AUDIT OF THE NORTH LOS ANGELES COUNTY REGIONAL CENTER FOR FISCAL YEARS 2015-16 AND 2016-17

Department of Developmental Services

March 13, 2019

This audit report was prepared by the
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EXECUTIVE SUMMARY

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

The audit period was July 1, 2015, through June 30, 2017, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where NLACRC'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 NLACRC's operations. A follow-up review was performed to ensure NLACRC has taken corrective action to resolve the finding identified in the prior DDS audit report.

Findings to be addressed.

Finding 1: <u>Family Cost Participation-Payments Above the Share of Cost</u>

The review of the Family Cost Participation Program (FCPP) consumer files revealed that NLACRC paid for the share of cost for three of the 20 sampled consumers participating in this program. This resulted in overpayments totaling $8,630.27, from November 2015 through April 2017, for two vendors who provided services to the three consumers. This is not in compliance with CCR, Title 17, Section 50255(a).

NLACRC provided additional information with its response which indicated that it paid above the share of cost for two consumers, resulting in total overpayments of $8,089.01.

Finding 2: <u>Client Trust Balances Over $2,000</u>

The sampled review of 35 consumer trust accounts revealed two consumers with balances above the $2,000 resource limit. This is not in compliance with the Social Security Handbook, Chapter 21, Section 2113.2.

Finding 3: Equipment Inventory-Missing Equipment

The sampled review of 40 items selected from NLACRC's inventory listing revealed four items were missing. This is not in compliance with the State Contract, Article IV, Section 4(a).

NLACRC subsequently provided additional information with its response which indicated that two items were located and the remaining two missing items have been surveyed.

BACKGROUND

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

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

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

DDS and NLACRC, Inc. entered into State Contract HD149012, effective July 1, 2014, through June 30, 2021. This contract specifies that NLACRC, Inc. will operate an agency known as the NLACRC to provide services to individuals with DD and their families in East Valley, San Fernando, West Valley, and Antelope Valley areas. The contract is funded by state and federal funds that are dependent upon NLACRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at NLACRC from August 14, 2017, through September 13, 2017, by the Audit Section of DDS.

AUTHORITY

The audit was conducted under the authority of the W&I Code, Section 4780.5 and Article IV, Section 3 of the State Contract between DDS and NLACRC.

CRITERIA

The following criteria were used for this audit:

- W&I Code,
- "Approved Application for the HCBS Waiver for the Developmentally Disabled,"
- CCR, Title 17,
- OMB Circulars A-122 and A-133, and
- The State Contract between DDS and NLACRC, effective July 1, 2014.

AUDIT PERIOD

The audit period was July 1, 2015, through June 30, 2017, 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 RCs' fiscal, administrative, and program operations. The objectives of this audit were:

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

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 NLACRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that NLACRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis to determine whether NLACRC was in compliance with the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and NLACRC.

DDS' review of NLACRC'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 CPA firm for Fiscal Years (FYs) 2014-15 and 2015-16, issued on February 10, 2016 and February 10, 2017. It was noted that a management letter identifying one finding was issued for NLACRC, but has been addressed and resolved. 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 NLACRC. The rates charged for the services provided to individual consumers were reviewed to ensure compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and NLACRC.

- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded $2,000, as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the $2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the 10th of each month, and proper documentation for expenditures was maintained.

- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with NLACRC staff revealed that NLACRC 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 sources 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 NLACRC's bank accounts to determine whether DDS had signatory authority, as required by the State 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 were reviewed to ensure NLACRC's accounting staff properly input data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, payroll ledgers, and other 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 NLACRC'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 determines the DDS rate of reimbursement from the federal government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and NLACRC's Rate Study. DDS examined the month of April 2017 and traced the reported information to source documents.

- Reviewed NLACRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared timesheets to the Case Management Time Study Forms (DS 1916) to ensure that the forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under the W&I Code, Section 4640.6(e), RCs are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code Section 4640.6(c)(1)(2)(3)(A)(B)(C):

"(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:

(1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.

(2) An average service coordinator-to-consumer ratio of 1 to 45 for all consumers who have moved from a developmental center to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 59 consumers for more than 60 days.

(3) Commencing January 1, 2004, the following coordinator-to-consumer ratios shall apply:

(A) All consumers three years of age and younger and for consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, an average service coordinator-to-consumer ratio of 1 to 62.

(B) All consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, an average service coordinator-to-consumer ratio of 1 to 62.

(C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in subparagraph (A), an average service coordinator-to-consumer ratio of 1 to 66."

