicable that SCLARC staff members have spent, and intend to continue to spend, on in-kind services to FHI. Based on such percentages, the monetary value of such services for FY 2012-13 and FY 2013-14 will be \$2,852.47 (the "**Monetary value of SCLARC's In-Kind Services**").
3. Records: Annual Reconciliation Within 90 days after the end of a fiscal year, the parties shall provide to each other adequate records to reasonably document the monetary value of all in-kind services from SCLARC to FHI, and the monetary value of all services from FHI to SCLARC. Based on such documentation, the parties shall then calculate and compare the Monetary Value of SCLARC's In-Kind Services during such fiscal year against the Monetary Value of FHI's during that same fiscal year.
4. Payment by FHI to SCLARC If the Monetary Value of SCLARC's In-Kind Services in a fiscal year exceeds the Monetary Value of FHI's Services in that same year, FHI shall remit the difference to SCLARC (the "Payment") within 90 days thereafter. FHI may remit the Payment either in (i) cash, (ii) grants to SCLARC's consumers and/or (iii) non-monetary assistance to SCLARC's staff and consumers."

**Recommendation:**

SCLARC must reimburse DDS a total of \$1,357.53 for the difference in services provided by SCLARC employees to FHI. SCLARC must also ensure the difference in services provided by SCLARC employees to FHI is paid within 90 days after the close of the FY.

**Finding 4: Missing Contract Language**

Three CPP Start-up contracts between SCLARC and Inclusions Services, LLC did not contain the provision for fair and equitable recoupment of Start-up funds should the Contractor fail to meet the Start-up expectations or milestones specified in the contract or if the contractor ceases to provide services to consumers prior to the number of years specified in the Start-up contract. SCLARC explained that the recoupment provision was present in the old Start-up contracts but was inadvertently omitted in the new contract template.

Guidelines for Regional Center Community Placement Plan (CPP), page 5 states in part:

“Provider Contracts: The RC must ensure that the CPP contracts between the RC and service providers contain the following provisions:

1. Holding the vendor accountable for the expenditure of funds consistent with the contract terms and for program outcomes;
2. In the event a project cannot be completed within the approved timeframe, the Start-up funds must be returned to the State; and,
3. Upon completion of the project and the reconciliation of contract funds, if the RC determines that the contract amount has not been fully expended, the unexpended contracted funds will be recouped by the RC and returned to the State.”

SCLARC’s RFP states in part:

“Recruitment that includes the use of startup money is registered in a record of funded contracts which specifies the contract number, contractor, purpose/title, award type and award. Each contract includes language which addresses actions to be taken by SCLARC to recoup State funds in the event the contractor fails to perform. The contract will include provisions for:

1. Naming South Central Los Angeles Regional Center as an additionally insured party on all insurance policies,
2. The termination of the contract and for the fair and equitable recoupment of startup funds, should the Contractor fail to meet the startup expectations or milestones specified in the startup contract or if the Contractor ceases to provide services to consumers prior to the number of years specified in the startup contract.”

**Recommendation:**

SCLARC must amend its Start-up contracts with Inclusions Services, LLC to include the provision for fair and equitable recoupment of funds in the event the Contractor fails to comply with the terms of the contract. In addition, SCLARC must update its template for Start-up contracts to ensure all Start-up contracts going forward contain this provision.

**Finding 5: Deceased Consumers - Missing Consumer Records**

The review of 21 deceased consumer files revealed three files with missing death certificates. SCLARC failed to obtain the death certificates for the deceased consumers in 2012. SCLARC requested copies of the death certificates in 2014 and indicated that the death certificates have not yet been received.

State Contract, Article IV, Section 3 (a) and (b) states in part:

“Contractor shall keep records, as follows:

- a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract....
- b. The Contractor shall make available at the office of the Contractor at any time during the terms of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor’s program.”

**Recommendation:**

SCLARC must request death certificates upon knowledge of a consumer’s death. In addition, SCLARC must ensure that all death certificates are retained, properly safeguarded, and readily available to the State for audit review.

**Finding 6: AFPF - Incorrect/Unsupported Fee Assessment**

The review of 15 AFPF assessments revealed SCLARC incorrectly assessed \$150 to one family when no fee was due based on its adjusted gross income. In addition, SCLARC did not have the income documentation to justify the reduced assessment of \$150 for another family. SCLARC stated the incorrect and unsupported assessments were due to an oversight on its part.

DDS’ AFPF Procedures, Summary of Regional Center Responsibilities states:

“Regional centers shall assess an AFPF in the amount of \$200 to parents of a child to whom the eligibility criteria apply. The fee amount can be reduced to \$150 when the parents demonstrate an adjusted gross income of less than 800% of the FPL based on their family size; or reduced to \$0 when the parents demonstrate an adjusted gross income of less than 400% FPL.”

**Recommendation:**

SCLARC must ensure that staff are using a family’s adjusted gross income to determine their assessments and that it retains all income documentation submitted.

