



**AUDIT OF THE  
SAN GABRIEL/POMONA REGIONAL CENTER  
FOR FISCAL YEARS 2004-05, 2005-06 and 2006-07**

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**Department of Developmental Services**

This report was prepared by the  
California Department of Developmental Services  
1600 Ninth Street  
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## EXECUTIVE SUMMARY

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The fiscal compliance audit of San Gabriel/Pomona Regional Center (SGPRC) revealed that SGPRC 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, SGPRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where SGPRC'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 SGPRC's operations.

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

- I. These findings need to be addressed, but do not significantly impair the financial integrity of the SGPRC or seriously compromise its ability to account for or manage State funds.

**Finding 1: Missing "Hold Harmless" Clause (Repeat)**

The review of SGPRC's lease agreements revealed four leases that did not include a "Hold Harmless" clause as required by Article VII, section 1 of DDS's contract with SGPRC. Two of the four leases were identified in the prior DDS audit report.

**Finding 2: Equipment Inventory**

The review of SGPRC inventory worksheet revealed that staff did not sign and date the worksheet to document the physical inventory was taken at least once every three years as required by the State's Equipment Management System Guidelines.

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

**Finding 3: Over/Under-Stated Claims**

A detailed review of the Day Programs, Transportation, and Operational Indicator reports revealed six instances in which SGPRC over or under claimed expenses to the State. These payments were either due to rate changes, duplicate payments, or miscalculated billings for the service months. The total overpayment was \$6,865.95 and the total underpayment was \$1,575. This is not in compliance with of Title 17, Section 54326 (a)(10).

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

**Finding 4: Deleted**

SGPRC provided additional information with its response dated August 6, 2008. Based upon the additional information, it was determined this issue was not a reportable condition. Therefore, this finding has been deleted.

**Finding 5: Missing State Equipment**

A sample of 31 items from the equipment inventory list provided by SGPRC revealed that two items could not be located. This is not in compliance with Article IV, Section 4 (a) of the contract with DDS.

Further review revealed the two items were disposed of, but were not removed from the inventory listing. SGPRC has taken corrective action by completing the property survey reports for disposal and updating its inventory list.

**Finding 6: Medi-Cal Provider Agreement Forms**

The file review of 73 Day Program, Transportation, and Residential vendor files revealed that Medi-Cal Provider Agreement forms for nine vendors were found to be not properly completed by SGPRC. The forms either were missing the service codes and/or vendor number or had multiple service codes. This is not in compliance with Title 17, Section 54326 (a).

SGPRC has taken corrective action by providing DDS with the properly completed Medi-Cal Provider Agreement forms.

**Finding 7: Uniform Fiscal System (UFS) Reconciliation – Lack of Reviewer Signature and Date**

The review of UFS reconciliations revealed that there was no signature and date of the reviewer on the monthly reconciliations.

For good internal controls and accounting practices the reconciliations should be signed and dated by the preparer and reviewer to ensure the reconciliations are completed and reviewed in a timely manner.

SGPRC has taken corrective action by including space on the UFS reconciliation worksheet for the signature and date of the reviewer.

## BACKGROUND

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

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

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

DDS and San Gabriel/Pomona Valleys Developmental Services, Inc. entered into contract HD049017, effective July 1, 2004, through June 30, 2009. This contract specifies that San Gabriel/Pomona Valleys Developmental Services, Inc. will operate an agency known as the San Gabriel/Pomona Regional Center (SGPRC) to provide services to persons with DD and their families in the El Monte, Monrovia, Pomona and Foothill areas. The contract is funded by State and federal funds that are dependent upon SGPRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SGPRC from September 10, 2007, through October 5, 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 SGPRC'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
- SGPRC's contract with the DDS

## **AUDIT PERIOD**

The audit period was from July 1, 2004, through June 30, 2007, with follow-up as needed into prior and subsequent periods.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

Our review of the SGPRC'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 reports that were conducted by an independent accounting firm for fiscal years:

- FY 2004-05, issued November 1, 2005
- FY 2005-06, issued October 31, 2006

In addition, we reviewed the associated management letter that was issued by the independent accounting firm for FY 2004-05. 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 SGPRC. 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 SGPRC. An interview with SGPRC staff revealed that SGPRC 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 SGPRC'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 SGPRC'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 be 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 SGPRC'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 last rate study to determine the TCM rate was performed in May 2001 which was reviewed in the last DDS biannual audit. As a result, there was no rate to review for this audit period.

## **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 SGPRC'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 SGPRC'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 SGPRC, 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 SGPRC and reviewed supporting documentation to determine the degree and completeness of SGPRC's implementation of corrective action taken.

