DEPARTMENT OF DEVELOPMENTAL SERVICES
1215 O Street, MS 8-30
Sacramento, CA 95814
TTY: 711
(916) 654-1958

July 6, 2022

Jesus Murillo, Board President
South Central Los Angeles Regional Center for Developmentally Disabled Persons
2500 South Western Avenue
Los Angeles, CA 90018

Dear Mr. Murillo:

The Department of Developmental Services' (DDS) Audit Section has completed the audit of the South Central Los Angeles Regional Center (SCLARC). The period of review was from July 1, 2018, through June 30, 2020, with follow-up as needed into prior and subsequent periods. The enclosed report discusses the areas reviewed along with the findings and recommendations. The audit report includes the response submitted by SCLARC as Appendix A and DDS' reply on page 22.

If there is a disagreement with the audit findings, a written "Statement of Disputed Issues" may be filed with DDS' Audit Appeals Unit, pursuant to California Code of Regulations (CCR), Title 17, Section 50730, Request for Administrative Review (excerpt enclosed). The "Statement of Disputed Issues" must be filed and submitted within 30 days of receipt of this audit report to the address below:

Office of Legal Affairs
Department of Developmental Services
P.O. Box 944202
Sacramento, CA 94299-9974

The cooperation of SCLARC's staff in completing the audit is appreciated.

Your invoice for the total amount of $6,864.55 from the current audit findings is enclosed. When making payments to DDS, please refer to the invoice number to ensure that proper credit is given. If you have any questions regarding the payment process, please contact Diane Nanik, Manager, Accounting Section, at (916) 654-2932.

If you have any questions regarding the audit report, please contact Edward Yan, Manager, Audit Section, at (916) 651-8207.

Sincerely,

DocuSigned by:
3FDF0031E8B743F...

ERNIE CRUZ
Deputy Director
Community Services Division

Enclosure(s)

cc: Dexter Henderson, SCLARC
Kyla Lee, SCLARC
Bob Sands, DHCS
Carla Castañeda, DDS
Pete Cervinka, DDS
Brian Winfield, DDS
Hiren Patel, DDS
Jim Knight, DDS
Aaron Christian, DDS
Vicky Lovell, DDS
Diane Nanik, DDS
Greg Nabong, DDS
Jonathan Hill, DDS
Nury Enciso, DDS
Edward Yan, DDS
Luciah Ellen Nzima, DDS
Staci Yasui, DDS

State of California
DEPARTMENT OF DEVELOPMENTAL SERVICES
1215 O Street, MS 10-20
Sacramento, CA 95814

South Central Los Angeles Regional Center
2500 South Western Avenue
Los Angeles, CA 90018

INVOICE No. **14247**

Date **July 6, 2022**

Headquarters

Please return copy of Invoice with your remittance and make payable to:

DEPARTMENT OF DEVELOPMENTAL SERVICES
1215 O Street, MS 10-20
Sacramento, CA 95814
Attn: Diane J. Nanik, Chief of Accounting

Vendor no.

For: Per final audit report dated July 6, 2022, please reimburse the Department of Developmental Services for the unresolved overpayment of 6,864.55 for FY's 2018-19 and 2019-20.

Amount Due ……. **$6,864.55**

DDS ACCOUNTING OFFICE ONLY:

FY	INV DATE	Curr. Doc	Rptg Structure	Svc Loc	Program	Amount	Approp. Ref.	Fund
FY20/21	07/06/2022	INV14247	43009517	96000	9910	$6,864.55	101	0001

DS 1095 (4/87)

California Code of Regulations
Title 17, Division 2
Chapter 1 - General Provisions
Subchapter 7 - Fiscal Audit Appeals
Article 2 - Administrative Review

§**50730**. Request for Administrative Review.

a) An individual, entity, or organization which disagrees with any portion or aspect of an audit report issued by the Department or regional center may request an administrative review. The appellant's written request shall be submitted to the Department within 30 days after the receipt of the audit report. The request may be amended at any time during the 30-day period.

(b) If the appellant does not submit the written request within the 30-day period, the appeals review officer shall deny such request, and all audit exceptions or findings in the report shall be deemed final unless the appellant establishes good cause for late filing.