**Findings That Have Been Addressed and Corrected by SCLARC.**

**Finding 7: Payment Reduction**

The review of 30 sampled median rate vendor invoices revealed SCLARC continued to apply the 4.25 percent rate reduction, instead of the 1.25 percent, for services provided during FY 2012-13 for two vendors: Paving the Way, LLC., Vendor Number PX0495, Service Code 063; and Willing Workers, Inc., Vendor Number PX0476, Service Code 094. This resulted in underpayments totaling of \$1,737.24.

Assembly Bill 1472 (Statutes of 2012, Chapter 25), Section 34, states in part:

“Section 10(a) Notwithstanding any other provision of law, in order to implement changes in the level of funding for regional center purchase of services, regional centers shall reduce payments for services and supports provided pursuant to Title 14 (commencing with Section 95000) of the Government Code and Division 4.1 (commencing with Section 4400) and Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code. From February 1, 2009, to June 30, 2010, inclusive, regional centers shall reduce all payments for these services and supports paid from purchase of services funds for services delivered on or after February 1, 2009, by 3 percent, from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent, and, commencing July 1, 2012, until June 30, 2013, by 1.25 percent, unless the regional center demonstrates that a nonreduced payment is necessary to protect the health and safety of the individual for whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval.”

SCLARC provided documentation during the fieldwork indicating it has issued payments totaling \$1,737.24 to the two vendors to resolve the underpayments.

**Recommendation:**

SCLARC must ensure that the correct rate reduction of 1.25 percent for FY 2012-13 is applied to all vendors.

**Finding 8: Improper Allocation of CPP Program Funds**

The review of SCLARC's CPP expenditures for consumers who moved from the DC to the community in FYs 2012-13 and 2013-14 revealed that SCLARC continued to use CPP funds for services for two DC movers beyond the fiscal year of their initial placement. This resulted in improper allocation of CPP funds totaling \$220,708.00 from July 2014 through February 2015.

Guidelines for Regional Center Community Placement Plan (III)(A) states in part:

“Placement funding will be allocated based on claims associated with reconciled CPP placements that occur during each FY. As part of the POS claims review process, the Department may periodically request verification of consumers who have transitioned to the community and their associated costs.”

SCLARC resolved this issue during the fieldwork by reclassifying the CPP payments to regular POS on May 8, 2015.

**Recommendation:**

SCLARC must ensure that it does not continue to allocate CPP expenditures to consumers after the end of the initial FY of placement. In addition, SCLARC must also ensure that all CPP claims are allocated to proper funding sources before claims are made to DDS.

**Finding 9: Deceased Consumers - Multiple Dates of Death**

The review of SCLARC's UFS Deceased Consumers Report revealed five consumers with multiple dates of death. The multiple dates of death will appear in the UFS Death Report when the Special Incident Report (SIR) date entered into UFS does not match the date of death entered into UFS.

State Contract, Article IV, Section 1(c)(1) states in part:

“c. Contractor shall make available accurate and complete UFS information to the State. Accordingly, Contractor shall:

- 1) Update changes to all mandatory items of the Client Master File at 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.”

SCLARC resolved this issue during the fieldwork by updating UFS to reflect the correct date of death.

**Recommendation:**

SCLARC should ensure its employees are only recording the date of death listed on the death certificate into UFS. In addition, SCLARC should review all current deceased consumer files to ensure that only one date of death is recorded in UFS.

## EVALUATION OF RESPONSE

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As part of the audit report process, SCLARC was provided with a draft audit report and requested to provide a response to the findings. SCLARC's response, dated April 20, 2017, 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 Section 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 the issues. DDS' Audit Section will confirm SCLARC's corrective action identified in the response during the next scheduled audit.

### **Finding 1: Overstated Claims (Repeat)**

SCLARC provided documentation showing the overpayment of \$993 to Serenity Living II, Vendor Number HX0317, was recovered. In addition, SCLARC provided documentation that the authorization for Institute for Applied Behavior Analysis, Vendor Number PM0820, was increased to 180 hours per month for November 2013 through March 2014, but did not provide support documentation for October 2013. Therefore, SCLARC must reimburse a total of \$1,188.00 still outstanding.

### **Finding 2: Credit Cards Practices**

#### **A. Credit Card Procedures Not Followed (Repeat)**

SCLARC agreed that its credit card practices could be improved and indicated that it has made changes effective immediately to not allow for restaurant charges for meetings, except for agency-sanctioned activities. Online purchases with SCLARC credit cards have been delegated to Management Information Systems or the Office Manager.

In addition, SCLARC provided the meeting dates and a brief description of the events from the Microsoft Outlook calendar, as "alternate" support for 38 out of the 55 instances of missing or non-itemized receipts totaling \$2,850.73. Though the receipts were still missing, the review of the credit card statements in conjunction with the itinerary and schedules detailed in Microsoft Outlook support the changes as legitimate business expenses. Therefore, \$4,023.39 of the \$4,923.39 unsupported and disallowed purchases identified in the audit has been resolved. Additionally, SCLARC provided receipts or documentation indicating four purchases totaling \$626.72 were supported. The remaining 13 purchases totaling \$906.94 were unsupported and must be reimbursed to DDS.

