



**AUDIT OF THE
SOUTH CENTRAL LOS ANGELES REGIONAL
CENTER
FOR FISCAL YEAR 2005-06**

Department of Developmental Services

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TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
BACKGROUND	3
Authority	4
Criteria	4
Audit Period	4
OBJECTIVES, SCOPE, AND METHODOLOGY	5
I. Purchase of Service	6
II. Regional Center Operations	7
III. Targeted Case Management and Regional Center Rate Study	7
IV. Service Coordinator Caseload Study	7
V. Early Intervention Program (Part C Funding)	8
VI. Family Cost Participation Program	8
VII. Other Sources of Funding	9
VIII. Follow-up Review on Prior DDS's Audit Findings	9
CONCLUSIONS	10
VIEWS OF RESPONSIBLE OFFICIALS	11
RESTRICTED USE	12
FINDINGS AND RECOMMENDATIONS	13
EVALUATION OF RESPONSE	18
REGIONAL CENTER'S RESPONSE	Appendix A

EXECUTIVE SUMMARY

The fiscal compliance audit of South Central Los Angeles Regional Center (SCLARC) revealed that SCLARC was in substantial compliance with the requirements set forth in California Code of Regulations Title 17, the California Welfare and Institutions (W&I) Code, the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services. The audit indicated that, overall, SCLARC maintains accounting records and supporting documentation for transactions in an organized manner. 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.

The following findings need to be addressed, but do not significantly impair the financial integrity of SCLARC or seriously compromise its ability to account for or manage State funds.

Finding 1: Wellness Program - Contract Management

The review of SCLARC's Wellness program revealed two Wellness projects that did not have contracts signed and dated by SCLARC and Contractors prior to the end of the fiscal year 2005-06, as required in the DDS's award letter and SCLARC's contract.

Finding 2: Family Cost Participation Program (FCPP)

A. Over-Stated Claims

The review of the Family Cost Participation Program (FCPP) revealed that SCLARC has been paying more than its assessed share of cost for six of the seven consumers participating in the program from November 2005 to May 2007. The total amount of overpayments identified was \$24,306.73. This was due to a vacancy in the position responsible for assessing the share of cost.

B. Missing Documentation

The sample review of 10 FCPP files revealed four with missing income documentation used in assessing the amount of family cost participation. In addition, it was found that six FCPP files were missing the notification letters that are sent to inform parents of their assessed cost of participation. This is in violation of Title 17, Section 50262 (b).

C. Late Notification Letters

The sample review of the 10 FCPP files revealed that four notification letters sent to inform parents of their assessed cost of participation were not sent within 10 working days of receipt of the income documentation. This is in violation of the W&I Code, Section 4783 (g)(3).

D. Additional Units of Service Not Assessed

The sample review of the 10 FCPP files revealed that additional units of service for two consumers were not assessed for the share of cost allocation for the consumers' family. This resulted in the additional units of service being entirely paid by SCLARC, in the amount of \$5,749.16.

Finding 3: Client Trust Balances Over \$2,000 (Repeat)

A sample review of the Client Trust accounts revealed four Client Trust balances exceeded the \$2,000 resource limit. This is a violation of the Social Security Handbook, Section 2153.2. This issue was also identified in the prior DDS audit.

Finding 4: Delinquent Credit Card Payments (Repeat)

The review of monthly statements for credit cards issued to SCLARC employees for business purposes identified 23 transactions for late payment penalties totaling \$510.68 that were assessed during the audit period. This issue was also identified in the prior DDS audit.

Finding 5: Operational Expenses Reimbursement Procedures not Followed

The review of the operational expenses revealed that SCLARC's procedures on credit card purchases is not being followed. It was noted that \$5,200.13 in credit card charges had insufficient documentation to verify the claimed expenses. Credit card statements and receipt forms were used as support instead of the actual receipts. This is not in compliance with SCLARC's Procedures for Credit Card Purchases, Section D (b).

BACKGROUND

The Department of Developmental Services (DDS) is responsible, under the Lanterman Developmental Disabilities Services Act (Lanterman Act), for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive and normal lives. To ensure that these services and supports are available, DDS contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals with DD and their families in California. These fixed points of contact are referred to as regional centers. The regional centers are responsible under State law to help ensure that such persons receive access to the programs and services that are best suited to them throughout their lifetime.

DDS is also responsible for providing assurance to the Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS) that services billed under California's Home and Community-Based Services (HCBS) Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Branch conducts fiscal compliance audits of each regional center no less than every two years and completes follow-up reviews in alternate years. Also, DDS requires regional centers to contract with independent Certified Public Accountants (CPA) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

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

DDS and South Central Los Angeles for Developmentally Disabled Persons, Inc., entered into contract HD049018, effective July 1, 2004 through June 30, 2009. This contract specifies that South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc., will operate an agency known as the South Central Los Angeles Regional Center (SCLARC) to provide services to persons with DD and their families in the Compton, San Antonio, South, Southeast and Southwest Counties. 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 May 14, 2007, through June 13, 2007, and was conducted by DDS's Audit Branch.