## CONCLUSIONS

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Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, SGPRC was in substantial compliance to applicable sections of Title 17, the HCBS Waiver, and the terms of the SGPRC's contract with DDS for the audit period July 1, 2004, through June 30, 2007.

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 SGPRC has taken appropriate corrective actions to resolve all prior audit issues, except for Finding one, which is included in the Findings and Recommendations Section.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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We issued a draft report on June 12, 2008. The findings in the report were discussed at an exit conference with SGPRC on June 16, 2008. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

## **RESTRICTED USE**

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This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, the Centers for Medicare and Medicaid Services, and the San Gabriel/Pomona 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

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

- I. These findings need to be addressed, but do not significantly impair the financial integrity of the SGPRC or seriously compromise its ability to account for or manage State funds.

**Finding 1: Missing “Hold Harmless” Clause (Repeat)**

A review of SGPRC’s four lease agreements for real property revealed that the leases for the Pomona offices and parking spaces did not include a “Hold Harmless” clause as required by the contract with DDS. Two of the four leases were identified in the prior DDS audit report. This clause is needed to ensure the State is held harmless for any claims and/or losses that may be associated with these leases. Though unsuccessful attempts have been made by SGPRC to obtain amendments for the two lease agreements noted in the prior DDS audit report, SGPRC should still continue to amend all of its lease agreements to include a “Hold Harmless” clause. (See Attachment A.)

State Contract Article VII, (1) states:

“The contract shall include in all new leases or rental agreements for real property a clause that holds the State harmless for such leases.”

**Recommendation:**

SGPRC should amend all of its leases to include a “Hold Harmless” clause to ensure compliance with the State contract and protect the State from claims and/or losses resulting from these leases. In addition, SGPRC should implement policies and procedures to ensure that any future lease agreements will comply with this requirement.

**Finding 2: Equipment Inventory**

The review of SGPRC’s inventory worksheets revealed that staff did not sign and date the worksheets to document that a physical inventory was taken at least once every three years as required by the State’s Equipment Management System Guidelines.

Article IV, Section 4a of the contract between DDS and SGPRC states in part:

“Contractor shall comply with the State’s Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”



Section III (F) of the State’s Equipment Management System Guidelines, dated February 1, 2003, states in part:

“The inventory will be conducted per State Administrative Manual (SAM) Section 8652.”

State Administrative Manual (SAM) Section 8652 states in part:

“Departments will make a physical count of all property and reconcile the count with accounting records at least once every three years.

Departments are responsible for developing and carrying out an inventory plan which will include:

2. Internal Control:

b. Worksheets used to take inventory will be retained for audit and will show the date of inventory and the name of the inventory taker.”

**Recommendation:**

SGPRC should develop policies and procedures to ensure compliance with the State’s Equipment Management System Guidelines as required by its contract with DDS. The policies and procedures should include requirements to have the inventory worksheets signed and dated by the staff that conduct the physical inventory.

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

**Finding 3: Over/Under-Stated Claims**

A detailed review of the Day Programs, Transportation, and Operational Indicator reports revealed six instances in which SGPRC over or under claimed expenses to the State. There were three instances of overpayments totaling \$6,865.95 due to miscalculated billings in the service month or duplicate payments. The remaining three instances were underpayments totaling \$1,575 due to rate changes.

Title 17, Section 54326 (a)(10) states:

“All vendors shall...

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

SGPRC has taken corrective action by making billing adjustments for the underpayments and overpayments.

**Recommendation:**

SGPRC should continue to review the payment invoices, rate letters, and Operational Indicator reports to ensure any over/under payments and duplicate payments that may have occurred in the course of doing business with its vendors are addressed and corrected.

**Finding 4: Deleted**

SGPRC provided additional information with its response dated August 6, 2008. Based upon the additional information, it was determined this issue was not a reportable condition. Therefore, this finding has been deleted.

**Finding 5: Missing State Equipment**

A sample of 31 items from the equipment inventory list provided by SGPRC revealed two Sony Vaio notebooks could not be located.

Article IV, Section 4a of the contract between DDS and SGPRC states:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. Contractor shall comply with the State’s Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of State of California property.”

Further review identified the two items were disposed of, but were not removed from the inventory listing. SGPRC has taken corrective action by completing the property survey reports for disposal and updating its inventory list.

**Recommendation:**

SGPRC should develop and implement procedures to properly survey out equipment. The procedures should include the removing of the surveyed items from the equipment inventory list and the completion of the survey forms required in the State’s Equipment Management System Guidelines. This would ensure compliance with the State contract requirements regarding State property.