Furthermore, SCLARC has been fully reimbursed by the individual responsible for the alcohol and personal expenses totaling \$525.94 charged to SCLARC's credit card.

DDS will follow up during the next scheduled audit to ensure that SCLARC is abiding by its new credit card policy.

**B. Inappropriate Use of Operational Funds**

SCLARC disagrees with the finding and states that the \$9,813.26 spent for the ground-breaking event was part of its public awareness and outreach campaign to inform SCLARC's stakeholders, community leaders, and community in general of its new location, history, and purpose. In addition, SCLARC stated that the purpose for spending \$7,550 to attend the fundraising activities of the various organizations in Los Angeles was to educate the public about the regional center and to solicit "their support and involvement with fund developments." Also, SCLARC stated that the gift baskets, worth \$71.70, sent to its attorney was a thank you for "going above and beyond and winning" a case.

SCLARC's use of OPS funds was not for the delivery of direct consumer services nor was it for administrative purposes, as defined in SCLARC's contract with the State. SCLARC must reimburse to DDS a total of \$17,434.96 for the inappropriate use of OPS funds.

**C. Credit Card Issued to Friends of SCLARC (FOS)**

SCLARC stated that it agrees with the finding and has already complied with the recommendation to cancel the credit card.

**Finding 3: In-Kind Services (Repeat)**

SCLARC disagrees with the finding that it improperly credited FHI with \$1,357.53 in rental assistance grants funded by FOS. SCLARC stated that FOS and FHI help SCLARC consumers with housing assistance where needed. Housing related grants are coordinated by FHI but funded by FOS because all housing-related revenues are deposited into FOS' account.

The ownership structure and how the entities are funded is not pertinent to the finding. FOS and FHI each entered into their own in-kind service agreement with SCLARC. These agreements obligate each entity to provide services that are the monetary equivalent to the time spent by SCLARC staff members. FHI did not meet its obligations, and therefore the finding remains unchanged.

**Finding 4: Missing Contract Language**

SCLARC has resolved this issue by providing a copy of its updated start-up contract, which includes language that requires the repayment of the start-up funds if the vendor provides less than five years of continuous service.

**Finding 5: Deceased Consumers - Missing Consumer Records**

SCLARC has resolved this issue by providing copies of the death certificates for the three consumers.

**Finding 6: AFPF - Incorrect/Unsupported Fee Assessment**

SCLARC agrees with the finding and will reimburse DDS \$50.

**South Central Los Angeles County Regional Center  
Overstated Claims  
Fiscal Years 2012-13 and 2013-14**

No.	UCI	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	POS Amount	Over Payments	Corrected	Outstanding Balance
1		H04246	Hendrick Adult Group	915		Nov-12	\$982.00	\$982.00	\$982.00	\$0.00
2		H04246	Hendrick Adult Group	400		Nov-12	\$128.00	\$128.00	\$128.00	\$0.00
3		H05190	Roshawn Family Care	400		Oct-13	\$149.00	\$149.00	\$149.00	\$0.00
4		H16617	California Medical	725		Aug-12	\$149.03	\$149.03	\$149.03	\$0.00
5		H16617	California Medical	725		Aug-12	\$96.82	\$96.82	\$96.82	\$0.00
6		H18773	California Behavior	505		Jul-13	\$313.10	\$313.10	\$313.10	\$0.00
7		H18794	Withers Adult Res	400		Dec-13	\$103.10	\$103.10	\$103.10	\$0.00
8		H18830	Jeffrey Foundation	851		Jan-14	\$70.28	\$70.28	\$70.28	\$0.00
9		H73612	Mimi's Home	400		Jan-13	\$50.00	\$50.00	\$50.00	\$0.00
10		H73612	Mimi's Home	400		Feb-13	\$50.00	\$50.00	\$50.00	\$0.00
11		H73614	Lori's Adult Resid	915		Sep-13	\$993.00	\$568.00	\$568.00	\$0.00
12		HL0621	Accredited Respite	862		Jul-12	\$267.12	\$267.12	\$267.12	\$0.00
13		HW0069	Maxim Healthcare	854		Sep-12	\$232.32	\$232.32	\$232.32	\$0.00
14		HW0271	Maxim Healthcare	862		Nov-12	\$98.40	\$98.40	\$98.40	\$0.00
15		HW0321	Premier Healthcare	862		Oct-12	\$233.44	\$233.44	\$233.44	\$0.00
16		HW0321	Premier Healthcare	862		Jan-13	\$350.16	\$350.16	\$350.16	\$0.00
17		HW0321	Premier Healthcare	862		Sep-12	\$68.64	\$68.64	\$68.64	\$0.00
18		HW0321	Premier Healthcare	862		Sep-12	\$116.72	\$116.72	\$116.72	\$0.00
19		HW0321	Premier Healthcare	862		Oct-12	\$72.95	\$72.95	\$72.95	\$0.00
20		HW0321	Premier Healthcare	862		Sep-12	\$175.08	\$175.08	\$175.08	\$0.00
21		HW0321	Premier Healthcare	862		Dec-12	\$233.44	\$233.44	\$233.44	\$0.00
22		HW0321	Premier Healthcare	862		Jun-13	\$233.44	\$233.44	\$233.44	\$0.00
23		HW0321	Premier Healthcare	862		Jan-13	\$218.85	\$218.85	\$218.85	\$0.00
24		HW0321	Premier Healthcare	862		Sep-12	\$233.44	\$233.44	\$233.44	\$0.00
25		HW0321	Premier Healthcare	862		Jul-13	\$236.32	\$236.32	\$236.32	\$0.00
26		HW0353	Mosaic Of Friends Iv	920		Aug-13	\$993.00	\$993.00	\$993.00	\$0.00
27		HW0353	Mosaic Of Friends Iv	400		Aug-13	\$149.00	\$149.00	\$149.00	\$0.00
28		HW0479	Ucp/Scf Of Los Angel	515		Jul-12	\$19.95	\$8.57	\$8.57	\$0.00
29		HX0007	Grace Residential	880		May-13	\$369.38	\$369.38	\$369.38	\$0.00
30		HX0091	Arkansas Manor	400		Jul-13	\$17.00	\$17.00	\$17.00	\$0.00