AUTHORITY

The audit was conducted under the authority of the Welfare and Institutions (W&I) Code, Section 4780.5, and Article IV, Provision Number 3 of SCLARC's contract.

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was from July 1, 2005 through June 30, 2006, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

This audit was conducted as part of the overall DDS monitoring system that provides information on regional centers' fiscal, administrative, and program operations. The objectives of this audit are:

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

The audit was conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of SCLARC's financial statements. We limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that SCLARC was in compliance with the objectives identified above. Accordingly, we examined transactions, on a test basis, to determine whether SCLARC was in compliance with Title 17, the HCBS Waiver for the Developmentally Disabled, and the contract with DDS.

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

We reviewed the annual audit report that was conducted by an independent accounting firm for fiscal year (FY) 2005-06, issued on September 21, 2006.

In addition, we reviewed the associated management letter that was issued by the independent accounting firm for FY 2005-06. This review was performed to determine the impact, if any, upon our audit and as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

We selected a sample of Purchase of Service (POS) claimed and billed to DDS. The sample included consumer services, vendor rates, and consumer trust accounts. The sample also included consumers who were eligible for the HCBS Waiver. For POS the following procedures were performed:

- We tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- We selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by SCLARC. The rates charged for the services provided to individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of Title 17.
- We selected a sample of individual trust accounts to determine if there were any unusual activities and if any individual account balances were not over \$2,000 resource limit as required by the Social Security Administration (SSA). In addition, we determined if any retro Social Security benefit payments received were not longer than nine months. We also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures are maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, is not used by SCLARC. 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.
- We selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding reconciling items.
- We analyzed all of SCLARC's bank accounts to determine if the DDS had signatory authority as required by the contract with the DDS.
- We selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations are properly completed on a monthly basis.

II. Regional Center Operations

We audited SCLARC's operations and conducted tests to determine compliance to the contract with DDS. The tests included various expenditures claimed for administration to ensure that the accounting staff was properly inputting data, transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas were valid and reasonable. These tests included the following:

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance to Title 17 and the contract with DDS.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the contract with the DDS.
- We reviewed SCLARC's policies and procedures for compliance to the Title 17 Conflict of Interest requirements and selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

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

- Reviewed applicable TCM records and SCLARC's Rate Study. We examined the month of May 2004 and traced the reported information to source documents.
- Reviewed SCLARC's Case Management Time Study. We selected a sample of payroll time sheets for this review and compared to the DS1916 forms to ensure that the DS1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Study

Under the W&I Code Section 4640.6, regional centers are required to provide service coordinator caseload data to DDS annually. For the period commencing January 1, 2004 to June 30, 2007, inclusive, the following service coordinator-to-consumer ratios apply:

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

- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived in the community continuously for at least 12 months, the required average ratio shall be 1:62.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66.

We performed the following procedure upon SCLARC's caseload survey.

Reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratio to determine reasonableness and that supporting documentation is maintained to support the survey and the ratios as required by W&I Code Section 4640.6

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program

The Family Cost Participation Program (FCPP) was created for the purpose of assessing cost participation to parents based on income level and dependents. The family cost participation assessments are only applied to respite, day care, and camping services that are included in the child's individual program plan. To determine whether the regional center is in compliance with Title 17 and the W&I Code, we performed the following procedures during our audit review.

- Reviewed the parents' income documentation to verify their level of participation based on the Family Cost Participation Schedule.
- Reviewed copies of the notification letters to verify the parents were notified of their assessed cost participation within 10 working days.
- Reviewed vendor payments to verify the regional center is paying for only its assessed share of cost.

VII. Other Sources of Funding

Regional centers may receive many other sources of funding. For the other sources of funding identified for SCLARC, we performed sample tests to ensure that the accounting staff was inputting data properly, and that transactions were properly recorded and

claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The other sources of funding identified for this audit are:

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

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

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. We identified prior audit findings that were reported to SCLARC and reviewed supporting documentation to determine the degree and completeness of SCLARC's implementation of corrective action taken.

CONCLUSIONS

Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, SCLARC was in substantial compliance to applicable sections of Title 17, the HCBS waiver, and the terms of the SCLARC's contract with DDS for the audit period July 1, 2005 through June 30, 2006.

Except for those items described in the Findings and Recommendations Section, the costs claimed during the audit period were for program purposes and adequately supported.

From the review of prior audit issues, it has been determined that SCLARC has taken appropriate corrective actions to resolve all prior audit issues, except for findings three and four which are listed as repeat findings and included in the Findings and Recommendations Section.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on January 10, 2008. The findings in the report were discussed at an exit conference with SCLARC on January 24, 2008. 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 Department of Developmental Services, Department of Health Care Services, the Centers for Medicare and Medicaid Services, and the South Central Los Angeles Regional Center. It is not intended and should not be used by anyone other than these specified parties. This restriction does not limit distribution of this report, which is a matter of public record.

ARTHUR J. LEE, CPA
Manager
Audit Branch

FINDINGS AND RECOMMENDATIONS

The following findings need to be addressed, but do not significantly impair the financial integrity of the South Central Los Angeles Regional Center or seriously compromise its ability to account for or manage State funds.

