



Eastern Los Angeles Regional Center

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

**AUDITED FINANCIAL STATEMENTS, OTHER
FINANCIAL INFORMATION AND REPORTS REQUIRED
IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS AND OFFICE OF
MANAGEMENT AND BUDGET CIRCULAR A-133**

Years Ended June 30, 2014 and 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report	1 – 2
Financial Statements:	
Statements of Financial Position.....	3
Statements of Activities	4
Statements of Functional Expenses	5 – 6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8 – 17
Supplementary Financial Information:	
Schedule of Expenditures of Federal Awards.....	19
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	20 – 21
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133	22 – 24
Schedule of Findings and Questioned Costs	26 – 28
Summary Schedule of Prior Audit Findings	29



LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.
Alhambra, California

Report on the Financial Statements

We have audited the accompanying financial statements of *Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.* (the Center), which comprise the statements of financial position as of June 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of *Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.* as of June 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Schedule of Expenditures of Federal Awards*, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2014, on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Lautze & Lautze

San Francisco, California
November 6, 2014

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.
STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	2014	2013
ASSETS		
Cash	\$ 5,827,306	\$ 2,276,754
Cash - client trust funds	762,853	675,752
Contract receivable - State of California	49,375,021	39,575,014
Receivable from Intermediate Care Facilities	1,453,344	1,718,161
Other receivables	355,837	347,737
Prepaid expenses	207,055	116,974
Deferred costs for accrued vacation and other leave benefits	1,310,070	1,449,299
Deposits	84,680	84,680
Total assets	\$ 59,376,166	\$ 46,244,371
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 16,940,272	\$ 15,229,590
Contract advance	39,556,913	27,715,776
Payable to Department of Developmental Services	964,718	1,319,584
Accrued vacation and other leave benefits	1,310,070	1,449,299
Unexpended client support	558,570	484,502
Total liabilities	59,330,543	46,198,751
Commitments and contingencies		
Unrestricted net assets	45,623	45,620
Total liabilities and net assets	\$ 59,376,166	\$ 46,244,371

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
STATEMENTS OF ACTIVITIES

	Years Ended June 30,	
	2014	2013
Revenue and support:		
Federal awards	\$ 93,464,471	\$ 83,583,570
Grants	79,983,697	79,896,475
Interest	10,541	15,439
Donations	-	1,000
Other income	91,889	91,813
	<u>173,550,598</u>	<u>163,588,297</u>
Total revenue and support		
Expenses:		
Program services:		
Intake	1,496,513	1,400,482
Case management	11,759,198	10,894,727
Program development	3,858,605	3,583,764
Other client services	1,747,879	1,664,722
Out of home	26,570,983	22,472,671
Medical and dental	4,409,475	2,424,816
Day program	32,148,639	31,261,314
Camps and respite	10,765,012	9,967,909
Other purchased services	78,823,005	78,213,878
	<u>171,579,309</u>	<u>161,884,283</u>
Total program services		
Supporting services:		
General and administrative	1,971,286	1,703,012
	<u>173,550,595</u>	<u>163,587,295</u>
Total expenses		
Change in net assets	3	1,002
Unrestricted net assets:		
Beginning of year	45,620	44,618
	<u>45,623</u>	<u>45,620</u>
End of year		

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2014

	Program Services				
	Intake	Case Management	Program Development	Other Client Services	Out of Home
Salaries and related expenses:					
Salaries	\$ 733,801	\$ 7,378,340	\$ 2,303,551	\$ 1,122,945	\$ -
Employee health and other benefits	85,035	942,167	255,716	131,777	-
Retirement benefits	63,343	587,246	198,716	100,141	-
Payroll taxes	53,188	577,929	181,011	84,129	-
Total salaries and related expenses	935,367	9,485,682	2,938,994	1,438,992	-
Purchase of services	-	-	-	-	26,570,983
Equipment rental	560	7,890	1,762	92	-
Equipment maintenance	-	-	-	-	-
Information technology	3,920	42,023	11,708	346	-
Facility rent	227,428	1,380,608	478,807	187,925	-
Communications	4,936	63,982	18,033	6,997	-
General office expense	7,873	104,702	26,271	20,864	-
Postage	5,524	114,982	23,099	1,730	-
Printing	2,419	27,200	8,320	2,407	-
Insurance	4,880	49,814	15,483	6,011	-
Legal fees	1,126	53,538	25,181	-	-
Board expenses	143	1,245	387	151	-
Equipment purchases	1,480	46,444	13,909	1,671	-
Consultant fees	288,376	223,597	242,552	71,000	-
Staff travel	1,616	56,732	17,556	182	-
ARCA dues	4,229	34,121	10,605	4,138	-
General expenses	2,442	30,123	14,589	4,041	-
Accounting fees	4,194	36,515	11,349	1,332	-
Interest expense	-	-	-	-	-
Total expenses	<u>\$ 1,496,513</u>	<u>\$ 11,759,198</u>	<u>\$ 3,858,605</u>	<u>\$ 1,747,879</u>	<u>\$ 26,570,983</u>