**South Central Los Angeles County Regional Center  
Overstated Claims  
Fiscal Years 2012-13 and 2013-14**

No.	UCI	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	POS Amount	Over Payments	Corrected	Outstanding Balance
31		HX0091	Arkansas Manor	400		Aug-13	\$129.00	\$129.00	\$129.00	\$0.00
32		HX0120	Wright Road Beh	515		Sep-12	\$1,358.69	\$1,358.69	\$1,358.69	\$0.00
33		HX0257	The Arc Los Angeles	55		Nov-13	\$1,152.90	\$1,152.90	\$1,152.90	\$0.00
34		HX0259	Kay-Des Assisted	915		Sep-13	\$993.00	\$993.00	\$993.00	\$0.00
35		HX0294	We Are Family Trans	875		Oct-12	\$218.80	\$218.80	\$218.80	\$0.00
36		HX0297	W & W Residential Care	400		Aug-12	\$128.00	\$128.00	\$128.00	\$0.00
37		HX0297	W & W Residential Care	915		Sep-13	\$27.30	\$27.30	\$27.30	\$0.00
38		HX0297	W & W Residential Care	915		Oct-13	\$27.30	\$27.30	\$27.30	\$0.00
39		HX0297	W & W Residential Care	915		Nov-13	\$27.30	\$27.30	\$27.30	\$0.00
40		HX0297	W & W Residential Care	915		Dec-13	\$25.30	\$25.30	\$25.30	\$0.00
41		HX0317	Serenity Living II	905		Jul-13	\$993.00	\$993.00	\$993.00	\$0.00
42		HX0374	Davina Douthard, Inc.	55		Oct-12	\$547.74	\$547.74	\$547.74	\$0.00
43		HX0404	We Are Family,Inc	896		Jul-13	\$92.03	\$92.01	\$92.01	\$0.00
44		HX0451	Abrajano Group Home	915		Sep-13	\$1,290.00	\$12.00	\$12.00	\$0.00
45		HX0469	Mc Calister Transport	875		Apr-13	\$218.80	\$218.80	\$218.80	\$0.00
46		HX0487	C-H #6 Residential Care	113		Jul-12	\$947.00	\$135.58	\$135.58	\$0.00
47		HX0527	That's Home II, Llc	915		Nov-14	\$1,565.66	\$1,565.66	\$1,565.66	\$0.00
48		HX0550	Choice R'us-Ward	400		Oct-13	\$36.80	\$36.80	\$36.80	\$0.00
49		HX0552	Epic Resident.Homes	113		Jul-12	\$9,054.25	\$112.84	\$112.84	\$0.00
50		HX0552	Epic Resident.Homes	113		Jul-12	\$9,054.25	\$112.84	\$112.84	\$0.00
51		HX0552	Epic Resident.Homes	113		Jul-12	\$9,054.25	\$112.84	\$112.84	\$0.00
52		HX0564	Comfort House Rcfе	400		Nov-13	\$149.00	\$149.00	\$149.00	\$0.00
53		HX0571	Home 2 U 2	400		Oct-13	\$129.00	\$129.00	\$129.00	\$0.00
54		HX0571	Home 2 U 2	400		Nov-13	\$129.00	\$129.00	\$129.00	\$0.00
55		HX0579	Bloomfield West Tran	880		Oct-12	\$369.38	\$369.38	\$369.38	\$0.00
56		HX0579	Bloomfield West Tran	880		Oct-12	\$369.38	\$369.38	\$369.38	\$0.00
57		HX0579	Bloomfield West Tran	880		Oct-12	\$369.38	\$369.38	\$369.38	\$0.00
58		HX0579	Bloomfield West Tran	880		Oct-12	\$369.38	\$369.38	\$369.38	\$0.00
59		HX0579	Bloomfield West Tran	880		Oct-12	\$369.38	\$369.38	\$369.38	\$0.00