(c) The request shall be known as a “Statement of Disputed Issues.” It shall be in writing, signed by the appellant or his/her authorized agent, and shall state the address of the appellant and of the agent, if any agent has been designated. An appellant shall specify the name and address of the individual authorized on behalf of the appellant to receive any and all documents, including the final decision of the Director, relating to proceedings conducted pursuant to this subchapter. The Statement of Disputed Issues need not be formal, but it shall be both complete and specific as to each audit exception or finding being protested. In addition, it shall set forth all of the appellant's contentions as to those exceptions or findings, and the estimated dollar amount of each exception or finding being appealed.

(d) If the appeals review officer determines that a Statement of Disputed Issues fails to state the grounds upon which objections to the audit report are based, with sufficient completeness and specificity for full resolution of the issues presented, he/she shall notify the appellant, in writing, that it does not comply with the requirements of this subchapter.

(e) The appellant has 15 days after the date of mailing of such notice within which to file an amended Statement of Disputed Issues. If the appellant does not amend his/her appeal to correct the stated deficiencies within the time permitted, all audit exceptions or findings affected shall be dismissed from the appeal, unless good cause is shown for the noncompliance.

(f) The appellant shall attach to the Statement of Disputed Issues all documents which he/she intends to introduce into evidence in support of stated contentions. An appellant that is unable to locate, prepare, or compile such documents within the appeal period specified in Subsection (a) above, shall include a statement to this effect in the Statement of Disputed Issues. The appellant shall have an additional 30 days after the expiration of the initial 30-day period in which to submit the documents. Documents that are not submitted within this period shall not be accepted into evidence at any stage of the appeal process unless good cause is shown for the failure to present the documents within the prescribed period.

AUDIT OF THE
SOUTH CENTRAL LOS ANGELES REGIONAL CENTER
FOR FISCAL YEARS 2018-19 AND 2019-20

Department of Developmental Services
July 6, 2022

This audit report was prepared by the
California Department of Developmental Services
1215 O Street
Sacramento, CA 95814

Pete Cervinka, Chief, Data Analytics and Strategy
Vicky Lovell, Chief, Research, Audit, and Evaluation Branch
Edward Yan, Manager, Audit Section
Luciah Ellen Nzima, Chief, Regional Center Audit Unit
Staci Yasui, Supervisor, Regional Center Audit Unit

Audit Staff: Andrew Quok, Diosdado Agustin, Wilson Chau and Lisa Chiang

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

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EXECUTIVE SUMMARY

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

The audit period was July 1, 2018, through June 30, 2020, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where SCLARC'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 SCLARC's operations. A follow-up review was performed to ensure SCLARC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: <u>Duplicate Payments and Overlapping Authorizations</u>

The review of the Operational Indicator Reports revealed 38 instances where SCLARC overstated claims to the State totaling $6,864.55. The overstated claims were due to duplicate payments and/or overlapping authorizations. This is not in compliance with CCR, Title 17, Section 57300(c)(2).

Finding 2: <u>Credit Cards Practices - Credit Card Procedures Not Followed</u> (Repeat)

The review of SCLARC's credit card statements found that SCLARC continues to violate its credit card reimbursement procedures. In its response to the prior DDS audit report, SCLARC stated that it is committed to enforcing its credit card procedures; however, the review of nine months of credit card statements revealed one employee completed and approved 12 credit card receipt forms to account for their own missing receipts. These forms should have been approved by the Board Chair.

SCLARC's credit card issues were initially identified in the FY 2005-06 audit report and have recurred in seven of the nine prior DDS audits. This is not in compliance with SCLARC's Procedures for Credit

Card Purchases, Section E (3), Procedures for Charging Expenses for Credit Card Holders and Section F, Approval of Credit Card Expenditures.

Finding 3: Contracts of $250,000 or More Not Approved by the Board

The sample review six CPP/Start-Up contracts revealed five CPP/Start-Up contracts of $250,000 or more for FYs 2018-19 and 2019-20 were not approved by SCLARC's Board. This is not in compliance with W&I Code, Section 4625.5(a) and (b).

