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AUDIT OF THE SOUTH CENTRAL LOS ANGELES REGIONAL CENTER FOR FISCAL YEARS 2022-23 AND 2023-24

April 8, 2026

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RESTRICTED USE

This audit report is solely for the information and use of the Department of Developmental Services (Department), the Centers of Medicare and Medicaid Services, the Department of Health Care Services, and the Regional Center. This restriction does not limit distribution of this audit report, which is a matter of public record.

EXECUTIVE SUMMARY

The Department conducted a fiscal compliance audit of South Central Los Angeles Regional Center (SCLARC) to assess compliance with the requirements set forth in the Lanterman Developmental Disabilities Services Act and Related Laws/Welfare and Institutions Code (WIC); 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 the Department. Overall, the audit indicated that the Regional Center maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2022, through June 30, 2024, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where the Regional Center'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 the Regional Center's operations.

A follow-up review was performed to determine whether the Regional Center has taken corrective action to resolve the findings identified in the prior Department audit report. The results of the follow-up can be found in the Conclusions section.

Findings that need to be addressed:

- Finding 1: Overstated Claims – SCLARC overstated claims for 49 vendors, totaling \$293,303.89. SCLARC has recovered overpayments totaling \$285,346.99, with \$7,956.90 outstanding.
- Finding 2: Consultant Expenses Exceed Contract Amounts – SCLARC overpaid one consultant a total of \$1,079.29 for FYs 2022-23 and 2023-24.
- Finding 3: Individual Trust Accounts
 - A. Remaining Individual Trust Balances for Deceased Individuals (Repeat) – SCLARC continues to have individuals with remaining trust balances for deceased individuals. SCLARC has balances totaling \$195,197.31 for 67 individuals remaining in the trust accounts.

SCLARC subsequently escheated the funds to the State totaling \$172,450.68 for 61 individuals and forwarded \$22,736.63 to the six individuals' next of kins.

- B. Interest Not Disbursed to Individual Trust Accounts – SCLARC did not disburse interest to four individual trust accounts from July 2022 through June 2024.

SCLARC subsequently disbursed the interest from July 2022 through June 2024 and set up the accounts correctly to disburse interest to the four individual trust accounts.

- Finding 4: Conflict of Interest Statements (COI) Statements – SCLARC did not complete 30 employee and 31 Board of Directors (BOD) COI statements by August 1st. In addition, there were three BODs that did not complete and file a COI statement within 30 days of assuming the new position.

Findings that have been corrected:

- Finding 5: Underpayments Due to Incorrect Rates – SCLARC underpaid two vendors for services totaling \$2,141.03 from July 2022 through August 2023.

- Finding 6: Improper Allocation of Community Placement Plan (CPP) Funds – SCLARC improperly claimed CPP expenses for two individuals totaling \$12,366.81.

BACKGROUND

The Department and South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. entered into State Contract HD199019, effective July 1, 2019, through June 30, 2026. This contract specifies that South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. will operate an agency known as (SCLARC) to provide services to individuals with intellectual and developmental disabilities and their families. The contract is funded by State and federal funds that are dependent upon the Regional Center performing certain tasks, providing services to eligible individuals, and submitting billings to the Department.

This audit was conducted from May 19, 2025, through July 10, 2025, by the Audit Services Branch of the Department.

AUTHORITY

The audit was conducted under the authority of the WIC, Section 4780.5 and the State Contract between the Department and the Regional Center.

CRITERIA

The following criteria were used for this audit:

- WIC,
- 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 the Department and the Regional Center, effective July 1, 2019.

VIEWS OF RESPONSIBLE OFFICIALS

The Department issued the draft audit report on December 18, 2025. The findings in the draft audit report were discussed at a formal exit conference on January 8, 2026. The views of responsible officials are included in this final audit report.

CONCLUSIONS

Based upon the audit procedures performed, the Department has determined that except for the items identified in the Findings and Recommendations section, the Regional Center was in compliance with applicable audit criteria.

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

From our review of five prior Department audit findings, it has been determined that the Regional Center has taken appropriate corrective action to resolve all findings.