**South Central Los Angeles County Regional Center  
Overstated Claims  
Fiscal Years 2012-13 and 2013-14**

No.	UCI	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	POS Amount	Over Payments	Corrected	Outstanding Balance
60		HX0579	Bloomfield West Tran	880		Oct-12	\$352.59	\$352.59	\$352.59	\$0.00
61		HX0579	Bloomfield West Tran	880		Oct-12	\$352.59	\$352.59	\$352.59	\$0.00
62		HX0594	Enoro Home Care	868		May-13	\$970.40	\$970.40	\$970.40	\$0.00
63		HX0600	84th Street Home	113		Jun-13	\$11,468.10	\$11,456.10	\$11,456.10	\$0.00
64		HX0600	84th Street Home	400		Jun-13	\$129.00	\$129.00	\$129.00	\$0.00
65		HX0611	Enhancing Lives, Inc	896		Nov-13	\$179.31	\$0.60	\$0.60	\$0.00
66		PH0867	California Unified	612		Oct-12	\$207.60	\$207.60	\$207.60	\$0.00
67		PH1571	Home On 219th St	113		Jul-12	\$14,282.21	\$14,282.21	\$14,282.21	\$0.00
68		PL0786	California Psychcare	620		Dec-12	\$301.44	\$200.96	\$200.96	\$0.00
69		PL0786	California Psychcare	620		Dec-12	\$401.92	\$401.92	\$401.92	\$0.00
70		PL0786	California Psychcare	620		Oct-13	\$101.74	\$101.74	\$101.74	\$0.00
71		PL0813	California Psychcare	615		Sep-12	\$1,862.64	\$1,862.64	\$1,862.64	\$0.00
72		PL0985	Rebecca R. Holtzman	785		Feb-13	\$375.35	\$375.35	\$375.35	\$0.00
73		PL1091	Beatrix Wagner	785		Aug-12	\$375.35	\$375.35	\$375.35	\$0.00
22		PM0820	Institute For Applied	111		Oct-13	\$3,963.00	\$1,188.00	\$0.00	\$1,188.00
23		PM0820	Institute For Applied	111		Dec-13	\$1,953.00	\$1,953.00	\$1,953.00	\$0.00
24		PM0820	Institute For Applied	111		Jan-14	\$1,953.00	\$1,953.00	\$1,953.00	\$0.00
25		PM0820	Institute For Applied	111		Feb-14	\$1,953.00	\$1,953.00	\$1,953.00	\$0.00
26		PM0820	Institute For Applied	111		Mar-14	\$1,953.00	\$1,953.00	\$1,953.00	\$0.00
27		PW5737	Pediatric Pal	116		Jul-12	\$203.43	\$203.43	\$203.43	\$0.00
28		PW6243	24hr Homecare	470		Jan-13	\$103.17	\$103.17	\$103.17	\$0.00
29		PW6243	24hr Homecare	470		Jun-13	\$21.72	\$21.72	\$21.72	\$0.00
30		PW6243	24hr Homecare	470		Nov-12	\$103.17	\$103.17	\$103.17	\$0.00
31		PW6243	24hr Homecare	470		Jun-13	\$87.88	\$87.88	\$87.88	\$0.00
32		PW6243	24hr Homecare	470		Jun-13	\$103.17	\$103.17	\$103.17	\$0.00
33		PW6402	Behavioral Analysis	620		Sep-12	\$12.50	\$5.38	\$5.38	\$0.00
34		PX0232	Levan Bell	102		Dec-12	\$18.52	\$18.52	\$18.52	\$0.00
35		PX0237	Ch Adult Day Prog	55		Jun-13	\$3,208.80	\$3,208.80	\$3,208.80	\$0.00
36		PX0237	Ch Adult Day Prog	55		Jun-13	\$3,169.20	\$3,169.20	\$3,169.20	\$0.00

**South Central Los Angeles County Regional Center  
Overstated Claims  
Fiscal Years 2012-13 and 2013-14**

No.	UCI	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	POS Amount	Over Payments	Corrected	Outstanding Balance
37		PX0452	Community Joint	400		Dec-13	\$149.00	\$149.00	\$149.00	\$0.00
38		PX0531	Home 2 U 4	109		Nov-13	\$30.00	\$30.00	\$30.00	\$0.00
39		PX0558	Fairview House	109		Nov-13	\$4,160.00	\$1,200.00	\$1,200.00	\$0.00
40		ZX0695	Yvette Lambert	65		Oct-13	\$183.60	\$183.60	\$183.60	\$0.00
<b>Total Overstated Claims</b>								<b>\$66,669.29</b>	<b>\$64,716.29</b>	<b>\$1,188.00</b>