Finding 4: Independent CPA Vendor Audit/Review Oversight

The review of the Vendor Independent CPA Audit/Reviews revealed a weakness in SCLARC's oversight of the Vendor Independent CPA Audit/Reviews. SCLARC's list of vendors did not reconcile with the DDS list of vendors required to submit an Independent CPA Audit/Review that DDS provided. In addition, SCLARC did not send follow-up letters to the vendors who are required to, but have not, submitted an audit report or review. Further, SCLARC did not submit copies of the Independent CPA Audit/Reviews to DDS. This is not in compliance with W&I Code, Sections 4652.5 (a)(1)(A)(B) and (b), 4652.5(d)(2), CCR, Title 17, Section 54370(a) and SCLARC's Vendor Independent Audit Compliance Procedures.

BACKGROUND

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

DDS is also responsible for providing assurance to the 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 Section conducts fiscal compliance audits of each RC no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires RCs to contract with independent Certified Public Accountants (CPAs) to conduct an annual financial statement audit. The DDS audit is designed to wrap around the independent CPA's audit to ensure comprehensive financial accountability.

In addition to the fiscal compliance audit, SCLARC 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 SCLARC's fiscal, administrative, and program operations.

DDS and South Central Los Angeles Regional Center for Developmentally Disabled Persons, Inc., entered into State Contract HD149019, effective July 1, 2014, through June 30, 2021. 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 DD and their families in the Compton, San Antonio, South, Southeast, and Southwest Los Angeles County Health Districts. 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 remotely from April 26, 2021, through June 21, 2021, by the Audit Section of DDS.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was July 1, 2018, through June 30, 2020, with follow-up, as needed, into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

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 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 W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and SCLARC.

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 reports that were conducted by an independent CPA firm for Fiscal Years (FYs) 2018-19 and 2019-20, issued on March 27, 2020 and March 23, 2021, respectively. It was noted that no management letters were issued for SCLARC. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

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

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.

- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by SCLARC. The rates charged for the services provided to individual consumers were reviewed to ensure compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and SCLARC.

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

- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with SCLARC staff revealed 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 the Social Security Administration or other sources in a timely manner.

- DDS selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out of balance or if there were any outstanding items that were not reconciled.

- DDS analyzed all of SCLARC's bank accounts to determine whether DDS had signatory authority, as required by the State Contract with DDS.

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

II. Regional Center Operations

DDS selected a sample of OPS claims billed to DDS to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to ensure SCLARC's accounting staff properly input data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, payroll ledgers, and other support documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.

- A sample of OPS expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17, and the State Contract.

- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.

- DDS reviewed 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 (TCM) and Regional Center Rate Study

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

- Reviewed applicable TCM records and SCLARC's Rate Study. DDS examined the months of April 2019 and May 2020 and traced the reported information to source documents.

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

IV. Service Coordinator Caseload Survey

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

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

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

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

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

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

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

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

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

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

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

VI. Family Cost Participation Program (FCPP)

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

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

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

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

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

VII. Annual Family Program Fee (AFPF)

The AFPF was created for the purpose of assessing an annual fee of up to $200 based on the income level of families with children between the ages of 0 through 17 years receiving qualifying services through the RC. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the RC and a cost for participation was assessed to the parents under FCPP. To determine whether SCLARC was in compliance with the W&I Code, Section 4785, DDS requested a list of AFPF assessments and verified the following:

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

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

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

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

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

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

VIII. Parental Fee Program (PFP)

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

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

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

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

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

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

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

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

IX. Procurement

The Request for Proposal (RFP) process was implemented to ensure RCs outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires RCs to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, RCs will ensure that the most cost-effective service providers, amongst comparable service providers, are selected, as required by the Lanterman Act and the State Contract. To determine whether SCLARC implemented the required RFP process, DDS performed the following procedures during the audit review:

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

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

- Selected a sample of Operations, Community Placement Plan (CPP), and negotiated POS contracts subject to competitive bidding to ensure 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 and written justification for final vendor selection decisions and that those contracts were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures:

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

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

X. Statewide/Regional Center Median Rates

The Statewide and RC Median Rates were implemented on July 1, 2008, and amended on December 15, 2011 and July 1, 2016, to ensure that RCs are not negotiating rates higher than the set median rates for services. Despite the median rate requirement, rate increases could be obtained from DDS under health and safety exemptions where RCs demonstrate the exemption is necessary for the health and safety of the consumers.

