

DEPARTMENT OF DEVELOPMENTAL SERVICES

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SACRAMENTO, CA 95814
TDD 654-2054 (For the Hearing Impaired)
(916) 654-1958



March 26, 2014

Lisa Sanchez, Board President
South Central Los Angeles Regional Center for
Developmentally Disabled Persons
650 West Adams Boulevard, Suite 200
Los Angeles, CA 90007-2545

**Re: Finding 5 of The Department of Developmental Services' (DDS) Audit
Report of South Central Los Angeles Regional Center (SCLARC), for the
period of July 1, 2011, through June 30, 2012**

Dear Ms. Sanchez:

DDS conducted further analysis of the Welfare and Institutions Code, section 4639(b) and determined it to be ambiguous and could be interpreted as allowing for the continued use of the same accounting firm for five more fiscal years effective fiscal year 2011-12. DDS maintains its position that SCLARC should not have retained its current accounting firm; however, due to the ambiguity of the law, DDS will not pursue this issue any further. Therefore, this finding has been deleted.

Only Finding 5 has been revised. The remainder of the report remains unchanged from the report DDS sent to SCLARC on February 18, 2014.

If you have any questions regarding the modification to this finding, please contact Edward Yan, Manager, Audit Branch, at (916) 654-3695.

Sincerely,

A handwritten signature in black ink, appearing to read 'Nancy Bargmann'.

NANCY BARGMANN
Deputy Director
Community Services Division

Enclosures

cc: See next page

"Building Partnerships, Supporting Choices"

Lisa Sanchez, Board President
March 26, 2014
Page two

cc: Dexter Henderson, SCLARC
Roy Doronila, SCLARC
Evie Correa, DHCS
Jean Johnson, DDS
Brian Winfield, DDS
Tim Gonsalves, DDS
Debie Pritchard, DDS
Edward Yan, DDS
Luciah Ellen Nzima, DDS
Oscar Perez, DDS



**AUDIT OF THE
SOUTH CENTRAL LOS ANGELES REGIONAL
CENTER FOR FISCAL YEAR 2011-12**

Department of Developmental Services

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

The Department of Developmental Services' (DDS) fiscal compliance audit of the South Central Los Angeles Regional Center (SCLARC) revealed that SCLARC was in compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare and Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. The audit indicated that, overall, SCLARC maintains accounting records and supporting documentation for transactions in an organized manner. However, this report identifies some areas where SCLARC's administrative, operational controls could be strengthened. The report also identifies that SCLARC has not taken corrective action to resolve several repeat findings identified from prior DDS audits. Therefore, SCLARC must take immediate action to resolve these prior findings and provide supporting documentation to DDS with its response to the current audit indicating that these findings have been resolved and ensure that these findings do not occur in the future.

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

I. Findings that need to be addressed.

Finding 1: Overstated Claims (Repeat)

The review of the Uniform Fiscal System (UFS) Indicators reports revealed that SCLARC overstated expenses to the State totaling \$4,763.68 due to duplicate payments. SCLARC has since corrected \$1,389.32, resulting in an outstanding balance of \$3,374.36. This is not in compliance with CCR, title 17, section 54326(a)(10).

In addition, a follow-up review of the prior DDS audit report revealed SCLARC has not taken corrective action to resolve the overpayments made to two vendors. A balance of \$148,634.01 remains outstanding.

Finding 2: Credit Card Reimbursement Procedures Not Followed (Repeat)

The review of SCLARC's operational expenditures revealed 93 credit card transactions totaling \$7,294.59 had insufficient documentation to support claims to the State. SCLARC employees are not using original receipts as supporting documentation for items purchased. This issue was also identified in the prior DDS audit report. This is not in compliance with SCLARC's Procedures for Credit Card Purchases, Section D (3).

Finding 3: In-Kind Services (Repeat)

The review of the Friends of SCLARC (FOS) account revealed that seven SCLARC employees continue to provide accounting, administrative, and program services for the FOS for a total of \$19,979.00 in administrative costs. In return for the services provided by these employees, FOS provided funding to SCLARC consumers totaling \$18,561.20. This amount is \$1,417.80 less than the administrative costs covered by SCLARC. This issue was identified in the fiscal years (FY) 2008-09 and 2009-10 DDS audit report. This is not in compliance with SCLARC's State Contract, Article III, section 13(b) and the DDS letter of finding dated February 14, 2013.

Finding 4: Vendors Not Enrolled in Electronic Billing

During the review of SCLARC's electronic billing process, it was found that five vendors have not been enrolled in electronic billing as of July 1, 2012. None of the vendors received an exemption from SCLARC, which would have precluded them from enrolling in the electronic billing process. This is not in compliance with W&I Code, section 4641.5(a).

Finding 5: Deleted

Per W&I Code, section 4639(b), the Regional Center's annual fiscal audit shall not be conducted by the same accounting firm more than five times in every 10 years.

DDS conducted further analysis of the W&I Code, section 4639(b) and determined it to be ambiguous and could be interpreted as allowing for the continued use of the same accounting firm for five more fiscal years. This finding has been deleted.

II. Findings that have been addressed and corrected by SCLARC.

Finding 6: Materiality Threshold Not Included in the Request for Proposal Policy

The review of SCLARC's Board approved Request for Proposal (RFP) policy revealed that SCLARC did not include the applicable dollar threshold for requiring the utilization of the RFP process. This is not in compliance with the State Contract, Article II, section 2(b).

SCLARC has taken corrective action to resolve this issue and provided an amended Board approved RFP policy which includes an applicable dollar threshold.