**South Central Los Angeles County Regional Center  
Unsupported and Disallowed Purchases  
Fiscal Years 2012-13 and 2013-14**

<b>Transaction Date</b>	<b>Purchase Transaction</b>	<b>Transaction Amount</b>	<b>Resolved</b>	<b>Outstanding</b>
6/24/2012	Missing Receipt - Airline Purchase	\$5.99	\$0.00	\$5.99
7/13/2012	Missing Receipt - Hotel Santa Barbara	\$208.70	\$208.70	\$0.00
7/20/2012	Missing Receipt - Parking	\$5.00	\$5.00	\$0.00
7/26/2012	Missing Receipt - Restaurant	\$128.25	\$128.25	\$0.00
8/15/2012	Missing Receipt - Restaurant	\$66.62	\$66.62	\$0.00
10/5/2012	Missing Receipt - Restaurant	\$83.41	\$83.41	\$0.00
10/27/2012	Missing Receipt - Computer Software	\$79.99	\$79.99	\$0.00
12/7/2012	Missing Receipt - Taxi	\$49.00	\$49.00	\$0.00
12/20/2012	Missing Receipt - Parking	\$25.00	\$25.00	\$0.00
3/26/2013	Missing Receipt	\$12.77	\$12.77	\$0.00
3/28/2013	Missing Receipt - Restaurant	\$77.58	\$77.58	\$0.00
4/10/2013	Missing Receipt	\$34.18	\$0.00	\$34.18
4/17/2013	Missing Receipt - Shuttle	\$14.00	\$14.00	\$0.00
4/18/2013	Missing Receipt - Restaurant	\$11.69	\$11.69	\$0.00
5/4/2013	Missing Receipt - Restaurant	\$50.14	\$0.00	\$50.14
6/5/2013	Missing Receipt - Restaurant	\$471.30	\$0.00	\$471.30
6/6/2013	Missing Receipt - Restaurant	\$44.18	\$0.00	\$44.18
6/21/2013	Missing Receipt - Restaurant	\$43.79	\$0.00	\$43.79
6/25/2013	Missing Receipt - Restaurant	\$46.33	\$46.33	\$0.00
6/26/2013	Missing Receipt - Restaurant	\$69.35	\$69.35	\$0.00
6/28/2013	Missing Receipt - Restaurant	\$61.46	\$61.46	\$0.00
7/23/2013	Missing Receipt	\$37.29	\$37.29	\$0.00
8/15/2013	Missing Receipt - Restaurant	\$8.37	\$0.00	\$8.37
8/16/2013	Missing Receipt - Restaurant	\$6.33	\$6.33	\$0.00
8/20/2013	Missing Receipt - Restaurant	\$73.77	\$0.00	\$73.77
9/13/2013	Missing Receipt - Hotel Stay	\$277.19	\$277.19	\$0.00
11/22/2013	Missing Receipt	\$7.90	\$7.90	\$0.00
11/22/2013	Missing Receipt	\$3.95	\$3.95	\$0.00
2/27/2014	Missing Receipt - Restaurant	\$74.09	\$74.09	\$0.00
3/17/2014	Missing Receipt - Restaurant	\$173.29	\$173.29	\$0.00
3/19/2014	Missing Receipt - Restaurant	\$71.99	\$71.99	\$0.00
3/20/2014	Missing Receipt - Restaurant	\$69.79	\$69.79	\$0.00
3/20/2014	Missing Receipt - Restaurant	\$42.75	\$0.00	\$42.75
3/20/2014	Missing Receipt - Taxi	\$22.88	\$0.00	\$22.88
3/21/2014	Missing Receipt - Parking	\$36.94	\$0.00	\$36.94
3/22/2014	Missing Receipt - Restaurant	\$74.84	\$74.84	\$0.00
3/26/2014	Missing Receipt - Office Supplies	\$48.24	\$0.00	\$48.24
<b>Total Missing Receipts</b>		<b>\$2,618.34</b>	<b>\$1,735.81</b>	<b>\$882.53</b>

**South Central Los Angeles County Regional Center  
Unsupported and Disallowed Purchases  
Fiscal Years 2012-13 and 2013-14**