Finding 1: Wellness Program - Contract Management

The review of the Wellness program revealed that SCLARC received a total of \$177,344 of Wellness funding for two projects in FY 2005-06. The projects were a Healthy Living grant for \$51,020 and a Drug Medication study grant for \$126,324. However, the contracts for these two projects were not signed and dated by SCLARC and Contractors prior to June 30, 2006. In order to properly encumber funds for a contract, the contract must be final and signed by the contracting parties. Since the contracts were not signed by June 30, 2006, no obligation existed to encumber the funds in FY 2005-06. As a result, the funds for these contracts were not properly encumbered.

The State Contract, Article III, Section 4 states:

“Any funds which have not been encumbered for services provided or purchased during the term of the contract shall revert to the State.”

In addition, DDS award letters for the contracts states:

“Funding for your Wellness Initiative Projects is approved, with the following stipulations:

- Funds must be encumbered by June 30, 2006, and expended by May 15, 2008.”

Recommendation:

SCLARC should establish policies and procedures to ensure that contracts are signed and funds properly encumbered prior to the close of the fiscal year. In the future, if contracts are not properly signed and dated prior to the close of the fiscal year, actions may be taken to recover those funds from SCLARC.

Finding 2: Family Cost Participation Program (FCPP)

A. Over-Stated Claims

The review of the Family Cost Participation Program (FCPP) revealed that SCLARC has been paying for the cost of services that are the responsibility of the families under the requirements of the FCPP for six of the seven consumers participating in the program from November 2005 to May 2007. This occurred when the participating family accounts were left unmonitored due to a vacancy in the position responsible for assessing the share of cost. Although the position has since been filled, the new staff person did not receive any training nor were any policies and procedures developed to ensure proper monitoring of the FCPP. As a result, SCLARC made overpayments to two vendors (vendor numbers H18829 and H17557) which totaled \$24,306.73. (See Attachment A.)

Title 17, section 50255(a), states:

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

Recommendation:

SCLARC should reimburse the \$24,306.73 of overpayments that resulted from incorrectly paying for the family’s share of costs. In addition, SCLARC should develop and implement policies and procedures to ensure that only the costs SCLARC is responsible for is entered into the Uniform Fiscal System to prevent the possibility of any overpayments. The position responsible for assessing the share of cost is an integral part of the FCPP function and cross-training of other employees within the unit should be done to ensure the continuity of monitoring SCLARC’s share of cost for FCPP are not interrupted.

B. Missing Documentation

The sample review of 10 FCPP files revealed four files with missing income documentation used in assessing the amount of the families cost of participation. In addition, it was found that six files were missing the notification letters that are to be sent to inform parents of their assessed cost of participation. (See Attachment B.)

Title 17, Section 50262(b) states:

“Any documentation submitted pursuant to Sections 50261, 50265, or 50267, any documents relied on by the executive director pursuant to

50265, and correspondence from the regional center, shall be retained by the regional center for 3 years.”

Title 17, Section 50261(a) states in part:

“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 of the Individual Program Plan.”

Recommendation:

SCLARC should develop and implement policies and procedures to ensure all required documentation is retained to support the parent’s assessed cost of participation as required by Title 17.

C. Late Notification Letters

The sample review of the 10 FCPP files revealed that four notification letters sent to inform parents of their assessed cost of participation were not sent within 10 working days of receipt of the income documentation. This was due to a vacancy in the position responsible for the administrating of FCPP. Though the position has since been filled, the new staff person did not receive any training nor were any policies and procedures developed to ensure proper administrating of the FCPP. (See Attachment C.)

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

“A regional center shall notify parents of the parents’ assessed cost participation within 10 working days of receipt of the parents’ complete income documentation.”

Recommendation:

SCLARC should develop and implement policies and procedures to ensure staff are aware that notification letters detailing the parents’ assessed share of cost are to be sent within 10 working days as required by W&I Code, Section 4783(g)(3). In addition, the position responsible for assessing and notifying parents of their assessed cost of participation is and integral part of the FCPP function and cross-training of other employees within the unit should be done to ensure compliance with the W&I Code.

D. Additional Units of Service Not Assessed

The sample review of the 10 FCPP files revealed that additional units of service for two consumers, Unique Client Identification (UCI) numbers 7423974 and 7317889 were not assessed for the share of cost allocation for the consumers' family. This resulted in the additional units of service being entirely paid by SCLARC which amounted to \$5,749.16. (See Attachment D.)

W&I Code, Section 4783(g)(1)(C) states:

“Reassessments for cost participation shall be conducted as part of the individual program plan review....”

W&I Code, Section 4646.5(a)(6)(b) states:

“For all active cases, individual program plans shall be reviewed and modified by the planning team, through the process described in Section 4646, as necessary in response to the person's achievement or changing needs, and no less often than once every three years.”