Finding 7: Client Trust Balance Over \$2,000

The review of SCLARC's Client Trust accounts revealed two consumers with balances above the \$2,000 resource limit. This is not in compliance with the Social Security Handbook, Section 2113.2.

SCLARC has taken corrective action and reduced the consumers' trust balances below the \$2,000 resource limit.

Finding 8: Missing Uniform Fiscal System (UFS) Reconciliation Reports

The review of the UFS reconciliations revealed SCLARC did not retain UFS reports to support the balances reflected in the sampled UFS reconciliations, for the months of December 2011 through May 2012 due to a problem with its scanner. This is not in compliance with the State Contract, Article IV, section 3.

DDS expanded its testing and reviewed the months of June 2012 and February 2013 and noted that the scanning problem was corrected and the UFS reconciliation balanced with the UFS reports.

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. The regional centers are responsible under State law to help ensure that such persons receive access to the programs and services that are best suited to them throughout their lifetime.

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

In addition to the fiscal compliance audit, each regional center will also be 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 regional centers' fiscal, administrative and program operations.

DDS and South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc., entered into a contract, HD099014, effective July 1, 2009, through June 30, 2016. This contract specifies that South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc. will operate an agency known as the South Central Los Angeles Regional Center (SCLARC) to provide services to persons with DD and their families in the Compton, San Antonio, South, Southeast, and Southwest areas. The contract is funded by State and Federal funds that are dependent upon SCLARC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at SCLARC from April 29, 2013, through May 17, 2013, and was conducted by DDS' Audit Branch.

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.

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
- State Contract between DDS and SCLARC, effective July 1, 2009

AUDIT PERIOD

The audit period was July 1, 2011, through June 30, 2012, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

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

DDS' review of SCLARC'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 report that was conducted by an independent accounting firm for FY 2011-12, issued on February 4, 2012. In addition, DDS reviewed the associated management letter that was issued by the independent accounting firm. 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, vendor rates, and consumer trust accounts. 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 SCLARC. 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 of regulations.
- 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. DDS interviewed SCLARC's staff to ensure that SCLARC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to Social Security Administration (or other source) in a timely manner.
- DDS selected a sample of 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 SCLARC'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 and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

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

- A sample of the personnel files, time sheets, payroll ledgers and other support documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance 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 SCLARC'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 and Regional Center Rate Study

The Targeted Case Management (TCM) Rate Study is the study that determines the DDS rate of reimbursement from the Federal Government. DDS reviewed applicable TCM records and SCLARC's Rate Study. DDS examined the month of June 2012 and traced the reported information to source documents.

The last Case Management Time Study was performed in May 2010, which was reviewed in the prior DDS audit that included FY 2009-10. 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), regional centers 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 and younger and for consumers enrolled in the 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. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent rate reduction to regional centers as required per W&I Code 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2012 with imposition of the subsequent 4.25 and 1.25 percent payment reductions.

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 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

The Family Cost Participation Program (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. To determine whether SCLARC is 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 SCLARC is paying for only its assessed share of cost.

VII. Annual Family Program Fee

The Annual Family Program Fee (AFPF) was created for the purpose of assessing an annual fee of up to \$200 based on income level of families of children between the ages of 0-17 years of age receiving qualifying services through a regional center. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the regional center, and a cost for participation is assessed to the parents under FCPP.

To determine whether ACRC is in compliance with the W&I Code, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who were assessed an AFPF are between the ages 0 through 17 who live with their parents and are not Medi-Cal eligible.
- Reviewed the parents' income documentation for AFPF assessments which are less than \$200 to substantiate the reduced fee.

VIII. Procurement

The Request for Proposal (RFP) process was implemented to ensure regional centers outline the vendor selection process when using the RFP process to address consumer service need. As of January 1, 2011, DDS requires regional centers to document its contracting practices, as well as how particular vendors are selected to provide consumer 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 as amended.

To determine whether SCLARC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during the audit review:

- Reviewed the SCLARC 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 complied 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 SCLARC. 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 the Article II of the State Contract for new contracts in place as of January 1, 2011:

- Selected a sample of Operational, Start-Up and negotiated POS contracts subject to competitive bidding to ensure SCLARC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that SCLARC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and that those contracts are 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 in place as of March 2011:

- Reviewed to ensure SCLARC 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 SCLARC Board approved POS, Start-Up and Operational vendor contracts over \$250,000 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 and that the usage of funds are of direct benefit to consumers, and that contracts are supported with sufficiently detailed

and measurable performance expectations and results.

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

IX. Statewide/Regional Center Median Rates

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure regional centers 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 regional centers demonstrate the exemption is necessary for the health and safety of the consumers.

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

- Reviewed sample vendor files to determine whether SCLARC is using appropriately vendorized service providers and correct service codes and that SCLARC is paying authorized contract rates and complying with the median rate requirements for the W&I Code, section 4691.9.
- Reviewed vendor contracts to verify that SCLARC 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, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where health and safety exemptions are granted by DDS.

X. Other Sources of Funding from DDS

Regional centers may receive many other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure SCLARC'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 other sources of funding from DDS identified in this audit are:

- Start-Up Funds, Community and Placement Program.
- Prevention Program.
- Family Resource Center (FRC).
- First Five.

XI. 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 the prior audit findings that were reported to SCLARC and reviewed supporting documentation to determine the degree and completeness of SCLARC's implementation of corrective actions. The review indicated three prior issues that have not been resolved by SCLARC.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that, except for the items identified in the Findings and Recommendations Section, SCLARC 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, 2011, through June 30, 2012.

