AUDIT OF THE EASTERN LOS ANGELES REGIONAL CENTER FOR FISCAL YEARS 2013-14 AND 2014-15

Department of Developmental Services

This audit report was prepared by the
California Department of Developmental Services
1600 Ninth Street
Sacramento, CA 95814

Jean Johnson, Deputy Director, Administration Division
Edward Yan, Manager, Audit Section
Luciah Ellen Nzima, Chief of Regional Center Audits, Audit Section
Soi Ly, Supervisor, Audit Branch

Audit Staff: Nestor Tuazon, Daren Le, Shawn Vue, Carlos Whylesmenchaca, and Manipal Gill

For more information, please call: (916) 654-3695

TABLE OF CONTENTS

EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of Eastern Los Angeles Regional Center (ELARC) to ensure ELARC is compliant with the requirements set forth in the California Code of Regulations (CCR), Title 17, the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. Overall, the audit indicated that ELARC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where ELARC'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 ELARC's operations. A follow-up review was performed to ensure ELARC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: **Equipment Inventory**

The review of 50 sampled items from ELARC's Equipment Inventory listing revealed 14 items were surveyed using Property Survey Reports (STD 152), but remained on the Equipment Inventory listing. The 14 equipment items were surveyed between Fiscal Years (FY) 2009-10 and 2012-13. This is not in compliance with Section III(F) of the State Equipment Management Guidelines and the State Administrative Manual, Section 8652.

Finding 2: **Family Cost Participation Program - Late Assessments**

The sampled review of 19 Family Cost Participation Program (FCPP) consumer files revealed five instances where ELARC did not assess the parents' share of cost participation as part of the consumer's Individual Program Plan (IPP) or Individualized Family Service Plan (IFSP) review. The assessments were completed 25 days or more after the signing of the IPP or IFPS. This is not in compliance with W&I Code, Section 4783(g)(1)(A)(B)(C)(D).

Finding 3: **Parental Fee Program**

The review of the Parental Fee Program (PFP) revealed that ELARC is not notifying DDS of new placements, terminated cases, or clients' deaths for consumers identified under the PFP. This is not in compliance with CCR, Title 17, Section 50225(b).

BACKGROUND

DDS is responsible, under the Lanterman Developmental Disabilities Services Act (Lanterman Act), for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive, and normal lives. To ensure that these services and supports are available, DDS contracts with 21 private, nonprofit 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 (RC). 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 and 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 (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 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 Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc., entered into State Contract, HD149004, effective July 1, 2014, through June 30, 2021. This contract specifies that Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. will operate an agency known as the Eastern Los Angeles Regional Center (ELARC) to provide services to individuals with DD and their families in the Alhambra, East Los Angeles, Northeast, and Whittier areas. The contract is funded by state and federal funds that are dependent upon ELARC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at ELARC from November 30, 2015, through January 8, 2016, and was conducted 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:

- California's W&I Code,
- "Approved Application for the HCBS Waiver for the Developmentally Disabled",
- CCR, Title 17,
- Federal Office of Management Budget (OMB) Circular A-133, and the
- State Contract between DDS and ELARC, effective July 1, 2014.

AUDIT PERIOD

The audit period was from July 1, 2013, through June 30, 2015, 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 RC's fiscal, administrative, and program operations. The objectives of this audit were:

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

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 ELARC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that ELARC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis, to determine whether ELARC was in compliance with the Lanterman Act, CCR, Title 17, the HCBS Waiver for the Developmentally Disabled, OMB Circular A-133, and the State Contract.

DDS' review of ELARC'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 reports that were conducted by an independent accounting firm for Fiscal Year (FY) 2013-14, issued on November 6, 2014. It was noted that a management letter was issued for ELARC. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

DDS selected a sample of Purchase of Service (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 ELARC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, Title 17 and the W&I Code.

- 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 tenth of each month, and that proper documentation for expenditures was maintained.

- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with ELARC staff revealed that ELARC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to the Social Security Administration, or other source, in a timely manner.

- DDS selected a sample of Uniform Fiscal Systems (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 ELARC's bank accounts to determine whether DDS had signatory authority, as required by the contract with DDS.

- DDS selected a sample of bank reconciliations for Operations (OPS) accounts and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center 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 ELARC's accounting staff had been properly inputting 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 support 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 ELARC'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 Regional Center Rate Study

The TCM Rate Study is the study that determines the DDS rate of reimbursement from the federal government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and ELARC's Rate Study. DDS examined the month of April 2015, and traced the reported information to source documents.