Transaction Date	Purchase Transaction	Transaction Amount	Resolved	Outstanding
9/17/2012	Non-Itemized Receipt - Restaurant	\$123.66	\$123.66	\$0.00
12/11/2012	Non-Itemized Receipt	\$24.41	\$0.00	\$24.41
12/14/2012	Non-Itemized Receipt - Restaurant	\$500.00	\$500.00	\$0.00
1/22/2013	Non-Itemized Receipt - Restaurant	\$177.99	\$177.99	\$0.00
3/26/2013	Non-Itemized Receipt - Restaurant	\$40.40	\$40.40	\$0.00
4/8/2013	Non-Itemized Receipt - Restaurant	\$25.26	\$25.26	\$0.00
4/11/2013	Non-Itemized Receipt - Restaurant	\$158.11	\$158.11	\$0.00
8/22/2013	Non-Itemized Receipt - Restaurant	\$29.05	\$29.05	\$0.00
9/18/2013	Non-Itemized Receipt - Restaurant	\$129.66	\$129.66	\$0.00
8/29/2013	Non-Itemized Receipt - Restaurant	\$32.41	\$32.41	\$0.00
9/3/2013	Non-Itemized Receipt - Restaurant	\$47.59	\$47.59	\$0.00
1/22/2014	Non-Itemized Receipt - Restaurant	\$73.26	\$73.26	\$0.00
12/28/2013	Non-Itemized Receipt - Restaurant	\$29.05	\$29.05	\$0.00
2/18/2014	Non-Itemized Receipt - Restaurant	\$86.25	\$86.25	\$0.00
3/5/2014	Non-Itemized Receipt - Restaurant	\$31.05	\$31.05	\$0.00
4/1/2014	Non-Itemized Receipt - Restaurant	\$162.71	\$162.71	\$0.00
4/4/2014	Non-Itemized Receipt - Restaurant	\$27.09	\$27.09	\$0.00
4/24/2014	Non-Itemized Receipt - Restaurant	\$68.10	\$68.10	\$0.00
<b>Total Non-Itemized Receipts</b>		<b>\$1,766.05</b>	<b>\$1,741.64</b>	<b>\$24.41</b>

Transaction Date	Purchase Transaction - Alcohol	Transaction Amount	Resolved	Outstanding
9/21/2012	Alcohol	\$165.00	\$165.00	\$0.00
12/13/2012	Alcohol	\$17.00	\$17.00	\$0.00
1/4/2013	Alcohol	\$8.00	\$8.00	\$0.00
2/14/2013	Alcohol	\$15.00	\$15.00	\$0.00
2/16/2014	Alcohol	\$24.00	\$24.00	\$0.00
2/15/2013	Alcohol	\$15.00	\$15.00	\$0.00
2/17/2013	Alcohol	\$33.00	\$33.00	\$0.00
3/14/2013	Alcohol	\$6.00	\$6.00	\$0.00
3/20/2013	Alcohol	\$26.00	\$26.00	\$0.00
3/27/2013	Alcohol	\$15.00	\$15.00	\$0.00
4/8/2013	Alcohol	\$10.00	\$10.00	\$0.00
4/27/2013	Alcohol	\$16.00	\$16.00	\$0.00
6/1/2013	Alcohol	\$4.00	\$4.00	\$0.00
10/18/2013	Alcohol	\$11.85	\$11.85	\$0.00
2/1/2014	Alcohol	\$8.00	\$8.00	\$0.00
2/13/2014	Alcohol	\$16.00	\$16.00	\$0.00
5/13/2014	Alcohol	\$14.00	\$14.00	\$0.00
5/30/2014	Alcohol	\$9.00	\$9.00	\$0.00
<b>Total Alcohol Purchases</b>		<b>\$412.85</b>	<b>\$412.85</b>	<b>\$0.00</b>

**South Central Los Angeles County Regional Center  
Unsupported and Disallowed Purchases  
Fiscal Years 2012-13 and 2013-14**

<b>Transaction Date</b>	<b>Purchase Transaction - Personal Expenses</b>	<b>Transaction Amount</b>	<b>Resolved</b>	<b>Outstanding</b>
1/18/2013	Book Purchased at Airport	\$15.10	\$15.10	\$0.00
4/25/2013	On-Command Movies at Hotel	\$17.99	\$17.99	\$0.00
10/27/2013	Golf No-Show Charge	\$100.00	\$100.00	\$0.00
<b>Total Personal Expenses</b>		<b>\$133.09</b>	<b>\$133.09</b>	<b>\$0.00</b>
<b>Total Unsupported and Disallowed Purchases</b>		<b>\$4,930.33</b>	<b>\$4,023.39</b>	<b>\$906.94</b>

**South Central Los Angeles County Regional Center  
Inappropriate Use of Operational Funds  
Fiscal Years 2012-13 and 2013-14**