Recommendation:

SCLARC should reassess the additional units of service to determine the respective family's share of cost. Upon making this determination SCLARC should pay DDS the amount of the family's share of cost that was incorrectly paid by SCLARC. In addition, SCLARC should develop and implement policies and procedures to ensure the staff responsible for administrating the SCLARC's FCPP is informed of any changes made to a consumer's Individual Program Plan in order to reassess the cost of participation.

Finding 3: Client Trust Balances Over \$2,000 (Repeat)

The review of 30 Client Trust accounts revealed four trust balances exceeded the \$2,000 resource limit, a violation of Social Security guidelines. By exceeding the asset limit, consumers are at risk of losing Supplemental Security Income (SSI) benefits that are used to offset the costs of residential services. Any residential costs not offset by SSI benefits are charged in full to the State. Consequently, not managing the consumer's trust balances within the asset limit exposes the State to an increased share of residential service costs. This issue was identified in the prior DDS audit. (See Attachment E.)

Social Security Handbook, Chapter 21, section 2153.2 states:

“As of January 2003, the applicable limits are:

A. \$2,000 for an individual without a spouse...”

Recommendation:

Though progress has been made by SCLARC to address this issue, SCLARC should continue to improve the management of consumers’ trust account balances to ensure the balances remain within the limits established by the Social Security guidelines.

Finding 4: Delinquent Credit Card Payments (Repeat)

SCLARC issued credit cards to its employees for business purposes. From the review of the credit card statements, we identified 23 instances for late payment penalties totaling \$510.68 that were assessed during the audit period. This issue was identified in the prior DDS audit.

For good internal control and good accounting practices, SCLARC should have its employees submit their credit card statements to the accounting department in a timely manner to prevent delinquent credit card payment fees from occurring.

Recommendation:

SCLARC should develop and implement policies and procedures to ensure monthly credit card bills are paid in a timely manner to prevent late fees from occurring.

Finding 5: Operational Expenses Reimbursement Procedures not Followed

The review of the operational expenses revealed that SCLARC’s procedures on credit card purchases is not being followed. It was found that \$5,200.13 in credit card charges had insufficient documentation to verify the claimed expenses. The credit card statements and receipt forms were used as support instead of the actual receipts, as required by SCLARC’s “Procedures for Credit Card Purchases.”

Section D (b) of SCLARC’s “Procedures for Credit Card Purchases” states:

“Every purchase made with the company credit card must have an original receipt to support the expenditure and a completed credit card form.”

Recommendation:

SCLARC should reiterate its policies and procedures to its staff to ensure operational expenses related to credit card purchases are supported by original receipts to verify the purchases are reasonable, supported, and necessary.

EVALUATION OF RESPONSE

As part of the audit report process, SCLARC is provided with a draft report and is requested to provide a response to each finding. SCLARC's response dated February 25, 2008 is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section and a summary of the findings in the Executive Summary section. DDS's 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 the issues. DDS's Audit Branch will confirm SCLARC's corrective actions identified in the response during the follow-up review or the next scheduled audit.

Finding 1: Wellness Grants Not Encumbered

SCLARC agrees that the contracts identified in the audit were not signed and dated prior to June 30, 2006. However, SCLARC disagrees with DDS's recommendation that the amount of \$177,344 be reverted to DDS. SCLARC states in its response that a significant amount of work had already been completed prior to the final approval of the Wellness grant funding that was received on April 28, 2006. SCLARC indicates in its response that from April 28th through June 30th, the planning and finalizing of negotiations with each contracted consultant involved in the Wellness programs were in the final stages. Though SCLARC admits that the contracts were not signed and dated prior to June 30, 2006, SCLARC contends that the goals of the projects have been accomplished. The SCLARC Wellness contracts were negotiated and in place, but due to processing delays, the contracts were signed after June 30, 2006. Therefore, based on the information provided in SCLARC's response, DDS has revised the recommendation in the Findings and Recommendation section. The revised recommendation does not require SCLARC to revert the Wellness funds to DDS, but recommends SCLARC establish policies and procedures to ensure all future contracts are properly signed and dated prior to the close of the fiscal year.

Finding 2D: Additional Units of Service Not Assessed

SCLARC agrees with DDS's recommendation to reassess the additional units of service paid for the two consumers identified in the audit and to repay DDS the amount. The reassessment resulted in \$5,749.16 that was inadvertently paid by SCLARC for the two consumers and which should be reverted back to DDS. Follow-up on this issue will be conducted during the next scheduled DDS audit to determine if the finding has been fully resolved.