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: Overstated Claims

The review of the Operational Indicator Reports revealed 283 instances where SCLARC overpaid expenses for 49 vendors. This resulted in overstated claims totaling \$293,303.89. The overstated claims were due to duplicate payments and overlapping authorizations. SCLARC indicated the Operational Indicator Reports are reviewed every two months but did not provide written procedures. SCLARC has recovered overpayments totaling \$285,346.99, with \$7,956.90 outstanding. (See Attachment A)

CCR, Title 17, Section 57300(c)(2) states:

“(c) Regional Centers shall not reimburse vendors:

- (2) For services in an amount greater than the rate established pursuant to these regulations.”

Recommendation:

SCLARC must reimburse the Department for the remaining overstated claims totaling \$7,956.90. In addition, SCLARC must develop written procedures to make sure its staff closely monitors the Operational Indicator Reports for errors that may have occurred while doing business with its vendors.

Finding 2: Consultant Expenses Exceed Contract Amounts

The review of four operational consultant contracts revealed one consultant, [REDACTED], was reimbursed above the contracted amounts. SCLARC overpaid the consultant a total of \$1,079.29 for FYs 2022-23 and 2023-24. This occurred because SCLARC did not amend the contracts when additional service was needed.

SCLARC Consultant Independent Contractor Operations Standard Agreement, Exhibit D, Payment Agreement/Rate Letter states:

“Contractor agrees to accept the following rate(s) of payment for the service specified in Exhibit A at the rate of \$64.85 per hour, not to exceed \$69,065 per fiscal year.”

SCLARC Consultant Independent Contractor Operations Standard Agreement, Exhibit D, Payment Agreement/Rate Letter states:

“Contractor agrees to accept the following rate(s) of payment for the service specified in Exhibit A at the rate of \$64.85 per hour, not to exceed to 516 hours per year.”

CCR, Title 17, Section 50609(f) states:

“The regional center/service provider contract shall include, but not limited to, the following fiscal or fiscally related provisions:

(f) A provision specifying the maximum amount which can be paid under this contract.”

Recommendation:

SCLARC must review the consultants’ contracts to verify payments made are in accordance with the terms of the contract and amend the contracts accordingly, if additional consultant services are required. SCLARC should also review its current contracting processes to determine if the processes need to be revised to require existing contracts to be amended when the scope of work and/or terms change.

Finding 3: Individual Trust Accounts

A. Remaining Individual Trust Balances for Deceased Individuals (Repeat)

The review of the deceased individual trust accounts revealed SCLARC continues to not follow its’ own procedures for deceased individuals by not taking action to disburse the individuals’ funds. In its response to the prior audit report, SCLARC agreed with the recommendation to make sure the remaining funds are submitted to the beneficiaries or escheated to the State. However, further review revealed individual trust accounts for 67 deceased individual accounts had remaining trust balances totaling \$195,197.31. These remaining trust balances should have been forwarded to the individual’s beneficiaries or escheated to the State if unclaimed for more than three years. SCLARC indicated this occurred when it neglected to follow its own procedures regarding conserved funds for deceased individuals. SCLARC took corrective action and subsequently escheated the funds to the State totaling \$172,450.68 for 61 individuals and forwarded \$22,736.63 to the six individuals’ next of kin.

SCLARC Procedures on Disposing Deceased Consumer's Conserved Funds states:

"In the event of consumer's death, all trust account balance will be disbursed according to the source of benefits:

1. Consumer with SSI Benefits, the trust account balance will be disbursed to the spouse. In the absence of a spouse, the funds will be disbursed to the California State Controller's Office for unclaimed property.
2. Consumers with SSA or any other benefits other than SSI benefits, the trust account balance will be disbursed to the known next of kin. In the absence of a known next of kin, the funds will be disbursed to the California State Controller's Office for unclaimed property."

Social Security Handbook, Section 1616 states:

"The responsibilities of a representative payee are to:

Return conserved funds to SSA when no longer serving as the beneficiary's representative payee and return any payments not due when a beneficiary has died."

Social Security Handbook, Section 1622 states:

"In the event of the beneficiary's death, conserved funds become the property of the beneficiary's estate. Rather than returning them to use, you must give them to the legal representative of deceased beneficiary's estate for disposition under State law. If no legal representative exists, you must contact the State probate court (or the State agency handling estate matters) for instructions on what to do with the remaining conserved funds."