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

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

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

VI. Family Cost Participation Program (FCPP)

The FCPP was created for the purpose of assessing consumer costs to parents based on income level and dependents. The family cost participation assessments are only applied to respite, day care, and camping services that are included in the child's Individual Program Plan (IPP)/Individualized Family Services Plan (IFSP). To determine whether NLACRC was in compliance with CCR, Title 17, and the W&I Code, Section 4783, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care, and camping services, for ages 0 through 17 years who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.

- Reviewed the parents' income documentation to verify their level of participation based on the FCPP Schedule.

- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' income documentation.

- Reviewed vendor payments to verify that NLACRC 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 the income level of families with children between the ages of 0 through 17 years 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 NLACRC was in compliance with the W&I Code, Section 4785, DDS requested a list of AFPF assessments and verified the following:

- The adjusted gross family income is at or above 400 percent of the federal poverty level based upon family size.

- The child has a DD or is eligible for services under the California Early Intervention Services Act.

- The child is less than 18 years of age and lives with his or her parent.

- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.

- The child does not receive services through the Medi-Cal program.

- Documentation was maintained by the RC to support reduced assessments.

VIII. Parental Fee Program (PFP)

The PFP was created for the purpose of prescribing financial responsibility to parents of children under the age of 18 years who are receiving 24-hour, out-of-home care services through an RC or who are residents of a state hospital or on leave from a state hospital. Parents shall be required to pay a fee depending upon their ability to pay, but not to exceed (1) the cost of caring for a child without DD at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether NLACRC is in compliance with the W&I Code, Section 4782, DDS requested a list of PFP assessments and verified the following:

- Identified all children with DD who are receiving the following services:

  (a) All 24-hour, out-of-home community care received through an RC for children under the age of 18 years;

  (b) 24-hour care for such minor children in state hospitals. Provided, however, that no ability to pay determination shall be made for services required by state or federal law, or both, to be provided to children without charge to their parents.

- Provided DDS with a listing of new placements, terminated cases, and client deaths for those clients. Such listings shall be provided not later than the 20th day of the month following the month of such occurrence.

- Informed parents of children who will be receiving services that DDS is required to determine parents' ability to pay and to assess, bill, and collect parental fees.

- Provided parents a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope within 10 working days after placement of a minor child.

- Provided DDS a copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed.

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. To determine whether NLACRC implemented the required RFP process, DDS performed the following procedures during the audit review:

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

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

- Selected a sample of Operations, Community Placement Plan (CPP), and negotiated POS contracts subject to competitive bidding to ensure NLACRC notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that NLACRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals and written justification for final vendor selection decisions and that those contracts were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures:

- To determine compliance with the W&I Code, Section 4625.5 for contracts in place as of March 24, 2011: Reviewed to ensure NLACRC 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 NLACRC Board-approved Operations, Start-Up, and POS vendor contracts of $250,000 or more, to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers; verified that the funds provided were specifically used to establish new or additional services to consumers, the usage of funds is of direct benefit to consumers, and the contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess NLACRC's current RFP process and Board approval for contracts of $250,000 or more, as well as to determine whether the process in place satisfies the W&I Code and NLACRC's State Contract requirements, as amended.

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

The Statewide and RC Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure that RCs are not negotiating rates higher than the set median rates for services. Despite the median rate requirement, rate increases could be obtained from DDS under health and safety exemptions where RCs demonstrate the exemption is necessary for the health and safety of the consumers.

To determine whether NLACRC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether NLACRC is using appropriately vendorized service providers and correct service codes, and that NLACRC is paying authorized contract rates and complying with the median rate requirements of W&I Code, Section 4691.9.

- Reviewed vendor contracts to ensure that NLACRC is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or RC median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where required by regulation, or health and safety exemptions were granted by DDS.

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

XI. Other Sources of Funding from DDS

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure NLACRC's accounting staff were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- Start-Up Funds
- CPP
- Denti-Cal
- Part C – Early Start Program
- Family Resource Center

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 finding was conducted. DDS identified a prior audit finding that was reported to NLACRC and reviewed supporting documentation to determine the degree of completeness of NLACRC's implementation of corrective action.

CONCLUSIONS

Based upon the audit procedures performed, DDS determined that except for the items identified in the Findings and Recommendations section, NLACRC was in compliance with applicable sections of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and NLACRC for the audit period, July 1, 2015, through June 30, 2017.

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

From the review of the prior audit finding, it is determined that NLACRC has taken appropriate corrective action to resolve the finding.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on July 11, 2018. The findings in the draft audit report were discussed at a formal exit conference with NLACRC on July 26, 2018. The views of NLACRC's responsible officials are included in this final audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings to be addressed.