**South Central Los Angeles Regional Center
Overpayments of Units for the Family Cost Participation Program
Service Code 851 - Child Day Care
Fiscal Year 2005-06**

Vendor Number	Date	Unique Client Identification Number	A		B	C	D	E
			Share of Cost Per Unit SCLARC Portion	Family Portion	Units Paid by SCLARC	Difference	Rate	Overpayment Amount
H18829	Nov-05		18.00	70.00	72.00	54.00	17.79	960.66
H18829	Dec-05		18.00	70.00	48.00	30.00	17.79	533.70
H18829	Jan-05		18.00	70.00	64.00	46.00	17.79	818.34
H18829	Feb-06		18.00	70.00	76.00	58.00	17.79	1,031.82
H18829	Mar-06		18.00	70.00	88.00	70.00	17.79	1,245.30
H18829	Apr-06		18.00	70.00	88.00	70.00	17.79	1,245.30
H18829	May-06		18.00	70.00	88.00	70.00	17.79	1,245.30
H18829	Jun-06		18.00	70.00	80.00	62.00	17.79	1,102.98
Total Amount for Service Code 851								\$ 8,183.40

Legend:

C = B - A

E = D * C

**South Central Los Angeles Regional Center
Over-Stated Claims
Service Code 862 - In-Home Respite Services Agency
Vendor Number H17557
Fiscal Year 2005-06**

Unique Client Identification Number	Date	A		B	C	D	E
		Share of Cost Per Unit SCLARC Portion	Family Portion	Units Paid by SCLARC	Difference	Rate	Overpayment Amount
	Nov-05	5.00	19.00	24.00	19.00	12.50	237.50
	Dec-05	5.00	19.00	24.00	19.00	12.50	237.50
	Jan-06	5.00	19.00	24.00	19.00	12.50	237.50
	Feb-06	5.00	19.00	24.00	19.00	12.50	237.50
	Mar-06	5.00	19.00	24.00	19.00	12.50	237.50
	Apr-06	5.00	19.00	24.00	19.00	12.50	237.50
	May-06	5.00	19.00	24.00	19.00	12.50	237.50
	Jun-06	5.00	19.00	24.00	19.00	12.50	237.50
	Jul-06	5.00	19.00	24.00	19.00	12.88	244.72
	Aug-06	5.00	19.00	24.00	19.00	12.88	244.72
	Sep-06	5.00	19.00	24.00	19.00	12.88	244.72
	Oct-06	5.00	19.00	24.00	19.00	12.88	244.72
	Nov-06	5.00	19.00	24.00	19.00	12.88	244.72
	Dec-06	5.00	19.00	24.00	19.00	12.88	244.72
	Jan-07	5.00	19.00	24.00	19.00	12.88	244.72
	Feb-07	5.00	19.00	24.00	19.00	12.88	244.72
	Mar-07	5.00	19.00	24.00	19.00	12.88	244.72
	Apr-07	5.00	19.00	24.00	19.00	12.88	244.72
	May-07	5.00	19.00	24.00	19.00	12.88	244.72

Legend:

C = B - A
E = D * C

**South Central Los Angeles Regional Center
Over-Stated Claims
Service Code 862 - In-Home Respite Services Agency
Vendor Number H17557
Fiscal Year 2005-06**

Unique Client Identification Number	Date	A		B	C	D	E
		SCLARC Portion	Family Portion	Units Paid by SCLARC	Difference	Rate	Overpayment Amount
	Dec-05	5.00	19.00	23.50	18.50	12.50	231.25
	Jan-06	5.00	19.00	39.50	34.50	12.50	431.25
	Feb-06	5.00	19.00	19.00	14.00	12.50	175.00
	Mar-06	5.00	19.00	23.00	18.00	12.50	225.00
	May-06	5.00	19.00	9.00	4.00	12.50	50.00
	Jun-06	5.00	19.00	20.50	15.50	12.50	193.75
	Jul-06	5.00	19.00	18.00	13.00	12.88	167.44
	Aug-06	5.00	19.00	24.00	19.00	12.88	244.72
	Sep-06	5.00	19.00	24.00	19.00	12.88	244.72
	Oct-06	5.00	19.00	24.00	19.00	12.88	244.72
	Nov-06	5.00	19.00	24.00	19.00	12.88	244.72
	Jan-07	5.00	19.00	24.00	19.00	12.88	244.72
	Feb-07	5.00	19.00	24.00	19.00	12.88	244.72
	Mar-07	5.00	19.00	24.00	19.00	12.88	244.72
	Apr-07	5.00	19.00	24.00	19.00	12.88	244.72
	May-07	5.00	19.00	12.00	7.00	12.88	90.16
	Nov-05	6.00	24.00	30.00	24.00	12.50	300.00
	Dec-05	6.00	24.00	30.00	24.00	12.50	300.00
	Jan-06	6.00	24.00	30.00	24.00	12.50	300.00

Legend:

C = B - A

E = D * C

**South Central Los Angeles Regional Center
Over-Stated Claims
Service Code 862 - In-Home Respite Services Agency
Vendor Number H17557
Fiscal Year 2005-06**