The last Case Management Time Study was performed in May 2013, which was reviewed in the prior DDS audit that included FY 2012-13. As a result, there was no Case Management Time Study to review for this audit period.

IV. Service Coordinator Caseload Survey

Under 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)(3):

A. For all consumers that are three years of age or younger and for consumers enrolled in 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 continuously in the community 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 subparagraph A above, the required average ratio shall be 1:66.

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 (Part C Funding)

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

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

VI. Family Cost Participation Program (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 IPP/IFSP. To determine whether ELARC 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 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' complete income documentation.

- Reviewed vendor payments to verify that ELARC was paying for only its assessed share of cost.

VII. Annual Family Program Fee (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 receiving qualifying services through the RC. The AFPF fee 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 ELARC 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 developmental disability 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 regional center 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 a 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 normal child at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether ELARC 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;

    (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 parent(s) 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 parent(s), 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 ELARC implemented the required RFP process, DDS performed the following procedures during the audit review:

- Reviewed the ELARC 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 ELARC. The process was reviewed to ensure that the vendor selection process is transparent, impartial, and avoids the appearance of favoritism. Additionally, DDS verified that supporting documentation is retained for the selection process and, in instances where a vendor with a higher bid is selected, there is written documentation retained as justification for such a selection.

DDS performed the following procedures to determine compliance with Article II of the State Contract for new contracts:

- Selected a sample of Operational, Start-Up and negotiated POS contracts subject to competitive bidding to ensure ELARC notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that ELARC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and 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 new contracts:

- Reviewed to ensure ELARC 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 ELARC 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, that the usage of funds is of direct benefit to consumers, and that contracts are sufficiently detailed and supported with measurable performance expectations and results.

The process above was conducted in order to assess ELARC'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 ELARC's State Contract requirements, as amended.

X. <u>Statewide/Regional Center Median Rates</u>

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure 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 ELARC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

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

ELARC is paying authorized contract rates and complying with the medium rate requirements of W&I Code, Section 4691.9.

- Reviewed vendor contracts to verify that ELARC 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.

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 ELARC'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, Community and Placement Program (CPP).

- Part C.

- 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 ELARC and reviewed supporting documentation to determine the degree of completeness of ELARC's implementation of corrective actions.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, ELARC was in compliance with applicable sections of the CCR, Title 17, the HCBS Waiver, and the State Contract with DDS for the audit period, July 1, 2013, through June 30, 2015.

The costs claimed during the audit period were for program purposes and adequately supported.

From the review the of prior audit issues, it has been determined that ELARC has taken appropriate corrective action to resolve prior audit issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on January 17, 2017. The findings in the draft audit report were discussed at a formal exit conference with ELARC on January 23, 2017. The views of the responsible officials are included in the final audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: **Equipment Inventory**

The review of 50 sampled items from ELARC's current Equipment Inventory listing, dated August 31, 2014, initially revealed 14 items were missing. After the fieldwork, ELARC provided copies of the Property Inventory Listing – Adjustment and Protection form (STD 152) indicating that the 14 items were all surveyed between FYs 2009-10 and 2012-13. However, the review of the prior three DDS audits dating back to FY 2009-10 revealed that ELARC had conducted timely inventories, but these disposed items remained on the current inventory listing. Since these items were not identified as missing or deleted from the inventory listing during ELARC's physical inventory count over the past seven years, the accuracy of ELARC's Equipment Inventory listing and inventory process is not thoroughly analyzed by the Property Custodian. The failure to remove disposed items from the Equipment Inventory listing will result in overstated assets in ELARC's accounting records and increases risk of unaccounted equipment. (See Attachment A)

State's Equipment Management Guidelines, Section III (F) states in part:

> "The inventory will be conducted per State Administrative Manual (SAM) Section 8652. The RC Property Custodian will attempt to resolve any discrepancies between the property records and the physical inventory."

State Administrative Manual (SAM) section 8652, states in part:

> "Departments are responsible for developing and carrying out an inventory plan which will include:
>
> 3. Reporting and Approval of Inventory Adjustments;
>
>   a. Adjustment and reconciliation of the records will take place after the physical count has been completed; and
>
>   b. Review and approval of all inventory adjustments will be made by the department director or the director's designee. This review and approval will be documented on a Property Inventory Listing Adjustment Sheet (STD Form 157)."

Recommendation:

ELARC must conduct a thorough review of its inventory to ensure missing and disposed items are removed from the inventory listing. Further, ELARC must make adjustments to the General Ledger to ensure it accurately reflects the current inventory listing.