To determine whether 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 of W&I Code, Section 4691.9.

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

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

XI. Other Sources of Funding from DDS

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure 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 sources of funding from DDS identified in this audit are:

- CPP;
- Part C – Early Start Program;
- Family Resource Center;
- Self Determination;
- Mental Health Services Act: and
- Cal Fresh.

XII. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to SCLARC and reviewed supporting documentation to determine the degree of completeness of SCLARC's implementation of corrective actions.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, SCLARC was in compliance with applicable sections of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and SCLARC for the audit period, July 1, 2018, through June 30, 2020.

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

From the review of the 11 prior audit findings, it has been determined that SCLARC has taken appropriate corrective action to resolve 10 findings.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on May 3, 2022. The findings in the draft audit report were discussed at a formal exit conference with SCLARC on May 4, 2022. The views of RCOC's responsible officials are included in this final audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: Duplicate Payments and Overlapping Authorizations

The review of the Operational Indicator Reports revealed 38 instances where SCLARC overstated claims to the State totaling $6,864.55. The overstated claims were due to duplicate payments and/or overlapping authorizations. (See Attachment B)

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 to DDS the overstated claims totaling $6,864.55. In addition, SCLARC must ensure its staff monitor the Operational Indicator Reports for errors that may have occurred while doing business with its vendors.

Finding 2: Credit Cards Practices - Credit Card Procedures Not Followed (Repeat)

The review of SCLARC's credit card statements revealed that SCLARC continues to violate its credit card reimbursement procedures. In its response to the prior DDS audit report, SCLARC stated that it is committed to enforcing its credit card procedures; however, the review of nine months of credit card statements revealed one employee completed and approved 12 of their own credit card receipt forms to account for their own missing receipts. These credit card receipt forms should have been approved by the Board Chair. SCLARC has had recurring credit card issues in seven of the nine prior DDS audits. (See Attachment C)

SCLARC's Procedures for Credit Card Purchases, Section E(3), Procedures for Charging Expenses for Credit Card Holders and Section F, Approval of Credit Card Expenditures states in part:

"Section E, Procedures for Charging Expenses for Credit Card Holders:

3. Every purchase made with the company credit card, must have an image or electronic receipt attached to the expense report in Concur. If the receipt does not exist, in certain instances, the employee may be allowed to complete a missing receipt to upload in Concur. Employee may be required to submit supplemental information to support the missing receipt i.e. meeting agenda/materials, invitation, boarding pass, etc."

"Section F, Approval of Credit Card Expenditures states in part:

Title	Approval	Finance Review
Executive Director	Board Chair	Controller/Payroll Accountant

"

Recommendation:

SCLARC must enforce its credit card procedures to ensure that the credit card receipt forms are signed by the proper approver.

Finding 3: <u>Contracts of $250,000 or More not Approved by the Board</u>

The sample review of six CPP/Start Up contracts of $250,000 or more for FYs 2018-19 and 2019-20 revealed none of the five contracts were approved by SCLARC's Board. SCLARC reported that this was due to it's misinterpreting the regulations.

W&I Code, Section 4625.5(a) and (b) states:

"(a) The governing board of each regional center shall adopt and maintain a written policy requiring the board to review and approve any regional center contract of two hundred fifty thousand dollars ($250,000) or more, before entering into the contract.

(b) No regional center contract of two hundred fifty thousand dollars ($250,000) or more shall be valid unless approved by the governing board …"

Recommendation:

SCLARC must ensure all contracts of $250,000 or more are approved by SCLARC's Board and develop a written policy.

Finding 4: **Independent CPA Vendor Audit/Review Oversight**

The review of the Vendor Independent CPA Audit/Reviews revealed a weakness in SCLARC's oversight of the Vendor Independent CPA Audit/Reviews. SCLARC utilized a spreadsheet to track the Vendor Independent CPA Audit/Reviews; however, the spreadsheet did not reconcile with the DDS list of vendors required to submit an Independent CPA Audit/Review that DDS provided.