Unique Client Identification Number	Date	A		B	C	D	E
		SCLARC Portion	Family Portion	Units Paid by SCLARC	Difference	Rate	Overpayment Amount
	Feb-06	6.00	24.00	30.00	24.00	12.50	300.00
	Mar-06	6.00	24.00	30.00	24.00	12.50	300.00
	Apr-06	6.00	24.00	30.00	24.00	12.50	300.00
	May-06	6.00	24.00	30.00	24.00	12.50	300.00
	Jun-06	6.00	24.00	30.00	24.00	12.50	300.00
	Jul-06	6.00	24.00	30.00	24.00	12.88	309.12
	Aug-06	6.00	24.00	30.00	24.00	12.88	309.12
	Sep-06	6.00	24.00	30.00	24.00	12.88	309.12
	Oct-06	6.00	24.00	30.00	24.00	12.88	309.12
	Nov-06	6.00	24.00	30.00	24.00	12.88	309.12
	Dec-06	6.00	24.00	30.00	24.00	12.88	309.12
	Jan-07	6.00	24.00	30.00	24.00	12.88	309.12
	Feb-07	6.00	24.00	30.00	24.00	12.88	309.12
	Mar-07	6.00	24.00	30.00	24.00	12.88	309.12
	Apr-07	6.00	24.00	30.00	24.00	12.88	309.12
	May-07	6.00	24.00	30.00	24.00	12.88	309.12
	Dec-05	14.08	1.92	16.00	1.92	12.50	24.00
	Jan-06	14.08	1.92	16.00	1.92	12.50	24.00
	Feb-06	14.08	1.92	16.00	1.92	12.50	24.00

Legend:

C = B - A

E = D * C

**South Central Los Angeles Regional Center
Over-Stated Claims
Service Code 862 - In-Home Respite Services Agency
Vendor Number H17557
Fiscal Year 2005-06**

Unique Client Identification Number	Date	A		B	C	D	E
		SCLARC Portion	Family Portion	Units Paid by SCLARC	Difference	Rate	Overpayment Amount
	Mar-06	14.08	1.92	16.00	1.92	12.50	24.00
	Apr-06	14.08	1.92	16.00	1.92	12.50	24.00
	May-06	15.00	1.00	16.00	1.00	12.50	12.50
	Mar-07	13.00	2.00	15.00	2.00	12.88	25.76
	Nov-05	15.00	1.00	16.00	1.00	12.50	12.50
	Dec-05	15.00	1.00	16.00	1.00	12.50	12.50
	Jan-06	15.00	1.00	16.00	1.00	12.50	12.50
	Feb-06	15.00	1.00	16.00	1.00	12.50	12.50
	Mar-06	15.00	1.00	16.00	1.00	12.50	12.50
	Apr-06	15.00	1.00	16.00	1.00	12.50	12.50
	Jun-06	15.00	1.00	16.00	1.00	12.50	12.50
	Jul-06	15.00	1.00	16.00	1.00	12.88	12.88
	Aug-06	15.00	1.00	16.00	1.00	12.88	12.88
	Sep-06	15.00	1.00	16.00	1.00	12.88	12.88
	Oct-06	15.00	1.00	16.00	1.00	12.88	12.88
	Nov-06	15.00	1.00	16.00	1.00	12.88	12.88
	Dec-06	15.00	1.00	16.00	1.00	12.88	12.88
	Jan-07	15.00	1.00	16.00	1.00	12.88	12.88
	Nov-05	4.00	12.00	16.00	12.00	12.50	150.00

Legend:

$$C = B - A$$

$$E = D * C$$

**South Central Los Angeles Regional Center
Over-Stated Claims
Service Code 862 - In-Home Respite Services Agency
Vendor Number H17557
Fiscal Year 2005-06**

Unique Client Identification Number	Date	A		B	C	D	E
		SCLARC Portion	Family Portion	Units Paid by SCLARC	Difference	Rate	Overpayment Amount
	Dec-05	4.00	12.00	10.00	6.00	12.50	75.00
	Jan-06	4.00	12.00	16.00	12.00	12.50	150.00
	Feb-06	4.00	12.00	16.00	12.00	12.50	150.00
	Mar-06	4.00	12.00	14.00	10.00	12.50	125.00
	Apr-06	4.00	12.00	16.00	12.00	12.50	150.00
	May-06	4.00	12.00	16.00	12.00	12.50	150.00
	Jun-06	4.00	12.00	14.00	10.00	12.50	125.00
	Jul-06	4.00	12.00	16.00	12.00	12.88	154.56
	Aug-06	4.00	12.00	16.00	12.00	12.88	154.56
	Sep-06	4.00	12.00	16.00	12.00	12.88	154.56
	Oct-06	4.00	12.00	16.00	12.00	12.88	154.56
	Nov-06	14.00	2.00	16.00	2.00	12.88	25.76
	Dec-06	14.00	2.00	16.00	2.00	12.88	25.76
	Jan-07	14.00	2.00	16.00	2.00	12.88	25.76
	Feb-07	14.00	2.00	16.00	2.00	12.88	25.76
	Mar-07	14.00	2.00	16.00	2.00	12.88	25.76
	Apr-07	14.00	2.00	16.00	2.00	12.88	25.76
	May-07	14.00	2.00	16.00	2.00	12.88	25.76

Total Amount for Service Code 862 \$16,123.33

Legend:

C = B - A
E = D * C

Total Amount for Service Code 851 \$8,183.40
Total Amount for Service Code 862 \$16,123.33
\$24,306.73