California Code of Civil Procedure, Article 2, Section 1518(a)(1), states in part:

"All intangible personal property, including intangible personal property maintained in a deposit or account, and the income or increment on such tangible or intangible property, held in a fiduciary capacity for the benefit of another person escheats to this state if for more than three years after it becomes payable or distributable, the owner has not done any of the following:

- (A) Increased or decreased the principal.
- (B) Accepted payment of principal or income.
- (C) Corresponded in writing concerning the property.
- (D) Otherwise indicated an interest in the property as evidenced by a memorandum or other record on file with the fiduciary.”

Recommendation:

SCLARC must reiterate to its staff the requirement to follow its own procedures and review the deceased individual trust accounts to verify remaining balances are forwarded to the individuals’ beneficiaries or escheated to the State and that the accounts are closed in a timely manner.

B. Interest Not Disbursed to Individual Trust Accounts

The review of the individual trust accounts revealed SCLARC did not disburse interest to four individuals from July 2022 through June 2024. SCLARC indicated this occurred when the individual accounts were not set up correctly. SCLARC staff responsible for setting up client trust accounts did not switch the system flag option on for the four accounts to receive interest, impeding the four individuals from receiving interest quarterly. SCLARC has since taken corrective action by disbursing interest to four individuals from July 2022 through June 2024 and by switching the system flag option on to assure interest is disbursed quarterly to the four individuals’ trust accounts.

Article III, Section 10 of the contract between DDS and SCLARC states in part:

“Contractor shall ensure that the consumer benefits directly from all interest earned on trust accounts. Guided by prudent business practices, all trust funds must be placed in a separate bank account that earns at least the prevailing rate of monetary interest for a “Business Savings” account, or equivalent account. This account shall be in the name of both the State and Contractor in accordance with the provisions of Article III, Section 3. All interest must be allocated to the individual consumer accounts. Bank charges (net after applying bank credits, if any), that are specifically identifiable to the trust account may be offset against the consumers’ interest. In no case shall the amount of bank charges allocated to the

individual consumer accounts exceed the amount of interest earned.”

Recommendation:

SCLARC must review the individual trust accounts to confirm they are set up properly in the system to receive interest quarterly.

Finding 4: COI Statements

The review of SCLARC’s COI statements revealed weaknesses in its’ oversight of their COI statements. The review revealed 30 employee COI statements and 31 BOD COI statements from FYs 2022-23 and 2023-24 were not completed by August 1st. In addition, there were three BODs that did not complete and file a COI statement within 30 days of assuming the new position. (See Attachment B)

WIC, Section 4626 states:

- “(e) The department shall develop and publish a standard conflict-of-interest reporting statement. The conflict-of-interest statement shall be completed by each regional center governing board member and each regional center employee specified in regulations, including, at a minimum, the executive director, every administrator, every program director, every service coordinator, and every employee who has decision-making or policymaking authority or authority to obligate the regional center’s resources.
- (f) Every new regional center employee referenced in subdivision (e) and every current regional center employee referenced in subdivision (e) accepting a new position within the regional center shall complete and file the conflict-of-interest statement with his or her respective regional center within 30 days of assuming the position.”
- (g) Every regional center board member and regional center employee referenced in subdivision (e) shall complete and file the conflict-of-interest statement by August 1 of each year.”

Recommendation:

SCLARC must make sure COI statements for employees and BODs are completed by August 1st and that any BODs taking a designated COI-filing position must complete and file a COI statement within 30 days of assuming that position.

Findings that have been corrected.

Finding 5: Underpayments Due to Incorrect Rates

The sampled review of 103 POS vendor files revealed two vendors providing in-home respite, Service Code 862 services were reimbursed at incorrect rates. SCLARC underpaid two vendors for services provided to the individuals totaling \$2,141.03 from July 2022 through August 2023. SCLARC subsequently, provided documentation indicating the two vendors have been paid. (Attachment C)

CCR, Title 17, Section 57300(c)(2) states:

“(c) Regional Centers shall not reimburse vendors:

(2) For services in an amount greater than the rate established pursuant to these regulations.”