In addition, the review revealed SCLARC did not follow its own procedures to send follow-up letters to vendors who are required to, but have not, submitted an audit report or review for 2019 and 2020. Lastly, the review revealed SCLARC did not submit copies of the Independent CPA Audit/Reviews it received from the vendors to DDS. The failure to receive these reports limits SCLARC's ability to detect vendor issues that may adversely affect services.

W&I Code, Section 4652.5 (a)(1)(A)(B) and (b) states:

"(a)(1) An entity that receives payments from one or more regional centers shall contract with an independent accounting firm to obtain an independent audit or independent review report of its financial statements relating to payments made by regional centers, subject to both of the following:

(A) If the amount received from the regional center or regional centers during each state fiscal year is more than or equal to five hundred thousand dollars ($500,000), but less than two million dollars ($2,000,000), the entity shall obtain an independent review report of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year. Consistent with Subchapter 21 (commencing with Section 58800) of Chapter 3 of Division 2 of Title 17 of the California Code of Regulations, this subdivision shall also apply to work activity program providers receiving less than five hundred thousand dollars ($500,000).

(B) If the amount received from the regional center or regional centers during each state fiscal year is equal to or more than two million dollars ($2,000,000), the entity shall obtain an independent audit of its financial statements for the entity's fiscal year that includes the last day of the most recent state fiscal year.

(b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within nine months of the end of the entity's fiscal year."

W&I Code, Section 4652.5(d)(2), states in part:

"A regional center shall submit copies of all independent audit reports that it receives to the department for review. The department shall compile data, by regional center, on vendor compliance with audit requirements and opinions resulting from audit reports and shall annually publish the data in the performance dashboard developed pursuant to Section 4572."

CCR, Title 17, Section 54370(a) states:

"(a) The vendoring regional center shall be responsible for ensuring that vendors within its service catchment area comply with the vendorization requirements."

SCLARC's Vendor Independent Audit Compliance Procedures, Set-Up and Tracking Procedures, Number 2 states:

"Set-up and Tracking Procedures

Upon receipt of the annual UFS Data Document from SCLARC's Administrative Services Department or directly from DDS, CSD will:

2. Develop a Tracking Report which will include:

- DDS Fiscal Year
- Vendor Name
- Vendor Tax ID
- Vendor Fiscal Year
- Date Audit Requirement Letter Sent to Vendor
- Date Reminder Letter Sent to Vendor
- Date Report Received
- Date Report Reviewed
- Significant Audit Finding (Yes/No)
  - If Yes, Date Report Submitted to CFO for Second Level Review and Vendor Follow-up Requirement
- If No, Date Copy Placed in Log and Sent to Imaging
- Date Exemption Letter Mailed to vendor
- Date Exemption Letter received, reviewed and approved

- Date Exemption Approval copy emailed to vendor and copy to imaging
- Date Exemption Approval copy and copy of audit report or review emailed to DDS."

SCLARC's Vendor Independent Audit Compliance Procedures, Tracking Report/Review Submission, Number 2 states:

"Vendors who have not submitted their report/review by the statutory deadline will receive reminders as follow:

- 30- days after the due date- A reminder letter.

- 60- days after the due date- A second reminder letter which will indicate that the vendor is at risk for being placed on a "Do Not Refer" (DNR) status if the report/review is not received within 30 days.

90-days after the due date- With the executive director's permission, the vendor will receive a letter indicating that the vendor was placed on an administrative DNR status and will remain there until the report is received."

Recommendation:

SCLARC must follow its Vendor Independent Audit Compliance Procedures to ensure it is properly tracking and following up with vendors who are required to, but have not, submitted an audit report or review, and that the Independent Audit/Reviews received from the vendors are submitted to DDS. Failure to receive these reports limits SCLARC's ability to detect vendor issues that may adversely affect services.

EVALUATION OF RESPONSE

As part of the audit report process, SCLARC was provided with a draft audit report and requested to provide a response to the findings. SCLARC's response dated June 15, 2022, is provided as Appendix A.