**South Central Los Angeles Regional Center
Missing Documentation
Fiscal Year 2005-06**

Missing Income Documentation	
	Unique Client Identification Number
1	
2	
3	
4	

Missing Notification Letters	
	Unique Client Identification Number
1	
2	
3	
4	
5	
6	

**South Central Los Angeles Regional Center
Late Notification Letters
Fiscal Year 2005-06**

	Unique Client Identification Number		
1			
2			
3			
4			

**South Central Los Angeles Regional Center
Overpayments of Units for the Family Cost Participation Program
Additional Units of Service Not Assessed
Fiscal Year 2005-06**

Unique Client Identification Number	Vendor Number	Date	Service Code	A	B	C
				Rate	Units Paid by SCLARC	Overpayment Amount
	H18829	Dec-05	851	17.79	24.00	\$426.96
	H18829	Jan-06	851	17.79	32.00	\$569.28
	H18829	Apr-06	851	17.79	8.00	\$142.32
	H18829	Jun-06	851	17.79	28.00	\$498.12
	H18829	Aug-06	851	17.79	104.00	\$1,850.16
	H18829	Dec-06	851	17.79	48.00	\$853.92
	H18829	Jan-07	851	17.79	24.00	\$426.96
	H18829	Apr-07	851	17.79	32.00	\$569.28
Total for Service Code 851						\$5,337.00

Unique Client Identification Number	Vendor Number	Date	Service Code	A	B	C
				Rate	Units Paid by SCLARC	Overpayment Amount
	H17557	Jan-07	862	12.88	8.00	\$103.04
	H17557	Feb-07	862	12.88	8.00	\$103.04
	H17557	Mar-07	862	12.88	8.00	\$103.04
	H17557	Apr-07	862	12.88	8.00	\$103.04
Total for Service Code 862						\$412.16

Legend:

$$C = A * B$$

Total for Service Code 851	\$5,337.00
Total for Service Code 862	\$412.16
Total Overpayment for the Additional Units of Service Not Assessed	\$5,749.16

**South Central Los Angeles Regional Center
Client Trust Balances Over \$2,000
Fiscal Year 2005-06**

	Unique Client Identification Number	
1		
2		
3		
4		

APPENDIX A

SOUTH LOS ANGELES REGIONAL CENTER

RESPONSE

TO AUDIT FINDINGS

Certain documents provided by the Regional Center as attachments to their response are not included in this report due to the detailed and sometimes confidential nature of the information.



SCLARC

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South Central Los Angeles Regional Center

for persons with developmental disabilities, inc.



February 25, 2008

Art Lee CPA
Audit Branch Manager
Department of Developmental Services
Audit Branch, MS 2-10
1600 Ninth Street, Room 230
Sacramento, Ca 95814

Dear Art,

Following are SCLARC's responses to the Draft Audit Report for the Fiscal Year 2005-06.

Finding 1: Wellness Grants Not Encumbered

SCLARC does not agree with the recommendation that the \$177,344 of Wellness funds should be reverted.

SCLARC agrees that five contracts encumbering grant funds were signed late by one month or less and two contracts were signed approximately two months late, but believes that these minor slip-ups are not so egregious as to demand that all the grant funds should be reverted to the DDS.

SCLARC feels this way because: A significant amount of work had already been completed even before final approval of the grant funding was received on April 28, 2006 (by way of the B-3 contract amendment) and only two months before the June 30, 2006 signing deadline. SCLARC moved quickly in developing contracts and planning the work requirements in the brief window of time between April 28th and June 30th. Planning was in full swing prior to June 30, 2006, including identification of team members, what their roles and responsibilities would be, how they would interact with each other, time frames for completion of key goals and objectives, securing approval for scores of participants involved in the study, presentation and approval to SCLARC's Board as to how the grant funds would be expended, developing the scope of work for each contract, verifying general and professional liability insurance requirements, verification of professional licenses, and finalizing negotiations with each individual contracted consultant. In other words, SCLARC was working very hard toward completing the contracts, which were all written and typed prior to June 30th, but simply not yet signed.

OUR COMMITMENT:

"To educate, empower and advocate."

The "Pathways to Healthy Living" grant provided eight health and fitness training sessions with over 43 service providers present. The DDS liaison was invited to attend all of the training sessions, and progress reports for all grant funded projects were timely submitted to the DDS by the mandated deadlines. Furthermore, it is well documented that the diverse cultures of African Americans and Hispanic Americans have a higher incidence of obesity, hypertension and cardio vascular problems than other cultural groups, resulting in earlier demise due to poor diet and simple lack of nutritional education. "Pathways to Healthy Living" reports that consumers and their care providers have embraced the new food pyramid and nutritional recommendations. One 47 year old African American male participant lost 31 pounds and is enjoying a better quality of life due to participation in the program.