The costs claimed during the audit period were for program purposes; however, some of these costs were not adequately supported.

From the review of prior audit issues, it has been determined that SCLARC has not taken appropriate actions to resolve the audit findings indicated in this report as repeat issues.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on September 10, 2013. The findings in the report were discussed at a formal exit conference with SCLARC on September 19, 2013. At the exit conference, DDS stated it would incorporate the views of responsible officials in the final report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

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

I. Findings that need to be addressed.

Finding 1: Overstated Claims (Repeat)

The review of the UFS Indicators reports revealed 20 instances where SCLARC overpaid 12 vendors a total of \$4,763.68 due to duplicate payments. SCLARC has since corrected \$1,389.32 of the duplicate payments and has \$3,374.36 still outstanding.

In addition, a follow-up review of the prior DDS audit report revealed SCLARC has not taken corrective action to resolve the overpayments totaling \$148,634.01 made to two vendors. In its prior response, SCLARC stated that it had set up payment plans with vendors H73544 and HL0014 to collect \$300 and \$500 per month, respectively, until the overpayments are collected in full. DDS disagreed with SCLARC's negotiated payment plans with the two vendors as the payment plans are not in compliance with CCR, title 17 section 50705(b)(3). (See Attachment A.)

CCR, title 17, section 54326(a)(10) states in part:

“(a) All vendors shall:

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

CCR, title 17, section 50705(b)(3) states:

“(b) When the overpayment is due and owing, it shall be recovered by any of the following methods:

- (3) A repayment agreement of not more than five years duration from the date the agreement is made;”

Recommendation:

SCLARC must reimburse to DDS a total of \$152,008.37 that was overpaid to the vendors. In addition, SCLARC must ensure the staff is monitoring the UFS Indicator reports to efficiently detect duplicate payments and correct any payment errors that may have occurred in the course of doing business with their vendors.

Further, SCLARC should renegotiate payment plans with the two vendors, H73544 and HL0014, to ensure compliance with CCR, title 17, section 50705(b)(3).

Finding 2: Credit Card Reimbursement Procedures Not Followed (Repeat)

The review of SCLARC's operational expenditures revealed 93 credit card transactions totaling \$7,294.59 that had insufficient documentation to support the items purchased. This issue was noted in the FY 2007-08 DDS audit report. SCLARC employees continue to not provide original receipts which detail the items purchased as supporting documentation as required in its credit card purchasing procedures. SCLARC management stated that this continues to occur because employees responsible for reviewing expenditures are not enforcing the procedures in place. In addition, SCLARC stated that it made numerous requests for original receipts from the employees associated with the unsupported credit card purchases without success. (See Attachment B.)

SCLARC's Procedures for Credit Card Purchases, Section D (3) states:

“Every purchase made with the company credit card, must have an original receipt to support the expenditure and a completed credit card form. Employees who fail to provide original receipts on two occasions may have their credit card privileges suspended indefinitely.”

SCLARC must take this issue seriously and ensure that all employees provide receipts for all credit card purchases, with no exception. This would reduce potential misuse of credit cards.

Recommendation:

SCLARC must enforce its credit card procedures by suspending credit card privileges for those employees who fail to provide original receipts for any purchases made using credit cards. In addition, SCLARC must reimburse to DDS a total of \$7,294.59 for the unsupported expenditures.

Finding 3: In-Kind Services (Repeat)

The review of the FOS account revealed that seven SCLARC employees provide accounting, administrative, and program services for the FOS totaling \$19,979.00 in administrative costs. In return for the services provided by these employees, FOS provided funding to consumers for services that are not provided by SCLARC for a total of \$18,561.20. This amount is \$1,417.80 less than the administrative costs covered by SCLARC. This issue was identified in the

FY's 2008-09 and 2009-10 DDS audit report and addressed in the Letter of Findings issued by DDS on February 14, 2013, which requires SCLARC to seek reimbursement from FOS for the difference in services provided by SCLARC employees to FOS. (See Attachment C.)

In its prior responses, SCLARC stated that it would immediately take action to revise the "In-Kind" agreements to specify the percentage of time spent for services provided by FOS and ensure that the services provided are equivalent to the cost of services provided by SCLARC employees. SCLARC implemented a corrective action plan, but this plan does not address the reimbursement of funds addressed in the Letter of Findings issued February 14, 2013.

State Contract, Article III, Section 13(b) states:

"Through a written agreement between the Contractor and a foundation, or similar entity, Contractor may provide in-kind administrative services to a foundation, or similar entity, provided such agreement requires reimbursement from the foundation to the Contractor for any services performed by the Contractor or its employees on behalf of the foundation or similar entity. In-kind reimbursement shall be in the form of specifically identifiable, non-monetary benefits for persons with developmental disabilities."

Also, the DDS Letter of Findings, dated February 14, 2013, states in part:

"In the event that the services provided by FOS to SCLARC does not equal to the percentages of salaries of each SCLARC employee spent providing services to FOS, SCLARC should request reimbursement from FOS for the difference."

Recommendation:

SCLARC must reimburse DDS a total of \$1,470.80 for the difference in services provided by SCLARC employees to FOS. SCLARC must ensure the In-Kind Service Agreement includes language that specifically identifies the "In-Kind" reimbursement from FOS is equivalent to the cost of the services provided by SCLARC. In addition, the In-Kind Service Agreement must include language to request reimbursement from FOS for the difference if services provided by FOS to SCLARC do not equal to percentages of salaries of each employee spent providing services to FOS.