Finding 2: **Family Cost Participation Program - Late Assessments**

The sampled review of 19 FCPP consumer files revealed five instances where ELARC did not assess the parents' share of cost participation as part of the consumer's IPP or IFSP review. The assessments were completed 25 days or more after the signing of the IPP or IFSP. ELARC indicated this occurred when the FCPP Coordinator was not notified timely by the Service Coordinators that the consumers required FCPP assessments. (See Attachment B)

W&I Code, Section 4783(g)(1) states in relevant part:

> " (g) Family cost participation assessments or reassessments shall be conducted as follows:
>
> (1)(A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.
>
> (B) A regional center shall assess the cost participation for parents of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.
>
> (C) Reassessments for cost participation shall be conducted as part of the individual program plan or the individual family service plan review . . ."

Recommendation:

ELARC must ensure all consumer FCPP assessments are completed as part of the consumers' IPP or IFSP review. This will ensure compliance with the W&I Code, Section 4873(g)(1).

Finding 3: **Parental Fee Program**

The review of the PFP revealed that ELARC was not notifying DDS of new placements, terminated cases, or dates of death for consumers identified under the PFP. ELARC stated it was unaware of the RC's requirement to notify DDS of any PFP cases.

CCR, Title 17, Section 50225 (b) states:

"Regional centers shall have the following duties and responsibilities:

(b) Provide the Department of Developmental Services with a listing of new placements, terminated cases, and client deaths for those clients identified in paragraph (a) of this section. Such listing shall be provided not later than the 20th day of the month following the month of such occurrence and shall be provided in the format as determined by the Department of Developmental Services."

Recommendation:

ELARC must ensure it notifies DDS of any new placements, terminated cases, or clients' date of death for consumers identified under the PFP to ensure compliance with CCR, Title 17.

EVALUATION OF RESPONSE

As part of the audit report process, ELARC was provided with a draft audit report and requested to provide a response to the findings. ELARC's response dated January 30, 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 Branch has evaluated ELARC's response. Except as noted below, ELARC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. DDS' Audit Branch will confirm ELARC's corrective actions identified in the response during the next scheduled audit.

Finding 1: **Equipment Inventory**

ELARC provided an updated copy of its equipment procedures and indicated that it has hired a Junior Accountant to conduct a thorough review of its disposed items dating back to FY 2009-10, to ensure the current inventory is accurate. DDS will follow-up during the next scheduled audit to ensure ELARC's updated inventory process has been implemented.

Finding 2: **Family Cost Participation Program - Late Assessments**

ELARC stated that it has updated its FCPP procedures whereby the FCPP packets will be sent to families prior to visitations by Service Coordinators. This process will help families prepare for the IPP meetings and instruct the families to gather the required income documentation. DDS will conduct a follow–up review during the next scheduled audit to verify whether ELARC's newly implemented procedures to ensuring FCPP assessments are completed timely.

Finding 3: **Parental Fee Program**

ELARC indicated that its Residential Placement Coordinators send a monthly report to DDS of any new placements or terminations, and also that prospective reports sent to DDS will include the consumers' dates of deaths. Furthermore, ELARC indicated that its PFP policy and procedures would be updated to include guidelines that require it to notify DDS of any new placements, terminated cases, or dates of deaths for consumers identified under the PFP. DDS will conduct a follow-up review during the next scheduled audit to ensure the new procedures are implemented.

Eastern Los Angeles Regional Center
Equipment Inventory Listing
Fiscal Years 2013-14 and 2014-15

No.	Description	State Tag Number	Cost
1	I5 Software	311597	$23,650.46
2	Gateway PC System	354653	$767.62
3	E Machine PC System	324520	$431.99
4	E Machine PC System	324565	$593.90
5	Gateway PC System	333778	$591.04
6	Gateway Laptop	333791	$1,599.00
7	Gateway PC System	333814	$637.63
8	Gateway PC System	333785	$689.55
9	Gateway PC System	333879	$689.55
10	Gateway PC System	333921	$810.51
11	Gateway PC System	354759	$767.62
12	Gateway PC System	354767	$1,019.30
13	Gateway PC System	354758	$729.61
14	E Machine PC System	324570	$593.33

Eastern Los Angeles Regional Center
Family Cost Participation Program - Late Assessments
Fiscal Years 2013-14 and 2014-15

	Unique Client Identification Number	IPP Date	Assessment Date
1	[redacted]	1/6/2015	3/16/15
2	[redacted]	8/7/2014	9/11/14
3	[redacted]	1/8/2015	2/12/15
4	[redacted]	2/25/2014	4/1/14
5	[redacted]	4/2/2014	5/21/14