Now that the study "A Collaborative, Multidisciplinary Approach to the Reduction of Psychotropic Medication and Adverse Side-Effects" has been nearly completed, SCLARC has been praised for the excellent work it has accomplished under the grant. SCLARC's Chief of Clinical Services reports that "Based on medication reviews of 40 consumers ...it was found that over 70% have physical or mental characteristics which could be caused by medication,"---- the primary focus of the grant, leading to recommendations to reduce one or more psychotropic medications and subsequent behavior interventions. This is significant because consumers suffer from side effects of psychotropic drugs, including drowsiness, problems with balance, tardive dyskinesia, "slowness", "body movement," bruising, drooling, hyperactivity, weight gain/loss and bowel obstruction. Indeed, one of SCLARC's consumers recently died from impaction (severe constipation). The death may have been partially brought about because of the interaction between the consumer's biological processes and the psychotropic drugs he ingested. Had the results of this study been better known, the young man might still be alive today!

Repayment of the grant funds is impossible in that the funds have already been spent and there is simply no way SCLARC can afford to repay the money from its Operations allocation. SCLARC already does not have adequate funding to hire enough service coordinators to meet mandated caseload ratios. The only way to repay the grant would be to lay off service coordinators and use the salary savings to do so. But the fact that the grant money was spent to enhance the lives of consumers and to meet the goals of the grant by reducing debilitating side-effects and possibly even save lives --- is counter productive. Fewer service coordinators would leave hundreds of consumers with reduced levels of service simply to pay for an insignificant error. In short, the cost to revert the grant funds far exceeds the benefit. It simply does not make sense.

SCLARC apologizes for not meeting the signing deadline. But the larger question is --- does the punishment fit the crime? SCLARC wants to alleviate consumer suffering and possibly even save consumers lives and asks the DDS to reconsider what one saved life is worth. And against that backdrop, does the onerous demand to revert the funds fit the oversight of signing a few contracts a few weeks late? SCLARC does not think so,

and respectfully requests that the DDS Audit Section reconsider, and drop its recommendation to revert the funds.

Finding 2: Family Cost Participation Program (FCPP)

A. Over-Stated Claims

SCLARC agrees to reimburse the \$24,306.73 of overpayments that resulted from incorrectly paying for the families' share of costs. SCLARC has also developed a procedure and protocol (see attachment A) to ensure that families' share of costs are correctly adjusted and entered into the Uniform Fiscal System.

B. Missing Documentation

Commensurate with the DDS' recommendation, SCLARC has developed and implemented policies and procedures to ensure all required documentation to support the parent's assessed cost is retained (see attachment A).

C. Late Notification Letters

Commensurate with the DDS' recommendation, SCLARC has developed and implemented policies and procedures to ensure that notification letters detailing the parents' assessed share of costs are sent within 10 working days (see attachment A). SCLARC has also made certain that staff responsible for the administration of the FCPP is properly trained.

D. Additional Units of Service Not Assessed

SCLARC agrees to reassess the additional units of service paid for the two consumers identified in the audit and to repay the \$5,749.16 advertently paid by SCLARC for these two consumers. SCLARC has developed and implemented policies and procedures to ensure that the staff responsible for administering the FCPP is informed of any changes made to a consumer's Individual Program Plan in order to reassess the cost of participation (see attachment A).

Finding 3: Client Trust Balances Over \$2,000

SCLARC agrees with the recommendation that it should continue to improve its management of consumers' trust account balances to ensure that balances remain under the \$2,000 limit. However, maintaining balances below the \$2,000 threshold has become increasingly difficult over the years as the payments to Social Security recipients has increased through COLAs, without a commensurate increase in the \$2,000 limit. This has resulted in a highly compressed time frame to spend down consumer trust accounts balances. Because of this, SCLARC has worked closely with the local Social Security office to forestall consumers' loss of benefits that would otherwise result from exceeding the \$2,000 cap.

Its SCLARC's understanding that the DDS' primary concern is that when a consumer's trust balance exceeds \$2,000, the consumer is in danger of losing his/her Social Security benefit payment, and consequently the cost to the State would increase by the amount of the benefit lost. However, given the close working relationship SCLARC has with the local Social Security office, consumer benefits have not been lost and the cost has not fallen on to the State claim. In other words, SCLARC believes it is doing an excellent job at preventing the loss of benefits, even though the way it's achieving this goal does not align with the DDS' audit protocol. SCLARC encourages the DDS to review its protocol and given the ever increasing constraints on staying under the \$2,000 limitation, that the DDS instead examine how many consumers (if any), have actually lost their Social Security benefits as a result of exceeding the \$2,000 limit.

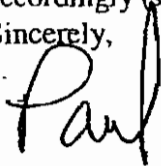
Finding 4: Delinquent Credit Card Payments

SCLARC started using Credit Cards from a new bank in August 2006 and has not had any late payments assessed through the current billing cycle due to the streamlined payment procedures of the new bank.

Finding 5: Operational Expenses Reimbursement Procedures Not Followed

SCLARC has modified its credit card procedures. Every purchase made with a SCLARC credit card must be business related and be supported by the completion of a credit card form, if a receipt is lost or otherwise unobtainable and has revised its policy accordingly (see attachment B).

Sincerely,



Dr. Paul Schroeder
CFO/Director of Administrative Services
SCLARC

Enclosures

Cc: Dexter Henderson, Executive Director
Rita Walker, DDS
Jose Ortiz, DDS
Ed Yan, DDS