Finding 4: Vendors Not Enrolled in Electronic Billing

During the review of the electronic billing process, it was identified, from a list of 875 eligible vendors provided by SCLARC, that five vendors have not been enrolled in electronic billing as of July 1, 2012. Exceptions are granted for vendors paid by vouchers if enrolling in electronic billing will present financial hardships. However, it was found that none of the five vendors were paid by vouchers or demonstrated financial hardship by submitting billings electronically. SCLARC stated that it has made attempts to convert the vendors by providing the application forms, but have been unsuccessful. (See Attachment D.)

W&I Code, section 4641.5(a) states:

“(a) Effective July 1, 2011, all regional centers shall begin transitioning all vendors of all regional center services to electronic billing for services purchased through a regional center. All vendors and contracted providers shall submit all billings electronically for services provided on or after July 1, 2012, with the exception of the following:

- (1) A vendor or provider whose services are paid for by vouchers, as that term is defined in subdivision (i) of Section 4512 of the Welfare and Institutions Code.
- (2) A vendor or provider who demonstrates that submitting billings electronically for services presents substantial financial hardship for the provider.”

Recommendation:

SCLARC should continue to work on enrolling these vendors to the electronic billing process to be in compliance with W&I Code, section 4641.5(a).

Finding 5: Deleted

Per W&I Code, section 4639(b), the Regional Center’s annual fiscal audit shall not be conducted by the same accounting firm more than five times in every 10 years.

This law was implemented by the State’s Legislature for appropriations related to the Budget Bill to address the fiscal emergency declared by the Governor. This new law was to take effect immediately for a General Fund savings of \$1.2 million that was to be realized in fiscal year 2011-12.

DDS conducted further analysis of the W&I Code, section 4639(b) and determined it to be ambiguous and could be interpreted as allowing for the continued use of the same accounting firm for five more fiscal years. DDS maintains its position that GGRC should not have retained the same accounting firm; however, due to the ambiguity of the law, DDS will not pursue this issue any further. Therefore, this finding has been deleted.

II. Findings that have been addressed and corrected by SCLARC.

Finding 6: Materiality Threshold Not Included in the Request for Proposal Policy

The review of SCLARC's Board approved RFP policy revealed that SCLARC did not include the applicable dollar threshold for requiring the utilization of the RFP process as required by the State Contract. SCLARC stated it did not address the materiality threshold because it was utilizing RFP's regardless of the dollar threshold amount.

State Contract, Article II, section 2(b) states in part:

“Contractor shall institute a Board approved policy effective January 1, 2011 specifying the circumstances under which the regional center will issue requests for proposals to address a service need. This policy shall also address the applicable dollar thresholds for requiring the utilization of the request for proposals process; the request for proposals notification process; and, how submitted proposals will be evaluated and the applicant selected.”

SCLARC has taken corrective action to resolve this issue and provided DDS with an amended Board approved RFP policy, which states that all contracts are to go through an RFP process regardless of dollar amount.

Recommendation:

SCLARC should ensure that all its contracts with the vendors go through an RFP policy as stated in its RFP procedures. This will ensure compliance with the State Contract, Article II, section 2(b).

Finding 7: Client Trust Balance Over \$2,000

The review of SCLARC's Client Trust accounts revealed two consumers, Unique Client Identification (UCI) numbers 7401886 and 6601280, with balances above the \$2,000 resource limit. This is not in compliance with the Social Security Handbook, Section 2113.2.

Social Security Handbook section 2113.2, states in part:

“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.”

SCLARC has taken corrective action and reduced the consumers trust balances below the \$2,000 resource limit.

Recommendation:

SCLARC must monitor all consumer trust accounts to ensure the balances remain within the resource limits established by Social Security Administration.

Finding 8: Missing Uniform Fiscal Systems Reconciliation Reports

The sample review of the UFS reconciliations for September 2011, December 2011, and May 2012 were conducted. The review revealed that for September 2011, the UFS reconciliations were documented and supported. The reconciliation was signed and dated by the reviewer and reconciled to the bank statements, Subsidiary Account Listing, Committed Fund, TCB Loans and General Ledger reports. However, it was found that SCLARC did not retain supporting documentation for the UFS reconciliations for the months of December 2011 and May 2012. SCLARC was missing the Subsidiary Account Listing, the Committed Funds, and TCB Loans reports. This occurred due to a problem with its scanner, which led to the loss of these reports. Since these reports are created in real time, SCLARC was unable to reproduce the reports for the auditor's review. DDS expanded its testing and reviewed the months of June 2012 and February 2013. The additional review, found that the scanning problem was corrected and the UFS reconciliations for the two months reconciled with the UFS reports and were signed and dated by the reviewer.

W&I Code, section 4631 (b), in pertinent part:

“The Department's contract with a regional center shall require strict accountability and reporting of all revenues and expenditures, and strict accountability and reporting as to the effectiveness of the regional center in carrying out its program...”

State Contract, Article IV, section 3, in pertinent part:

“The Contractor shall make available at the office of the Contractor at any time during the term of this agreement during normal working hours, and for a period of three years after final payment under this annual contract, any of its records (personnel records excepted) for the inspection, audit, examination or reproduction by an authorized representative of the State, federal auditor, the State Auditor of the State of California, or any other appropriate State agency, which shall be conducted with the minimum amount of disruption to Contractor's program.”

SCLARC has taken corrective action by implementing procedures to maintain original and scanned copies of the reports to support the balances reflected in the UFS reconciliations.

Recommendation:

SCLARC must follow its implemented procedures that ensure original and scanned reports are maintained to support the balances reflected in the UFS reconciliations. This will also ensure compliance with W&I Code section 4631(b) and its State Contract with DDS.