WIC, Section 4519.10(c)(1)(A) and (B) states:

“(c)(1)(A) Commencing April 1, 2022, the department shall implement a rate increase for service providers that equals one-quarter of the difference between current rates and the fully funded rate model for each provider.

(B) Commencing January 1, 2023, and continuing through the 2023-24 fiscal year, the department shall adjust rates to equal one-half of the difference between rates in effect March 31, 2022, and the fully funded rate model for each provider, and additional funding shall be available for the quality incentive program described in subdivision (e).”

Recommendation:

SCLARC must apply the appropriate reform rates to assure vendors are paid correctly.

Finding 6: Improper Allocation of CPP Funds

The review of SCLARC's CPP expenditures revealed that SCLARC claimed expenses for two individuals totaling \$12,366.81 that were not listed under the CPP placements during FYs 2022-23 and 2023-24. The two individuals' expenditures were allocated to CPP rather than the General Fund account. SCLARC indicated that this was an oversight on its part and took corrective action by reallocating the expenses totaling \$12,366.81 to the correct account.

Guidelines for Regional Center CPP, (III)(A) states in part:

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

State Contract, Exhibit E, Section 2(a) states, in relevant part:

“Contractor shall use funds allocated for the regional center's approved Community Placement Plan and Community Resource Development Plan only for the purposes allocated and in compliance with the State's Community Placement Plan and Community Resource Development Plan and Housing Guidelines.”

Recommendation:

SCLARC must review the CPP claims to verify the individuals' expenditures are allocated to proper funding sources before claims are made to the Department.

EVALUATION OF RESPONSE

The Regional Center reviewed the draft audit report and agreed with all findings and recommendations (see Appendix B). The Department will confirm that the appropriate corrective actions have been taken during the next scheduled audit, unless otherwise described.

ATTACHMENTS A-C

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER

To request a copy of the attachments for this audit report, please contact the Audit Services Branch at (916) 654-3695.

APPENDIX A

SCOPE, OBJECTIVES, AND METHODOLOGY

The Department is responsible, under the WIC, for ensuring that persons with intellectual and developmental disabilities receive the services and supports they need to lead more independent, productive, and integrated lives. To secure these services and supports, the Department contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals 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.

The Department also is responsible for providing assurance to the federal Department of Health and Human Services, Centers for Medicare, and Medicaid Services, 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 providing this assurance, the Audit Services Section conducts fiscal compliance audits of each Regional Center no less than every two years and completes follow-up reviews in alternate years.

In addition to the fiscal compliance audit, each Regional Center is monitored by the Department's Federal Programs Branch 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 Department monitoring system that provides information on the Regional Centers' fiscal, administrative, and program operations.

This audit was conducted as part of the overall Department monitoring system that provides information on the Regional Centers' fiscal, administrative, and program operations. The objectives of this audit were:

- To determine compliance with the WIC,
- 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 the Department and the Regional Center.

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 the Regional Center's financial statements. The Department limited the scope to planning and performing audit procedures

necessary to obtain reasonable assurance that the Regional Center was in compliance with the objectives identified above.

The Department review of the Regional Center'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.

The Department reviewed available annual audit report(s) that were conducted by an independent Certified Public Accounting firm. This review was performed to determine the impact, if any, upon the Department audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

The Department selected a sample of Purchase of Service (POS) claims billed to the Department. The sample included individual services and vendor rates. The sample also included individuals who were eligible for the HCBS Waiver Program. For POS claims, the following procedures were performed:

- The Department tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- The Department 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 the Regional Center. The rates charged for the services provided to individuals were reviewed to ensure compliance with the provision of the WIC; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between the Department and the Regional Center.
- If applicable to this audit, the Department selected a sample of Individual 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, the Department determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. The Department 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 Department analyzed all bank accounts to determine whether the Department had signatory authority, as required by the State Contract with the Department.
- The Department selected a sample of bank reconciliations for Operations (OPS) accounts and Individual Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

The Department selected a sample of OPS claims billed to the Department to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to assure that 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.
- The Department reviewed the Regional Center's policies and procedures for compliance with the Department Conflict of Interest regulations, and the Department 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 Department rate of reimbursement from the federal government. The following procedures were performed upon the study:

- The Department examined the two TCM Rate Studies submitted to the Department during the audit period and traced the reported information to source documents.
- A review of the recent Case Management Time Study (required to be submitted every three years) is conducted if the study was not reviewed during the prior audit. The Department selected a sample of

the Case Management Time Study Forms (DS 1916) for examination and reconciled them to the corresponding payroll timesheets to ensure that the forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under the WIC, Section 4640.6(e), Regional Centers are required to provide service coordinator caseload data to the Department. The Department verified that the documentation was maintained to support the service coordinator caseload survey ratios.