Finding 1: **Family Cost Participation-Payments Above the Share of Cost**

The review of the FCPP consumer files revealed that NLACRC has been paying the share of cost for three of the 20 sampled consumers participating in this program. The share of cost should have been the responsibility of the three consumers' families. This resulted in overpayments totaling $8,630.27 from November 2015 through April 2017 to two vendors who provided services to these three consumers. NLACRC indicated this occurred due to the authorizations not being changed to reflect the families' share of cost.

NLACRC provided additional information with its response which indicated that it paid above the share of cost for two consumers, resulting in total overpayments of $8,089.01. (See Attachment A)

CCR, Title 17, Section 50255(a) states:

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

Recommendation:

NLACRC must reimburse the $8,089.01 in overpayments that resulted from incorrectly paying for the family's share of costs. In addition, NLACRC should ensure that only the costs NLACRC is responsible for are entered into the UFS to prevent the possibility of any overpayments.

Finding 2: **Client Trust Balances Over $2,000**

The sampled review of 35 consumer Client Trust accounts revealed two NLACRC consumers, UCI numbers [redacted] and [redacted] with balances above the $2,000 resource limit. Exceeding the Social Security Administration (SSA) mandated resource limit may result in the consumers losing their Social Security benefits. NLACRC indicated this occurred due to an oversight.

Social Security Handbook, Chapter 21, Section 2113.2 states:

"In order to receive SSI benefits, you cannot own countable real or personal property (including cash) in excess of a specified amount at the beginning of each month. For an individual with an eligible or ineligible spouse, the applicable limit is one and one-half times as much as that for an individual without a spouse. These limits are set by law, and they are not subject to regular cost-of-living adjustments. But they are subject to change. The limits for January 2009 are $2,000 for an individual and $3,000 for a couple."

Recommendation:

NLACRC should closely monitor consumer trust accounts to ensure the balances remain within the resource limits to ensure the consumers' SSI benefits are not affected.

Finding 3: **Equipment Inventory-Missing Equipment**

The sampled review of 40 items selected from NLACRC's inventory listing revealed that four items were missing. NLACRC indicated that these items may have been misplaced during the move to its current location, and it is still trying to locate the items.

NLACRC provided additional information with its response which indicated that two items were located, and the remaining two missing items have been surveyed. (See Attachment B)

State Contract, Article IV, Section 4(a) 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."

Recommendation:

NLACRC should follow the State Equipment Management Systems Guidelines, Section III(c), to ensure that all State-owned equipment is properly safeguarded. In addition, if NLACRC is unable to locate the items, the items must be properly removed from its inventory listing.

EVALUATION OF RESPONSE

As part of the audit report process, NLACRC was provided with a draft audit report and requested to provide a response to the findings. NLACRC's response dated August 23, 2018, is provided as Appendix A.

DDS' Audit Section has evaluated NLACRC's response and will confirm the appropriate corrective actions have been taken during the next scheduled audit.

Finding 1: **<u>Family Cost Participation-Payments Above the Share of Cost</u>**

NLACRC agreed that it paid above the share of cost for two of three consumers identified in the finding. NLACRC agreed with the overpayment totaling $3,501.41 for consumer, UCI Number [redacted] Further, NLACRC indicated that the overpayment for consumer UCI Number [redacted] is $4,587.60, and not the $4,364.46 overpayment calculated by DDS.

NLACRC provided a revised FCPP assessment which indicated the share of cost totaling $746.40 it paid for consumer UCI Number [redacted] was correct. Therefore, the total overpayment outstanding is $8,089.01.

Finding 2: **<u>Client Trust Balances Over $2,000</u>**

NLACRC agreed with the finding and stated it would closely monitor the Client Trust accounts to ensure balances remain below the $2,000 resource limit. NLACRC provided additional information which indicated that the Client Trust balances for the two consumers have been reduced below the $2,000 resource limit.

Finding 3: **<u>Equipment Inventory-Missing Equipment</u>**

NLACRC agreed with the finding and indicated that it will follow its policies and procedures to ensure that state-owned equipment is properly safeguarded. In addition, NLACRC stated that it has located two of the missing items and provided documentation that the remaining two missing items have been surveyed.