APPENDIX A

Eastern Los Angeles County Regional Center

RESPONSE
TO AUDIT FINDINGS

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

EASTERN LOS ANGELES REGIONAL CENTER

1000 S. Fremont Ave. P.O. Box 7916 • Alhambra, CA 91803-7916 • (626) 299-4700 • FAX (626) 281-1163

January 30, 2017

RECEIVED
FEB 06 2017
AUDIT BRANCH

Edward Yan
Manager, Audit Branch
Department of Developmental Services
1600 Ninth Street
Room 230, MS 2-10
Sacramento, California 95814

Dear Mr. Yan:

We had a conference call on Monday, January 23, 2017 at 3:00 p.m. with the DDS' Audit Branch to discuss the findings of the audit conducted at Eastern Los Angeles Regional Center from November 30, 2015, through January 8, 2016 for the fiscal years 2013-14 and 2014-15.

Our responses to the findings are attached. The findings were discussed during our teleconference and any issues were addressed. We discussed the corrections and new procedures in place to correct the findings. There are no disputes existing and we, at Eastern Los Angeles Regional Center, are in agreement with the auditor's findings.

Sincerely,

[redacted]

Enclosure

cc: [redacted] ELARC

EASTERN LOS ANGELES REGIONAL CENTER

Equipment Inventory

Finding 1: Failure to Remove Disposed Items from the Equipment Inventory

In response to the finding, ELARC incorporated the recommendations provided by DDS on the Draft Audit Report and has already re-evaluated its procedures and has implemented the following inventory plan to resolve any discrepancies between the property records and the physical inventory.

- ELARC hired a Junior Accountant in January 2016 to do a thorough review of our disposed items between FYs 2009-2010 and 2014-15 to ensure missing and disposed items were removed from the inventory listing. Any adjustments, if needed, were made to the General Ledger to ensure it accurately reflects the current inventory listing. This process is ongoing. The Junior Accountant along with our Property Custodian will jointly perform the triennial physical inventory to ensure the inventory and equipment listing match and/or balance. (See attached State Owned Equipment policy, 1.a.)

Family Cost Participation Program (FCPP)

Finding 2: Late Assessments

In response to the finding, ELARC will do the following to address it.

Upcoming FCPP Assessments:

- ELARC will be sending the FCPP Letter, Guide and appeal process when sending out the IPP Appointment Letter so when the SC goes to the visit, the family will already have the proof of income ready, making it easier to assess at that time of the IPP, instead of waiting the 10-work days for the family to send proof of income and allow for time to lapse and late assessments.

- The FCPP Coordinator will also attend unit meetings to go over the DDS Audit findings and discuss the importance of timely FCPP Assessments.

Late Assessments/Notifications:

- ELARC will continue to send out upcoming FCPP reports to each unit, and in addition, our Policy & Procedures on FCPP will be revised to make it mandatory for SC's to send out all FCPP documents to family in advance, when sending IPP packets to ensure family has proof of income ready at the IPP. ELARC will also continue to send out monthly past due reports to units, however will send to each unit individually to ensure assessments are not missed.

Parental Fee Program (PFP)

Finding 3: DDS was not Notified of New Placements, Terminated Cases, or Dates of Death for Consumers Identified under the PFP.

The Residential Placement Coordinator on or before the 20th of each month notifies [redacted] by way of a monthly report of any new placements or terminations. ELARC will adjust the current reporting spread sheet to incorporate deaths to the report. ELARC's policy and procedure will include these guidelines.

STATE OWNED EQUIPMENT

Purchases

[redacted] and/or [redacted] prepare a schedule showing a listing of all purchases during the fiscal year and examine the schedule to determine which items must be "capitalized", meaning any item greater than $5,000 in cost. Information (including price, description, quantity, etc.) is forwarded to [redacted] G/L accounts affected [redacted]

California State ID (sent by DDS) is to be attached to all the capitalized items purchased. Also, the RC will attach its own ID tag to the items to assist the RC in tracking the items.

Dispositions

Any dispositions must be approved by the State. The [redacted] with the approval of [redacted] will request such authorization. All equipment that is no longer in use by the RC must be returned to the State or disposed of according to the Department of Developmental Services regulations.

Inventory Listing and G/L Reconciliation

The Regional Center has a listing of all items currently at the Alhambra building and Whittier locations. The listing includes all purchases in the current year and excludes all dispositions for the current year. Since the RC does not own items, they will not show an effect on the Balance sheet. Any additions and/or deletions will show in the Equipment accounts and conversely, show in a Contra-asset account – Allowance for State Owned Equipment. The net effect on the Balance Sheet is zero.