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. 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 Regional Center 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 the Department, or (2) the cost of services provided, whichever is less. To determine compliance with the WIC Section 4784, the Department 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 a Regional Center for children under the age of 18 years;
 - (b) 24-hour care for such minor children in state hospitals;
 - (c) provided, however, that no ability to pay determination may be made for services required by state or federal law, or both, to be provided to children without charge to their parents.
- Provided the Department with a listing of new placements, terminated cases, and client deaths for those clients. Such listings must 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 the Department 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, and a return envelope within 10 working days after placement of a minor child.
- Provided the Department a copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed.

VII. Procurement

The Request for Proposal (RFP) process was implemented so that Regional Centers outline the vendor selection process when using the RFP process to address individual service needs. As of January 1, 2011, the Department requires Regional Centers to document their contracting practices, as well as how particular vendors are selected to provide individual services. By implementing a procurement process, Regional Centers 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 the Regional Center implemented the required RFP process, the Department performed the following procedures during the audit review:

- Reviewed the Regional Center'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 the Regional Center. The process was reviewed to ensure that the vendor selection process is transparent and impartial and avoids the appearance of favoritism. Additionally, the Department 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.

The Department performed the following procedures to determine compliance with the State Contract:

- Selected a sample of Operations, Community Placement Plan, and negotiated POS contracts subject to competitive bidding to ensure the Regional Center notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that the Regional Center 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, the Department performed the following procedures:

- To determine compliance with the WIC, Section 4625.5: Reviewed to verify that the Regional Center 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 the Regional Center Board-approved Operations, Start-Up, and POS vendor contracts of \$250,000 or more, to verify that the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to individuals; verified that the funds provided were specifically used to establish new or additional services to individuals, the usage of funds is of direct benefit to individuals, and the contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess the 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 WIC and State Contract requirements.

VIII. Statewide/Regional Center Median Rates

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, July 1, 2016, and April 1, 2022. Regional Centers may not negotiate rates higher than the set median rates for services. Despite the median rate requirement, rate increases can be obtained from the Department under health and safety exemptions where Regional Centers demonstrate the exemption is necessary for the health and safety of the individuals.

To determine compliance with the Lanterman Act, the Department performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether the Regional Center is using appropriately vendorized service providers and correct service

codes and is paying authorized contract rates and complying with the median rate requirements of WIC Section 4691.9.

- Reviewed vendor contracts to verify that the Regional Center is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or Regional Center median rate set after June 30, 2008. Additionally, the Department 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 the Department.
- Reviewed vendor contracts to verify that the Regional Center did not negotiate rates with new service providers for services which are higher than the Regional Center'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. The Department also verified that units of service designations conformed with existing Regional Center designations or, if none exists, checked that units of service conformed to a designation used to calculate the statewide median rate for the same service code.

IX. Other Sources of Funding from the Department

Regional Centers may receive other sources of funding from the Department. The Department performed sample tests on identified sources of funds from the Department to ensure the Regional Center'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 the Department identified in this audit may include:

- Community Placement Plan;
- Part C – Early Start Program;
- Family Resource Center;
- Foster Grandparent;
- Senior Companion;
- Mental Health Services Act;
- HCBS Compliance;
- Language Access and Cultural Competency Program; and
- Enhanced Community Integration for Children and Adolescents.

X. Follow-up Review on Prior Department Audit Finding(s)

As an essential part of the overall Department monitoring system, a follow-up review of prior Department audit finding(s) was conducted, if applicable. The Department identified prior audit finding(s) and reviewed supporting documentation to determine the degree of completeness of implementation of corrective actions.

APPENDIX B

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER

To request a copy of the Regional Center's response to the audit findings, please contact the Audit Services Branch at (916) 654-3695.