EVALUATION OF RESPONSE

As part of the audit report process, SCLARC has been provided with a draft report and was requested to provide a response to each finding. SCLARC's response dated November 5, 2013, 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 SCLARC's response. Except as noted below, SCLARC's response addressed the audit findings and provided reasonable assurance that corrective actions would be taken to resolve the issues. During the follow-up review of the next scheduled audit, DDS' Audit Branch will confirm SCLARC's corrective actions identified in the response to the draft report.

Finding 1: Overstated Claims (Repeat)

SCLARC agrees with the finding that vendors were overpaid a total of \$3,374.36 due to duplicate payments. SCLARC provided supporting documentation with its response to the draft indicating the outstanding balance of \$3,374.36 has been collected. In addition, SCLARC took corrective action to resolve the outstanding overpayments of \$140,034.01 from the prior audit invoice totaling \$148,634.01 made to two vendors, H73544 and HL0014. Therefore this issue has been resolved.

Finding 2: Credit Card Reimbursement Procedures Not Followed (Repeat)

SCLARC agrees with the finding that credit card transactions totaling \$7,294.59 had insufficient documentation to support the items purchased. However, SCLARC stated that it does not agree that it must reimburse to DDS \$7,294.59 for the unsupported expenditures. SCLARC stated these transactions were business related, accompanied with original signature card receipts. SCLARC also stated it will amend its credit card procedure to reflect that any employee that does not submit a detailed receipt must sign a document certifying that no alcohol was purchased.

DDS disagrees with SCLARC. This issue regarding credit card receipts was a finding in prior audit reports. SCLARC has changed its procedures to reportedly accommodate its employees who fail to provide receipts to support purchases made using credit cards. This issue was previously identified in the FY 2006-07, 2007-08 and 2008-09 DDS audit reports, and based on the recommendations, SCLARC updated its procedures on July 2009, to ensure all credit card expenditures require original receipts to indicate the items purchased. However,

it appears that SCLARC does not want to enforce its procedures and now intends to change its procedures in order to allow its staff to submit claims for hotel, restaurant, entertainment, travel and parking expenses without adequate supporting documentation.

SCLARC must enforce its own procedures and provide DDS with adequate supporting documentation for expense claims for hotel, restaurant, entertainment, travel and parking expenses. The documentation must include details of items purchased with amount, date, location, and the business purpose. For travel and parking expenses, SCLARC must require that employees include a travel authorization, airline ticket or car rental booking detailing the expenditures to be claimed.

DDS stands by its recommendation to require SCLARC to take this issue seriously to comply with its own credit card procedures. In addition, SCLARC must reimburse to DDS \$7,294.59 in unsupported expenditures.

Finding 3: In-Kind Services (Repeat)

SCLARC stated that it does not agree with the finding that the monetary value of SCLARC's in-kind services exceeded the monetary value of services FOS provided to SCLARC consumers. SCLARC submitted additional support in its response to the draft audit report which indicated that in June 2012, FOS held an annual back-to-school event which provided 278 SCLARC consumers and their siblings with backpacks and school supplies. The review of SCLARC's additional support documentation indicated that the amount spent on backpacks and school supplies from the FOS in-kind services totaling \$9,140.00 did exceed the \$1,470.80 for the difference in monetary value of services SCLARC provided to FOS consumers. DDS will continue to evaluate FOS' in-kind services to ensure that services provided to SCLARC are equivalent to the services provided to FOS by SCLARC employees.

Finding 4: Vendors Not Enrolled in Electronic Billing

SCLARC provided DDS with supporting documentation indicating that corrective action has been taken to resolve the electronic billing issues; two of the five vendors have since been enrolled in electronic billing, two vendors were granted exemptions and one vendor is no longer in business.

Finding 5: Deleted

Per W&I Code, section 4639(b), the Regional Center's annual fiscal audit shall not be conducted by the same accounting firm more than five times in every 10 years.

This law was implemented by the State's Legislature for appropriations related to the Budget Bill to address the fiscal emergency declared by the Governor. This new law was to take effect immediately for a General Fund savings of \$1.2 million that was to be realized in fiscal year 2011-12.

DDS conducted further analysis of the W&I Code, section 4639(b) and determined it to be ambiguous and could be interpreted as allowing for the continued use of the same accounting firm for five more fiscal years. DDS maintains its position that SCLARC should not have retained the same accounting firm; however, due to the ambiguity of the law, DDS will not pursue this issue any further. Therefore, this finding has been deleted.