**Finding 6: Medi-Cal Provider Agreement Forms**

The review of 73 vendor files for Day, Transportation, and Residential programs revealed nine files were missing or had an incomplete Medi-Cal Provider Agreement form. The Medi-Cal Provider Agreement forms were missing either the service code or vendor number, or had multiple service codes.

Title 17, Section 54326(a) states:

“All vendors shall...

(16) Sign the Home and Community Based Service provider Agreement (6/99), if applicable pursuant to Section 54310(a) (10) (I), (d).”

In addition, for good internal practices, all required forms shall be properly completed and retained on file.

SGPRC has taken corrective steps to comply with Title 17, Section 54326(a) by providing to DDS the properly completed Medi-Cal Provider Agreement forms.

**Recommendation:**

SGPRC should implement procedures to ensure there is a properly completed Medi-Cal Provider Agreement form on file for every vendor providing services to consumers.

**Finding 7: Uniform Fiscal System (UFS) Reconciliation – Lack of Reviewer Signature and Date**

The review of UFS reconciliations revealed that the reconciliations did not have signature and date of the reviewer. SGPRC was unaware that completed UFS reconciliations should be signed and dated by both the preparer and reviewer.

For good accounting and internal control practices, all reconciliations should have the identification of the preparer, date prepared, and the signature and date of the reviewer. This will document that the reconciliation was prepared and reviewed on a timely basis.

SGPRC corrected this issue by providing a current monthly UFS reconciliation that was signed and dated by the preparer and reviewer.

**Recommendation:**

SGPRC should continue to monitor the preparation of the UFS reconciliations to ensure that there are signatures and dates from the preparer and reviewer.

## EVALUATION OF RESPONSE

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As part of the audit report process, SGPRC is provided with a draft report and is requested to provide a response to each finding. SGPRC's response dated August 6, 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 SGPRC's response. Except as noted below, SGPRC'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 SGPRC's corrective actions identified in the response during the follow-up review of the next scheduled audit.

**Finding 1: Missing "Hold Harmless" Clause (Repeat)**

SGPRC states in its response that verbal and written requests have been made to its landlords to amend to their current contracts to include the "Hold Harmless" clause. In addition, SGPRC states that its current policy and procedure is to have the "Hold Harmless" clause included in any new lease. To date, SGPRC has not received any response from their landlords and has requested that the finding be moved to a lower category. However, as stated in the finding, SGPRC should continue to pursue an amendment to their leases as required under Article VII (1) of the State Contract. Since the finding has not been corrected, the category for this finding will remain unchanged. Follow-up on this issue will be conducted during the next DDS audit.

**Finding 2: Equipment Inventory**

SGPRC agrees with the finding and has stated in its response that it has compiled with the recommendation to have the inventory worksheets include the signatures and dates of the staff that conduct the physical inventory and has requested that this finding be moved to a lower category. Though SGPRC has provided supporting documentation showing that a physical inventory was conducted and completed on August 2007, the inventory worksheets were not signed and dated by staff who conducted the inventory to comply with the State's Equipment Management System Guidelines. Since the August 2007 inventory worksheets were not signed and dated by the staff that conducted the inventory, the category for this finding remains unchanged. Follow-up on this issue will be conducted during the next DDS audit.

**Finding 4: Client Trust Disbursements Not Supported**

SGPRC states in its response and has provided a letter from their local Social Security Administration office dated June 26, 2008, that it is permissible to keep receipts at the vendor/client premise rather than at SGPRC. Therefore, SGPRC

requests that this finding be removed from the DDS audit report. Based on the additional information provided, DDS agrees to remove this finding from the audit report. However, to ensure that similar issues don't arise again, SGPRC should have all verbal agreements or confirmations documented in writing. This would provide better support for future audits of these areas.

**Finding 7: Uniform Fiscal System (UFS) Reconciliation – Lack of Reviewer Signature and Date**

SGPRC agrees with the finding and has stated in its response that it has compiled with the recommendation to have signatures and dates of the preparer and reviewer on the UFS reconciliations. SGPRC has requested that the finding be removed from the audit report because the UFS reconciliation form was provided by DDS and that SGPRC has standard procedures and processes on the completion and review of the monthly UFS reconciliations. However, though the UFS reconciliation form was originally provided by DDS with no space for the signatures and dates of the preparer and reviewer, SGPRC had modified the form to include the signature and date of the preparer. In addition, SGPRC states in its response that a standard procedure is to have someone review the completed UFS reconciliation timely. Therefore, by amending the form to now include the signature and date of the reviewer, SGPRC acknowledges that the UFS reconciliation form can be revised to ensure the reconciliation was prepared and reviewed on a timely basis. DDS acknowledges that SGPRC has taken steps to correct this issue. However, since the reconciliations completed during the audit period did not have signatures and dates of the reviewer, this finding will remain in the report. Follow-up in the next DDS audit will be done to ensure the use of the revised reconciliation form has been implemented.