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

Finding 1: Duplicate Payments and Overlapping Authorizations

SCLARC stated it will closely monitor the Indicator Reports to minimize the instances of duplicate payments and/or overlapping authorizations but did not address the overstated claims to the State; therefore, SCLARC must reimburse DDS $6,864.55 for the overstated claims.

Finding 2: Credit Cards Practices - Credit Card Procedures Not Followed (Repeat)

SCLARC stated it is committed to enforcing its credit card reimbursement procedures and monitoring the items charged to the cards. In addition, SCLARC stated it has modified the approval process in Concur by sending the Executive Director's expense reports to the Board Chair for approval but did not provide documentation to demonstrate this change to the approval process. Therefore, DDS will follow up on this issue during the next scheduled audit.

Finding 3: Contracts of $250,000 or More Not Approved by the Board

SCLARC stated it interpreted the law differently which led to this finding. SCLARC also stated it took corrective action by creating an internal protocol to ensure contracts $250,000 or more are approved by the Board before entering a contract, and by also obtaining Board approvals for the five CPP/Start-Up contracts addressed in the report, along with the contracts for FY 2019-20 through 2020-21. However, SCLARC did not provide documentation to verify their contracts were approved. DDS will follow up on this issue during the next scheduled audit.

Finding 4: **Independent CPA Vendor Audit/Review Oversight**

SCLARC stated it has developed an internal protocol to ensure vendors meeting the reporting threshold submit audit reports, and if necessary, corrective action plans. In addition, SCLARC stated it will provide DDS with copies of the independent audit reports and notify DDS of any qualified opinions or significant issues. SCLARC did not provide documentation demonstrating how their internal process works; therefore, DDS will follow up on this issue during the next scheduled audit.

South Central Los Angeles Regional Center
Overstated Claims
Fiscal Years 2018-19 and 2019-20

No.	Vendor Number	Vendor Name	Unique Client Indentification Number	Service Code	Sub Code	Authorization	Payment Period	Overpayment
1	PD0388	Beth Jacobs, MA, OTR	7462346	773		19606685	Jan-19	$99.00
2	PD0388	Beth Jacobs, MA, OTR	7453318	773		19606697	Jan-19	$99.00
3	P25579	Ida Dacus, RD	7426907	720		19602247	Dec-18	$65.39
4	P25579	Ida Dacus, RD	7614857	720		19602251	Dec-18	$25.28
5	P25579	Ida Dacus, RD	7428171	720		19602259	Dec-18	$36.18
6	P25579	Ida Dacus, RD	7420468	720		19602275	Dec-18	$43.59
7	P25579	Ida Dacus, RD	7425518	720		19602276	Dec-18	$25.28
8	PX0830	Kelly J. Bryant	7452390	707		19606625	Jan-19	$72.00
9	PX0830	Kelly J. Bryant	7460941	707		19606630	Jan-19	$108.00
10	PX0040	Life Walk Parenting	7421934	620		19594041	Nov-18	$85.52
11	PX0876	PC Consultant	7465734	56		19633862	May-19	$184.80
12	PL1339	Roxana Cruz	7463832	56		19619987	Mar-19	$200.81
13	PL1339	Roxana Cruz	7463834	56		19619989	Mar-19	$200.81
14	PL1339	Roxana Cruz	7465212	56		19618104	Mar-19	$273.83
15	PL1339	Roxana Cruz	7465267	56		19618105	Mar-19	$273.83
16	PL1339	Roxana Cruz	7463831	56		19619994	Mar-19	$200.81
17	PL1339	Roxana Cruz	7465213	56		19618119	Mar-19	$273.83
18	PL1339	Roxana Cruz	7463835	56		19620246	Mar-19	$200.81
19	PL1339	Roxana Cruz	7465280	56		19618122	Mar-19	$273.83
20	PL1339	Roxana Cruz	7463833	56		19620000	Mar-19	$200.81
21	PL1339	Roxana Cruz	8230386	56		19620247	Mar-19	$200.81
22	PL1339	Roxana Cruz	7465214	56		19618135	Mar-19	$273.83
23	PL1339	Roxana Cruz	7463830	56		19620002	Mar-19	$200.81
24	PL1339	Roxana Cruz	6070479	56		19631975	May-19	$273.83