**South Central Los Angeles Regional Center
Overstated Claims (Repeat)
Fiscal Year 2011-12**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Month	Overstated Claims	Corrected Amount	Outstanding Balance
Overpayments Due to Duplicate Payments/Overlapping Authorizations									
1	7454799	PW5261	Premier Healthcare Services	28	12209406	Dec-11	\$510.72	\$0.00	\$510.72
2	7495531	PW5261	Premier Healthcare Services	28	12209404	Dec-11	\$510.72	\$0.00	\$510.72
3	7497955	PW5261	Premier Healthcare Services	28	12209402	Dec-11	\$510.72	\$0.00	\$510.72
4	7405768	P26549	Merci-Discovery	91	11089501	Jun-11	\$104.08	\$0.00	\$104.08
5	7405769	P26549	Merci-Discovery	91	11090747	Jun-11	\$104.08	\$0.00	\$104.08
6	5901020	PP1391	Community Care Center Inc.	114	12209140	Oct-11	\$14.60	\$0.00	\$14.60
7	5901020	PP1391	Community Care Center Inc.	114	12209140	Dec-11	\$14.60	\$0.00	\$14.60
8	7400704	HX0059	Johnson Center for Behavior	400	12234310	Aug-11	\$125.00	\$0.00	\$125.00
9	7400704	HX0059	Johnson Center for Behavior	400	12234310	Sep-11	\$125.00	\$0.00	\$125.00
10	5275094	HX0406	Smith Family, LLC	400	12221282	Oct-11	\$125.00	\$125.00	\$0.00
11	7438499	H19268	Therapy West Group	805	12233167	Dec-11	\$254.00	\$254.00	\$0.00
12	7615937	HW0321	Premier Healthcare Services	862	12236435	Jul-11	\$226.24	\$0.00	\$226.24
13	7615937	HW0321	Premier Healthcare Services	862	12236435	Aug-11	\$226.24	\$0.00	\$226.24
14	7499170	HW0321	Premier Healthcare Services	862	12182709	Dec-11	\$416.40	\$0.00	\$416.40
15	7421458	H17557	Accredited Nursng Care	862	12150601	Jul-11	\$49.32	\$49.32	\$0.00
16	7420852	HW0321	Premier Healthcare Services	862	11176780	Jun-11	\$339.36	\$0.00	\$339.36
17	7409002	P25673	California Insurance of Health	904	12225399	Nov-11	\$110.60	\$0.00	\$110.60
18	4883623	HX0510	Choices R'Us, Inc.	915	12236279	Oct-11	\$21.00	\$0.00	\$21.00
19	7694312	H18752	Junior Blind of America	920	12238253	Dec-11	\$961.00	\$961.00	\$0.00
20	7410643	H32784	Golden Stated Health Center	940	12224803	Jul-11	\$15.00	\$0.00	\$15.00
Total Overpayments Due to Duplicate Payments/Overlapping Authorizations							\$4,763.68	\$1,389.32	\$3,374.36

South Central Los Angeles Regional Center
Credit Card Reimbursement Procedures Not Followed (Repeat)
Fiscal Year 2011-12

	Credit Card Name	Transaction	Transaction Date	Transaction Amount
1	US Bank	Pasta Roma	7/10/2011	\$8.20
2	US Bank	Grinder	7/9/2011	\$71.64
3	US Bank	Palm Restaurant	7/11/2011	\$75.31
4	US Bank	Radisson (McKay's)	7/18/2011	\$117.14
5	US Bank	Chevron	8/10/2011	\$49.78
6	US Bank	IHOP	8/9/2011	\$28.88
7	US Bank	Radisson (McKay's)	8/9/2011	\$959.17
8	US Bank	Radisson (McKay's)	8/9/2011	\$25.90
9	US Bank	Chan Dara	8/4/2011	\$62.18
10	US Bank	Vu Restaurant	8/4/2011	\$68.90
11	US Bank	Vu Restaurant	8/4/2011	\$74.08
12	US Bank	Arashi Sushi	8/22/2011	\$47.78
13	US Bank	Pizza Rock	8/18/2011	\$29.97
14	US Bank	El Torito	8/24/2011	\$84.87
15	US Bank	Parking (LA Live)	9/7/2011	\$10.00
16	US Bank	Palm Restaurant	9/15/2011	\$83.05
17	US Bank	Renaissance Stanford	9/16/2011	\$81.61
18	US Bank	The Farm of BH	9/19/2011	\$34.98
19	US Bank	Bon Appetit	9/1/2011	\$19.14
20	US Bank	Union 76	9/26/2011	\$63.54
21	US Bank	Ritz Carlton	9/28/2011	\$475.72
22	US Bank	Golden (Gas)	9/29/2011	\$70.31
23	US Bank	Radisson (McKay's)	10/5/2011	\$27.93
24	US Bank	Palm Restaurant	10/7/2011	\$116.59
25	US Bank	Radisson (McKay's)	10/10/2011	\$112.88
26	US Bank	Palm Restaurant	10/18/2011	\$74.62
27	US Bank	Prado Restaurant	10/20/2011	\$57.85
28	US Bank	Radisson (McKay's)	10/21/2011	\$109.18
29	US Bank	Bon Appetit	9/30/2011	\$18.71
30	US Bank	Exxon	11/15/2011	\$70.01
31	US Bank	Manor Market	11/16/2011	\$51.65
32	US Bank	Marriott LA	11/17/2011	\$170.33

South Central Los Angeles Regional Center
Credit Card Reimbursement Procedures Not Followed (Repeat)
Fiscal Year 2011-12