**San Gabriel/Pomona Regional Center  
Summary of Leases Without the Hold Harmless Clause  
Fiscal Years 2004-05, 2005-06 and 2006-07**

	<b>Location</b>	<b>Landlord</b>	<b>Lease Term</b>	<b>Comments</b>
1	761 Corporate Center Drive	Cal - Pomona/Adler Realty	5/1/06 to 10/31/08	Office Space
2	801 Corporate Center Drive	Focus on the Family	2/1/99 to 10/31/08	Office Space
3	701 Corporate Center Drive	Los Angeles Times	8/1/06 to 4/13/10	Parking
4	801 Corporate Center Drive	Devry (Sub Lease)	10/1/05 to 10/31/08	Office Space

**APPENDIX A**

**SAN GABRIEL/POMONA REGIONAL CENTER**

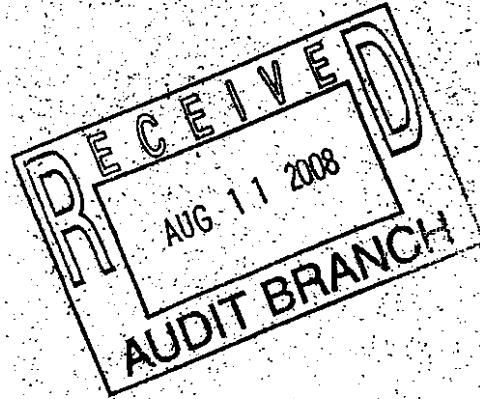
**RESPONSE**

**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.**

# SAN GABRIEL/POMONA REGIONAL CENTER

August 6, 2008



Mr. Arthur J. Lee, CPA  
Manager, Audit Branch  
Department of Developmental Services  
1600 Ninth Street, Room 230, MS 2-10  
Sacramento, CA 95814

Re: Draft Audit Report for Fiscal Years 2004-05, 2005-06, and 2006-07

Dear Mr. Lee,

Attached is our response to the draft audit report covering three fiscal years which we received on June 16, 2008. Thank you for allowing us two and a half extra weeks to submit our response, due to fiscal year-end processes and staff vacation.

I'll be happy to answer any further questions you might have and hope you'll be able to consider our response.

Sincerely,

A handwritten signature in cursive script that reads "Gabi McLean".

Gabi McLean  
Director Fiscal Services

cc: Keith Penman

Attachments

761 Corporate Center Drive, Pomona, California 91768  
(909) 620-7722 (800) 822-7504

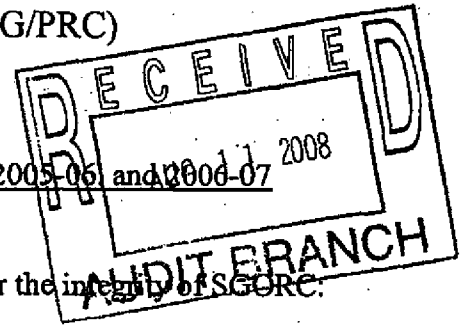
Program of San Gabriel/Pomona Valleys Developmental Services, Inc.



San Gabriel/Pomona Regional Center (SG/PRC)

August 6, 2008

Response to Draft Audit Report for Fiscal Years 2004-05, 2005-06 and 2006-07 2008



I. Findings that need to be addressed, but do not significantly impair the integrity of SGPRC.

**Finding 1: Missing "Hold Harmless" Clause (Repeat).**

The finding acknowledges that SGPRC has previously made attempts to include the required clause in new and existing leases but was unsuccessful. The report recommends amending all of its leases to include the "Hold Harmless" clause, and for SGPRC to implement policies and procedures to ensure that any future lease agreement will comply with this requirement.

Our current policy and procedure are, and have been, that we request any landlord to include the "Hold Harmless" clause in any new lease. We have made verbal and written requests on February 25, 2006 and July 3, 2008, to amend the current leases and also to furnish us with a written explanation of the refusal. In addition, we have solicited the help our tenant broker to contact our landlords in this matter. Unfortunately, as of today, we have not received any response from any of our landlords.