<b>Transaction Date</b>	<b>Purchase Transaction</b>	<b>Transaction Amount</b>
8/9/2013	Foundation Expense - Legacy Groundbreaking - Catering	\$500.00
8/12/2013	Foundation Expense - Legacy Groundbreaking- Giftbags	\$216.79
8/13/2013	Foundation Expense - Bin Rentals	\$183.18
8/12/2013	Foundation Expense - Legacy Groundbreaking - Hardhats	\$516.03
8/14/2013	Foundation Expense - Legacy Groundbreaking- Giftbags	\$105.84
8/14/2013	Foundation Expense - Legacy Groundbreaking- Shovels	\$23.76
8/14/2013	Foundation Expense - Legacy Groundbreaking - Valet Service	\$1,200.00
8/15/2013	Foundation Expense - Legacy Groundbreaking - Supplies & Drinks	\$203.47
8/15/2013	Foundation Expense - Legacy Groundbreaking- Giftbags	\$2,057.89
8/14/2013	Foundation Expense - Legacy Groundbreaking - Hardhats	\$2,464.75
8/16/2013	Foundation Expense - Legacy Groundbreaking - Cakes	\$499.00
8/16/2013	Foundation Expense - Legacy Groundbreaking - Cakes	\$424.00
8/27/2013	Foundation Expense - Legacy Groundbreaking - Food	\$259.35
8/28/2013	Foundation Expense - Legacy Groundbreaking - Valet Service	\$1,159.20
3/1/2013	Donation - Boardmember Fundraiser	\$250.00
10/9/2013	Donation - Abode Communities Fundraiser	\$500.00
2/6/2014	Donation - Unity Awards Gala Fundraiser	\$3,000.00
2/19/2014	Gifts to Attorney	\$71.70
5/7/2014	Donation - Jeffery Foundation Fundraiser	\$300.00
4/24/2014	Donation - Liberty Hill Foundation Fundraiser	\$500.00
6/2/2014	Donation - Ladylike Foundation Fundraiser	\$1,000.00
6/13/2014	Donation - LA Conservancy Fundraiser	\$2,000.00
<b>Total Inappropriate Use of Operational Funds</b>		<b>\$17,434.96</b>

## **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)**

## FY 2012-13 & FY 2013-14 SCLARC RESPONSES

### Finding 1: Overstated Claims (Repeat)

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#### Response:

##### A. \$10,758 Overpayment

- a. \$993 Overpayment for July, 2013 – HX0317 Serenity Living II – facility was closed and the original credit memo that was applied did not go through due to insufficient payment. Payment was recovered on 03/14/2017 (see attachment #1A.a.).
- b. \$9,765 Overpayment from November to March 2014 (\$1,953.00 per month) Institute for Applied Behavior Analysis – PM0820 – this was not an over payment, the authorization was modified for 180 hours for an additional six months period from November 2013 through March 2014. This information was provided during the audit (see attachment #1.A.b.).

### Finding 2: Credit Cards Practices

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#### Response:

##### A. Credit Card Procedures Not Followed (Repeat)

We went back and identified alternate documentation in lieu of the missing receipts for most of the charges (see attachment #2.A.1., #2.A.2. and #2.A.3). However, we agree that the current practice can be improved. Therefore, we are amending our procedures effective immediately to not allow charges for restaurant charges for meetings except for agency sanctioned activities such as trips to Sacramento for grassroots day with consumers and their families, agency retreats for board members and staff and agency holiday functions for staff. We are also limiting online purchases by cardholders and delegate such purchases to MIS or the Office Manager through the agency corporate accounts such as Office Depot, Staples or CDW, except for goods and services that cannot be obtained through these accounts.

##### B. Inappropriate Use of Operational Funds

SCLARC disagrees with this finding and submits the following reasons for the use of operations funds in question:

- a. Groundbreaking Event - as part of our Public Awareness and Outreach Campaign, hosted a groundbreaking event for SCLARC headquarters. The purpose of the event was to inform SCLARC's stakeholders, community leaders and community in general of our new location, our history and purpose. SCLARC believes that Outreach is one of the core mandated services provided by Regional Centers. It is because of our strong outreach efforts in conjunction with having an ever increasing community presents along with the individuals we serve, their families and community partners that SCLARC is one of the fastest growing Centers in the state.

## **FY 2012-13 & FY 2013-14 SCLARC RESPONSES**

- b. Various Operating Expenses (see attachment #2.B.b.).
- C. Credit Card Issued to Friends of SCLARC (FOS)
  - a. SCLARC agrees and has complied with the recommendation.

### **Finding 3: In-Kind Services (Repeat)**

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Response: We disagree with DDS's findings that SCLARC improperly credited FHI with \$1,375 rental assistance grants funded by FOS. FOS and FHI works with SCLARC consumers by providing housing assistance where needed. All housing related grants are coordinated by FHI but funded by FOS because all housing related revenues are booked under FOS. The ownership of the housing entity (Friends Community Housing, LLC) is owned by both FOS and FHI.

### **Finding 4: Missing Contract Language**

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Response: The contract language is now in our start-up contracts and the vendor's contract in question has now been amended to include the language (see attachment #4).

### **Finding 5: Deceased Consumers – Missing Consumer Records**

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Response: SCLARC has the death certificates on file (see attachment #5).

### **Finding 6: AFPP – Incorrect/Unsupported Fee Assessment**

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Response: We agree.

SCLARC will reimburse DDS \$50.

### **Finding 7: Payment Reduction**

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Response: We Agree.

### **Finding 8: Improper Allocation of Community Placement Plan Program Funds**

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Response: We agree.

### **Finding 9: Deceased Consumers – Multiple Dates of Death**

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Response: We agree.