	Credit Card Name	Transaction	Transaction Date	Transaction Amount
33	US Bank	Palm Restaurant	10/25/2011	\$69.27
34	US Bank	Parking (LA Live)	10/28/2011	\$5.00
35	US Bank	Chan Dara	11/3/2011	\$46.37
36	US Bank	Mijares Restaurant	11/6/2011	\$114.18
37	US Bank	Double Tree	11/15/2011	\$44.88
38	US Bank	BJ Restaurant	11/16/2011	\$57.70
39	US Bank	Subway	11/18/2011	\$7.39
40	US Bank	Shell	11/9/2011	\$51.74
41	US Bank	Union 76	12/12/2011	\$56.93
42	US Bank	Embassy Suites	12/11/2011	\$283.78
43	US Bank	Truxton Bistro	11/27/2011	\$49.67
44	US Bank	Pink Taco	12/2/2011	\$68.73
45	US Bank	Ampco Parking	12/2/2011	\$7.94
46	US Bank	Black Angus	12/8/2011	\$98.70
47	US Bank	Radisson (McKay's)	12/12/2011	\$11.79
48	US Bank	Federal Express	12/16/2011	\$84.81
49	US Bank	Arashi Sushi	12/16/2011	\$71.62
50	US Bank	LA Casita	12/9/2011	\$44.30
51	US Bank	Union 76	1/24/2012	\$68.10
52	US Bank	Chan Dara	12/29/2011	\$90.93
53	US Bank	Claremont Resort	1/2/2012	\$4.64
54	US Bank	Palm Restaurant	1/4/2012	\$90.76
55	US Bank	Chan Dara	1/9/2012	\$118.52
56	US Bank	Flemings	1/13/2012	\$52.02
57	US Bank	Radisson (McKay's)	1/12/2012	\$64.55
58	US Bank	Sheraton Hotel	1/19/2012	\$32.43
59	US Bank	Farm LA Live	1/24/2012	\$44.52
60	US Bank	Palm Restaurant	1/23/2012	\$79.13
61	US Bank	Union 76	2/4/2012	\$71.22
62	US Bank	Palm Restaurant	1/26/2012	\$98.15
63	US Bank	Palm Restaurant	1/30/2012	\$81.99
64	US Bank	Arashi Sushi	2/2/2012	\$65.64

South Central Los Angeles Regional Center
Credit Card Reimbursement Procedures Not Followed (Repeat)
Fiscal Year 2011-12

	Credit Card Name	Transaction	Transaction Date	Transaction Amount
65	US Bank	Il Fornaio	2/6/2012	\$94.02
66	US Bank	Chan Dara	2/9/2012	\$83.06
67	US Bank	Harold Belle's	2/23/2012	\$42.13
68	US Bank	Arashi Sushi	2/27/2012	\$51.53
69	US Bank	SSP America Bar	3/2/2012	\$19.15
70	US Bank	Sweet Fish Sushi	3/7/2012	\$62.92
71	US Bank	Radisson (McKay's)	3/7/2012	\$61.29
72	US Bank	Arashi Sushi	3/9/2012	\$57.43
73	US Bank	Panns	3/10/2012	\$42.61
74	US Bank	Palm Restaurant	3/15/2012	\$69.60
75	US Bank	Backlot Deli Rest.	3/7/2012	\$6.53
76	US Bank	Satsuma Sushi	3/14/2012	\$81.00
77	US Bank	California Shshi	3/22/2012	\$26.96
78	US Bank	California Sushi	3/27/2012	\$127.46
79	US Bank	Arashi Sushi	4/17/2012	\$52.36
80	US Bank	California Sushi	4/23/2012	\$32.95
81	US Bank	Parking (LA Live)	4/23/2012	\$15.00
82	US Bank	Griselda's Café	4/18/2012	\$9.00
83	US Bank	Griselda's Café	4/18/2012	\$42.49
84	US Bank	Palm Restaurant	4/17/2012	\$36.87
85	US Bank	Best Buy	4/25/2012	\$88.04
86	US Bank	Palm Restaurant	5/1/2012	\$133.55
87	US Bank	Parking (LA Live)	5/4/2012	\$5.00
88	US Bank	Arashi Sushi	5/8/2012	\$53.85
89	US Bank	Bandera Restaurant	5/6/2012	\$224.31
90	US Bank	Millenium Biltmore	5/17/2012	\$20.00
91	US Bank	Harold Belle's	6/8/2012	\$90.69
92	US Bank	Palm Restaurant	6/11/2012	\$64.79
93	US Bank	Radisson (McKay's)	6/21/2012	\$110.70
Total Credit Card Disbursements Not Supported				\$7,294.59

**South Central Los Angeles Regional Center
In-Kind Services (Repeat)
Fiscal Year 2011-12**

	Unique Client Identification Number	Service Date	Description of Service	Cost of Services
1	7305595	8/23/2011	Furniture	\$1,089.00
2	6047638	8/24/2011	Housing Assistance	\$500.00
3	7464606	8/24/2011	Housing Assistance	\$500.00
4	7495618	8/25/2011	Furniture	\$293.00
5	7415146	9/7/2011	Book	\$74.00
6	7414918	9/12/2011	Houshold Goods	\$200.00
7	7464019	9/16/2011	Moving Assistance	\$640.00
8	7425393	9/20/2011	Clothing	\$80.00
9	7421122	9/29/2011	Housing Assistance	\$500.00
10	7400217	9/29/2011	Housing Assistance	\$400.00
11	7430733	9/29/2011	Housing Assistance	\$500.00
12	7405234	9/29/2011	Housing Assistance	\$400.00
13	7320443	9/29/2011	Housing Assistance	\$400.00
14	7424213	9/29/2011	Housing Assistance	\$400.00
15	7438088	10/19/2011	Housing Assistance	\$1,519.00
16	5440524	10/19/2011	Clothing	\$200.00
17	7407337	10/19/2011	Moving Assistance	\$50.00
18	7435739	10/19/2011	Housing Assistance	\$250.00
19	7424213	10/27/2011	Housing Assistance	\$100.00
20	7401528	11/15/2011	Housing Assistance	\$400.00
21	4888343	11/15/2011	Housing Assistance	\$500.00
22	7405853	11/15/2011	Housing Assistance	\$500.00
23	6215012	11/15/2011	Housing Assistance	\$500.00
24	4946125	11/15/2011	Housing Assistance	\$400.00
25	7427633	11/15/2011	Housing Assistance	\$400.00
26	7405224	11/15/2011	Housing Assistance	\$400.00
27	Multi Families	11/21/2011	Gift Cards	\$1,000.00
28	7439424	11/23/2011	Personal Items	\$200.00
29	7430493	12/19/2011	Personal Items	\$200.00
30	Multi Families	12/21/2011	Gift Cards	\$900.00
31	6096242	12/22/2011	Furniture	\$400.00