In light of our attempts to correct the situation, and in consideration of the realities of the real estate market for office space, we request that this finding be moved to a lower category. We are attaching our correspondence to document our attempts. Also, we will certainly continue to request to have the "Hold Harmless" clause incorporated in any future leases. However, with the use of standard lease agreements by powerful landlords, we are cautious in our expectation of being able to comply with this requirement in the future.

**Finding 2: Equipment Inventory**

The finding states that SG/PRC's inventory worksheets did not include the date and signature of the person taking the inventory. The finding further implies that due to this lack of information on the worksheet, SGPRC did not take inventory every three years. The report recommends that SGPRC amend the inventory worksheets to include the date of the inventory was taken and the signature of the responsible staff taking the inventory.

SGPRC complied with Article IV, Section 4a of the contract between DDS and SGPRC and took inventory once every three years. We are submitting documentation of the assignment to our facility specialist Darrel Anderson, including the due date. The inventory was completed in August 2007, as indicated in the supporting documentation that we are attaching. We also followed your recommendation and amended our inventory form to include the date and signature of the inventory taker, as soon as we were verbally informed of this recommendation. We therefore ask respectfully, that this finding be moved to the lower category.

II. Findings identified during the audit, but have since been addressed and corrected by SG/PRC.

**Finding 3: Over/Under-stated Claims**

We agree with the findings, corrected them, and have been following your recommendation.

**Finding 4: Client Trust Disbursements Not Supported**

The report alleges that SG/PRC did not have receipts for 12 out of 33 money management disbursements to support purchases made by vendors for the consumers. The report recommends maintaining all receipts at SG/PRC. The report also implied that the lack of receipts is an indication that the disbursements are not appropriate and that there may not be an accurate accounting of Social Security benefits.

We disagree with all aspects of this finding and respectfully ask to please remove this finding. Here are our reasons:

- 1) Out of the 12 receipts cited to be missing, four were for burial expenditures and filed in the appropriate burial file folders which are separate of our client benefit folders. Our staff was not aware that audit staff did not find those receipts while audit staff was on the premises, until we were informed of this issue at the informal exit conference. With our response on 1/10/08, we supplied the burial and all other receipts and detailed explanations by certified mail. Receipts other than for burials were either retrieved from the vendor or from SG/PRC's main client files. One payment was for reimbursement for client purchases to the client's mother after the client passed away. We were not able to obtain two receipts where the money went to the client's mother. The mother could not find the receipts – two years later - but client ID notes support the client purchases.
- 2) SGPRC has a strict authorization process for client fund disbursement in place that assures appropriateness, even before payments are made. Any payments are requested in writing by the service coordinator in advance, and approved in writing by (1) the service coordinator's manager, and (2) the client benefits coordinator. The third approval is required as follows: For payments up to \$500, the fiscal manager approves such payments, for payments from \$500 to \$5000, the fiscal services directors approves such payments. In addition, payments over \$5000 are also approved by the SG/PRC Client Services Director. We are attaching our client fund requisition form.
- 3) The Social Security Administration repeatedly has been conducting extensive audits of our representative payeeship cases and we consistently have received excellent ratings.
- 4) The Social Security Administration office issued a letter confirming our understanding that it is permissible to keep receipts at the vendor/client premise, versus requiring the Regional Center to keep all receipts at the Regional Center office. We are providing this letter as suggested by you in our exit conference.

**Finding 5: Missing State Equipment**

We agree with the finding, and submitted the appropriate survey forms.

**Finding 6: Medi-Cal Provider Agreement Forms**

We agree with the finding and have updated our vendor files.

**Finding 7: UFS Reconciliation – Lack of Reviewer Signature and Date**

While we agree with the finding, and while we have immediately implemented your recommendation, we also feel that this finding should be dropped from the final audit report.

Here are our reasons:

1. The UFS reconciliation form that we had been using for the past 20 years – until your requested change – is the exact form that DDS has designed and advised us to use in a Technical Bulletin.
2. Previous DDS audits did not find an issue with this form.
3. Our standard procedures and actual processes have been that the reconciliation is conducted timely by the supervisor or lead of the Client Benefit/Trust Department, and reviewed monthly by the Controller, Associate Director, or Fiscal Services Director.
4. We amended the form and used it, with the reviewer's signature and date, since before the field work of the audit was completed.

In summary, we request that findings 1 and 2 be moved to the lowest category of findings, and findings 4 and 7 be dropped from the report. We are hopeful that you concur with our reasoning and look forward to the final report.

Respectfully submitted

Gabi McLean  
Director, Fiscal Services