South Central Los Angeles Regional Center
Overstated Claims
Fiscal Years 2018-19 and 2019-20

No.	Vendor Number	Vendor Name	Unique Client Indentification Number	Service Code	Sub Code	Authorization	Payment Period	Overpayment
25	PL1339	Roxana Cruz	7465831	56		19631972	May-19	$273.83
26	PL1339	Roxana Cruz	7465762	56		19635363	May-19	$273.83
27	PL1339	Roxana Cruz	7465845	56		19631990	May-19	$273.83
28	PL1339	Roxana Cruz	7465781	56		19635369	May-19	$292.08
29	PL1339	Roxana Cruz	7465779	56		19635372	May-19	$292.08
30	PL1339	Roxana Cruz	7465761	56		19635376	May-19	$273.83
31	PL1339	Roxana Cruz	7465843	56		19632011	May-19	$273.83
32	PL1339	Roxana Cruz	7465780	56		19635382	May-19	$273.83
33	PL1339	Roxana Cruz	7465841	56		19631967	May-19	$273.83
34	PL1339	Roxana Cruz	7466570	56		19645376	Jun-19	$273.83
35	PD3397	Wendi Jordan	7462015	785	CORST	19620517	Jan-19	$52.55
36	PD3397	Wendi Jordan	7462016	785	CORST	19620583	Jan-19	$39.41
37	PD3397	Wendi Jordan	7461136	785	CORST	19634247	Mar-19	$52.55
38	PD3397	Wendi Jordan	7462143	785	CORST	19634248	Mar-19	$52.55
							Total Overpayment	**$6,864.55**

South Central Los Angeles Regional Center
Credit Cards Practices - Credit Card Procedures Not Followed (Repeat)
Fiscal Years 2018-19 and 2019-20

Credit Card Transactions			
No.	**Statement Month**	**Vendor**	**Amount**
1	Oct-18	La Live	$10.00
2	Oct-18	Ameripark	$3.00
3	Oct-18	Ameripark	$3.00
4	Feb-19	Harold & Belles	$85.35
5	Apr-19	Sacramento	$54.95
6	Apr-19	Hilton	$227.93
7	Oct-19	LA City Parking Meter	$2.00
8	Feb-20	The Palm	$78.71
9	Feb-20	USC Trans	$4.00
10	Feb-20	USC Hotel - McKays Restaurant	$42.14
11	Apr-20	Palm Restaurant	$127.04
12	Apr-20	Palm Restaurant	$276.94
		Total	**$915.06**

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).

South Central Los Angeles Regional Center
for persons with developmental disabilites, inc.

June 15, 2022

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

Dear Mr. Yan:

The South Central Los Angeles Regional Center has received and reviewed the audit reports for fiscal years 2018-19 and 2019-20. Please note our response to each finding below.

Finding 1: Duplicate Payments and Overlapping Authorizations

Response:

SCLARC will closely monitor the audit indicator reports to minimize the instances of duplicate payments and overlapping authorizations.

Finding 2: Credit Card Practices-Credit Card Procedures Not Followed (Repeat)

Response:

SCLARC is committed to enforcing its credit card reimbursement procedures and monitoring the items charged to the cards. We have modified the approval process in Concur to send the Executive Director's expense reports to the Board Chair for approval.

Finding 3: Contracts of $250,000 or More Not Approved by the Board

Response:

SCLARC interpreted the law differently resulting in this finding. In order to address the finding SCLARC obtained Board approval for five (5) of the CPP/start-up contracts found during the audit. SCLARC obtained board approval for he contracts for Fiscal Year 2019-20 through Fiscal Year 20-21, and we have created an internal protocol to ensure that contracts $25000 or more are reviewed and approved by the board before entering into a contract.

Finding 4: Independent CPA Vendor Audit/Review Oversight

Response:

SCLARC has developed an internal protocol to ensure vendors, meeting the reporting threshold, submit their audit reports and if necessary, corrective action plans to address any deficiencies. SCLARC will provide DDS with copies of the independent audit reports and notify DDS of any qualified opinions or significant issues that directly or indirectly impact regional services.

Please let us know if you have any questions or need additional clarification on our responses.

Kyla Lee
Chief Financial Officer