**South Central Los Angeles Regional Center
In-Kind Services (Repeat)
Fiscal Year 2011-12**

	Unique Client Identification Number	Service Date	Description of Service	Cost of Services
32	7492022	12/22/2011	Housing Assistance	\$556.20
33	7407384	1/3/2012	Personal Items	\$250.00
34	7422037	1/10/2012	Personal Items	\$100.00
35	7436979	1/19/2012	Baby Items	\$200.00
36	7910870	2/8/2012	Emergency Home Placement	\$1,100.00
37	7405522	2/16/2012	Housing Assistance	\$750.00
38	1968866	2/24/2012	Medical Need	\$210.00
39	7430285	3/29/2012	Food	\$100.00
40	74973005	4/10/2012	Medical Need	\$500.00
41	7493367	5/29/2012	Housing Assistance	\$500.00
42	1920768	5/29/2012	Housing Assistance	\$400.00
43	7693765			
Total Cost of Services Provided by FOS				\$18,561.20
Total Cost of Services Provided by SCLARC				\$19,979.00
Equitable Recoupment Owed to SCLARC				\$1,417.80

**South Central Los Angeles Regional Center
Vendors Not Enrolled in Electronic Billing
Fiscal Year 2011-12**

	Vendor Number	Vendor Name	Service Code
1	HX0268	Ovarie Smith Home	905
2	HX0091	Arkansas Manor	915
3	H18566	Quincy Manor	905
4	PH0898	Autism Society of America	102
5	HX0338	Kwang Hee Lee	101

APPENDIX A

SOUTH CENTRAL LOS ANGELES REGIONAL CENTER

RESPONSE TO AUDIT FINDINGS

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

SCLARC

Response to DDS Findings and Recommendations
FY 2011-12 Audit

Finding 1: Overstated Claims (Repeat)

SCLARC agrees with this finding but disagrees with the recommendation. As of November 5, 2013, our records indicate \$140,034.01 is owed to DDS for this finding. After reconciling with Alphonsus Dass from DDS, SCLARC will submit a check to DDS no later than November 21, 2013 for the complete amount owed to DDS.

1. H73544 Lynwood Developmental Care \$99,193.88
2. HL0014 Crossroads to Success \$41,840.13

The check will be mailed to Alphonsus Dass -DDS Accounting Department.

Finding 2: Credit Card Reimbursement Procedures Not Followed (Repeat)

SCLARC agrees with this finding but disagrees with the recommendation that the employees reimburse DDS a total of \$7,294.59. We agree to reimburse SCLARC instead of DDS for the credit card transactions that do not have receipts but we will not reimburse SCLARC for the credit card transactions that have the summary or signature card receipts. The latter signify that the card was used for business and authorized by the approving director.

SCLARC will request reimbursement from staff in the amount of \$2,143.30 (see attachment A) for all credit card purchases that do not have receipts. All the transactions in attachment A are business related but we will reimburse DDS to demonstrate how seriously we take this issue and to comply with SCLARC's credit card policy.

SCLARC disagrees with the reimbursement request by DDS in the amount of \$5,151.29 (see attachment A-1) for the remaining credit card transactions. All of these transactions are business related, are accompanied with original signature card receipts, and does not involve the purchase of alcohol.

We will modify our procedures to reflect that any employee that does not submit a detail receipt must sign a document certifying that no alcohol was purchased. If the employee does not sign the certifying document the employee will reimburse the Regional Center for the entire transaction with no exceptions.

Finding 3: In-Kind Services (Repeat)

SCLARC disagrees with this finding. Our in-kind services are not limited to providing funding to SCLARC consumers and families. During the FY 11-12 Friends of SCLARC (FOS) also provided additional services and support which was facilitated by our in-kind service staff and through our FOS staff which did not cost FOS any dollars. The following services were provided to our families as a result of their efforts without spending any dollars directly but can nevertheless be quantified. During FY 11-12 FOS had its annual back to school event that provided SCLARC consumers and their siblings with back packs and school supplies (see attachment B). As you can see that the services provided by FOS to SCLARC

consumers exceed the \$1,470.80 mentioned in this finding. We respectfully ask that this finding be deleted.

Finding 4: Vendors Not Enrolled In Electronic Billing

SCLARC agrees with this finding. This issued has been resolved as follows:

1. HX0268 Ovarie Smith Home: Enrolled in Electronic Billing 10/1/13 (see attachment C)
2. HX0091 Arkansas Manor-this facility did receive a waiver and the facility is being closed.(see attachment C-1)
3. H18566 Quincy Manor: Enrolled in Electronic Billing 9/1/13 (see attachment C-2)
4. PH0898 Autism Society of America (per our conference call discussion on 9/19/13 DDS will be removing this item)
5. HX0338 Kwang Hee Lee (per our conference call discussion on 9/19/13 DDS will be removing this item)

Finding 5: Annual Independent Fiscal Audit

SCLARC disagrees with this finding. SCLARC agrees with the W&I Code, section 4639(b) but disagree with the DDS letter dated June 16, 2011 because it conflicts with the law. Attached is the legal opinion from our attorney explaining the conflict and the disagreement with the DDS interpretation of Welfare and Institutions Code Section 4639 (see attachment D).