North Los Angeles County Regional Center
Family Cost Participation Program - Overstated Share of Cost
Fiscal Years 2017-16 and 2016-17

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Overpayments
1	[redacted]	HL0558	Right Choice-In Home Care	862	[redacted]	Dec-16	$1,500.60
						Jan-17	$737.80
						Feb-17	$512.71
						Mar-17	$250.10
						Apr-17	$500.20
2	[redacted]	HL0621	Accredited Respite Serrvices		[redacted]	Sep-15	$463.20
						Oct-15	$370.56
						Nov-15	$392.16
						Dec-15	$392.16
						Jan-16	$414.48
						Feb-16	$414.48
						Mar-16	$414.48
						Apr-16	$414.48
						May-16	$414.48
						Jun-16	$414.48
						Jul-16	$482.64
						Aug-16	$0.00
Total Overstated Share of Cost Payments							**$8,089.01**

North Los Angeles County Regional Center
Equipment Inventory-Missing Equipment
Fiscal Years 2015-16 and 2016-17

	Item Description	Serial Number	State Tag Number	Comments
1	Pro AV Document Camera	100637522	336573	Missing
2	Automatic Paper Inserter	1023330	339549	Missing

APPENDIX A

NORTH LOS ANGELES COUNTY REGIONAL CENTER

RESPONSE
TO AUDIT FINDINGS

North Los Angeles County Regional Center

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August 23, 2018

Mr. Edward Yan, Manager
Department of Developmental Services
Audit Branch
1600 Ninth St., Room 230, MS 2-10
Sacramento, CA 95814

RE: Draft Audit Report for Fiscal Years 2015-2016 and 2016-2017

Dear Mr. Yan:

The purpose of this letter is to respond to the Department of Developmental Services' (DDS) draft audit report of North Los Angeles County Regional Center (NLACRC) for fiscal years 2015-2016 and 2016-2017.

Audit Finding #1:

Family Cost Participation Program – Payments Above the Share of Cost

DDS sampled 20 consumer Family Cost Participation Program (FCPP) files and determined that, NLACRC paid the share of cost for three of the 20 consumers participating in this program. The share of cost should have been the responsibility of the three consumers' families, resulting in overpayments totaling $8,630.27.

NLACRC Response

- Line #1 - Consumer [redacted] (UCI #[redacted]
  NLACRC reviewed the FCPP assessment for consumer [redacted] and determined that NLACRC did not update services under authorization #[redacted] in accordance with the FCPP assessment, which resulted in NLACRC paying the consumer's share of cost. NLACRC has changed its FCPP procedures to minimize such errors. NLACRC is in agreement with the overpayment finding for [redacted] in the amount of $3,501.41.

- Line #2 - Consumer [redacted] (UCI #[redacted]
  Consumer [redacted] has a sibling who is also a regional center consumer, [redacted] (UCI #[redacted] For sibling [redacted] NLACRC completed an FCPP assessment at 75% share of cost dated September 1, 2015. NLACRC subsequently received the parents' income documentation, and based on the income documentation, NLACRC completed a revised FCPP assessment dated September 2, 2015 for sibling [redacted] at 0% share of cost. For consumer [redacted] NLACRC completed an FCPP assessment at 75% share of cost dated September 1, 2015. NLACRC, however, did not link the income documentation submitted for sibling [redacted] to consumer [redacted] and therefore, made an error by not revising [redacted]'s assessment from 75% to 0% share of cost. NLACRC has corrected the error by

completing a revised FCPP assessment for [redacted] at 0% share of cost retroactive to 2015 when the parents originally submitted the income documentation. NLACRC has updated the relationship tabs within SANDIS for both [redacted] and [redacted] to link the two consumers as siblings. (Please see Attachment A for supporting documentation.) Based on the revised FCPP assessment at 0% share of cost, the overpayment finding for [redacted] should be reduced from $764.40 to $0.

- Line #3 - Consumer [redacted] (UCI #[redacted]
  NLACRC reviewed the FCPP assessment for consumer [redacted] and determined that NLACRC did not update services under authorization #[redacted] in accordance with the FCPP assessment, which resulted in NLACRC paying the consumer's share of cost. NLACRC has changed its FCPP procedures to minimize such errors. DDS calculated the overpayment for the period of September 2015 through August 2016 as $4,364.46. NLACRC reviewed the payment history for the same period of time and calculated the overpayment as $4,587.60, detailed as follows:

UCI #[redacted]

Service Month	Overpayment
Sep-15	$ 463.20
Oct-15	$ 370.56
Nov-15	$ 392.16
Dec-15	$ 392.16
Jan-16	$ 414.48
Feb-16	$ 414.48
Mar-16	$ 414.48
Apr-16	$ 414.48
May-16	$ 414.48
Jun-16	$ 414.48
Jul-16	$ 482.64
Aug-16	$ -
Total	**$ 4,587.60**

- Summary
  During fiscal year 2017-2018, NLACRC updated its FCPP procedures. Prior to the change, when respite and daycare services were initially assessed for FCPP eligible consumers, case management authorized the services as ongoing with no end date. Once the FCPP assessment was completed, case management updated the authorization(s) in accordance with the FCPP assessment. If the consumer is assessed a share of cost, the authorization(s) must be updated to reflect a reduction in services.

  NLACRC's updated FCPP procedures require that case management authorize initial respite and daycare services with an end date to coincide with the effective date of the FCPP assessment. Once the FCPP assessment is completed, case management must extend and update the authorization, if appropriate, in order for the services to continue. If case management does not extend and update the authorization, the services automatically terminate with the end date. NLACRC's updated procedures will reduce the likelihood of errors that result in NLACRC funding consumers' share of cost.

  Based on NLACRC's calculations the overpayment for Finding 1 totals $8,089.01, detailed as follows:

UCI #	Authorization #	Overpayment
[redacted]	[redacted]	$ 3,501.41
[redacted]	[redacted]	$ -
[redacted]	[redacted]	$ 4,587.60
Total		$ 8,089.01

Audit Finding #2

Client Trust Balances Over $2,000

DDS reviewed 35 Client Trust accounts and determined that two Client Trust balances exceeded the $2,000 resource limit established by the Social Security Administration for SSI benefit recipients.

NLACRC Response

Per Social Security Administration's Understanding Supplemental Security Income SSI Resources – 2013 Edition (Attachment B), "cash received for medical or social services that we do not count as income is not a resource for one month." Since Supplemental Security Income (SSI) payments are funds for social services for the consumer, SSI payments are excluded from countable resources in the month that they are paid. Accordingly, NLACRC was notified by the Social Security Administration via email on January 16, 2013, that "retained SSI payments do not count as a resource in the month they are paid" (Attachment C). Therefore, in order to determine a consumer's countable resources, SSI payments received during the month must be excluded from the consumer's trust account balance.

- Consumer [redacted] (UCI #[redacted]
  As of June 30, 2017, consumer [redacted]'s trust account ledger balance was $4,105.53. NLACRC reviewed the consumer's trust account and determined that the consumer had a share of cost for residential services for March-May 2017 that had not been disbursed. After applying the consumer's share of cost for residential services, the consumer's available trust account balance as of June 30, 2017 is $0.05 and the consumer's balance is not over the resource limit established by the Social Security Administration. (Please see Attachment D for supporting documentation.)

Account Ledger Balance as of 6/30/17	4,105.53
Undisbursed Benefits Received in June 2017	(1,026.37)
Undisbursed Share of Cost for March 2017	(1,026.37)
Undisbursed Share of Cost for April 2017	(1,026.37)
Undisbursed Share of Cost for May 2017	(1,026.37)
Available Resources as of 6/30/17	0.05

- Consumer [redacted] (UCI #[redacted]
  As of June 30, 2017, consumer [redacted]'s trust account ledger balance was $7,452.50. After deducting undisbursed benefits received in the month of June 2017 of $1,026.37, the consumer's available resources as of June 30, 2017 was $6,426.13. NLACRC reviewed the consumer's trust account and determined that the consumer required a spend down of available funds. In January 2018, a spend down was completed, which brought the consumer's available resources below the $2,000 limit

established by the Social Security Administration. (Please see Attachment E for supporting documentation.)

- Summary
  NLACRC will closely monitor consumer trust accounts to ensure balances remain within the resource limit established by the Social Security Administration for SSI recipients in order to protect consumers' SSI benefits.

Audit Finding #3

Equipment Inventory – Missing Equipment

DDS sampled 40 inventory items and found four items were missing.

NLACRC Response

- Line 1 – Tag #336573 – Pro AV Document Camera
  NLACRC was unable to locate the inventory item. NLACRC has obtained authorization from the Department of General Services to dispose of the inventory item and has removed the item from its inventory list. (Please see Attachment F for supporting documentation.)

- Line 2 – Tag #339549 – Automatic Paper Inserter
  NLACRC was unable to locate the inventory item. NLACRC has obtained authorization from the Department of General Services to dispose of the inventory item and has removed the item from its inventory list. (Please see Attachment F for supporting documentation.)

- Line 3 – Tag #358046 – Shredder
  NLACRC has located the inventory item. (Please see Attachment G for supporting documentation.)

- Line 4 – Tag #378970 – LTE Hotspot
  NLACRC has located the inventory item. (Please see Attachment H for supporting documentation.)

- Summary
  NLACRC will follow appropriate policies and procedures to ensure that all state-owed equipment is properly safeguarded.

If you have any questions regarding NLACRC's responses, please contact me at [redacted]

[redacted]