Medical and Dental	Day Program	Camps and Respite	Other Purchased Services	Total Program Services	Supporting Services	Total Expenses
					General and Administrative	
\$ -	\$ -	\$ -	\$ -	\$ 11,538,637	\$ 1,106,115	\$ 12,644,752
-	-	-	-	1,414,695	103,196	1,517,891
-	-	-	-	949,446	97,448	1,046,894
-	-	-	-	896,257	81,882	978,139
-	-	-	-	14,799,035	1,388,641	16,187,676
4,409,475	32,148,639	10,765,012	78,823,005	152,717,114	-	152,717,114
-	-	-	-	10,304	1,264	11,568
-	-	-	-	-	58,184	58,184
-	-	-	-	57,997	12,857	70,854
-	-	-	-	2,274,768	305,241	2,580,009
-	-	-	-	93,948	7,094	101,042
-	-	-	-	159,710	44,719	204,429
-	-	-	-	145,335	15,107	160,442
-	-	-	-	40,346	1,193	41,539
-	-	-	-	76,188	50,941	127,129
-	-	-	-	79,845	7,378	87,223
-	-	-	-	1,926	388	2,314
-	-	-	-	63,504	40,026	103,530
-	-	-	-	825,525	-	825,525
-	-	-	-	76,086	5,618	81,704
-	-	-	-	53,093	1,565	54,658
-	-	-	-	51,195	10,260	61,455
-	-	-	-	53,390	20,810	74,200
-	-	-	-	-	-	-
<u>\$ 4,409,475</u>	<u>\$ 32,148,639</u>	<u>\$ 10,765,012</u>	<u>\$ 78,823,005</u>	<u>\$ 171,579,309</u>	<u>\$ 1,971,286</u>	<u>\$ 173,550,595</u>

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2013

	Program Services				
	Intake	Case Management	Program Development	Other Client Services	Out of Home
Salaries and related expenses:					
Salaries	\$ 667,247	\$ 6,861,596	\$ 2,242,433	\$ 1,021,613	\$ -
Employee health and other benefits	77,374	827,189	258,248	122,719	-
Retirement benefits	53,311	540,643	196,994	82,377	-
Payroll taxes	49,824	538,612	177,820	85,740	-
Total salaries and related expenses	847,756	8,768,040	2,875,495	1,312,449	-
Purchase of services	-	-	-	-	22,472,671
Equipment rental	232	6,864	735	40	-
Equipment maintenance	-	-	-	-	-
Information technology	5,160	55,931	16,689	1,513	-
Facility rent	215,463	1,495,084	471,583	197,833	-
Communications	4,000	55,449	13,922	5,912	-
General office expense	7,369	62,746	24,455	23,483	-
Postage	7,454	76,367	22,433	8,053	-
Printing	1,027	36,447	20,725	4,871	-
Insurance	4,423	45,140	14,030	6,237	-
Legal fees	-	77,948	13,038	-	-
Board expenses	108	939	292	114	-
Equipment purchases	1,651	44,863	14,387	7,107	-
Consultant fees	296,848	24,719	52,595	85,000	-
Staff travel	373	60,506	18,611	-	-
ARCA dues	3,840	33,430	10,390	4,055	-
General expenses	3,868	42,333	11,922	7,135	-
Accounting fees	871	7,582	2,357	920	-
Interest expense	39	339	105	-	-
Total expenses	<u>\$ 1,400,482</u>	<u>\$ 10,894,727</u>	<u>\$ 3,583,764</u>	<u>\$ 1,664,722</u>	<u>\$ 22,472,671</u>

Medical and Dental	Day Program	Camps and Respite	Other Purchased Services	Total Program Services	Supporting Services	Total Expenses
					General and Administrative	
\$ -	\$ -	\$ -	\$ -	\$ 10,792,889	\$ 1,038,331	\$ 11,831,220
-	-	-	-	1,285,530	96,114	1,381,644
-	-	-	-	873,325	90,845	964,170
-	-	-	-	851,996	68,384	920,380
-	-	-	-	13,803,740	1,293,674	15,097,414
2,424,816	31,261,314	9,967,909	78,213,878	144,340,588	-	144,340,588
-	-	-	-	7,871	469	8,340
-	-	-	-	-	39,808	39,808
-	-	-	-	79,293	12,581	91,874
-	-	-	-	2,379,963	215,500	2,595,463
-	-	-	-	79,283	6,802	86,085
-	-	-	-	118,053	47,732	165,785
-	-	-	-	114,307	8,834	123,141
-	-	-	-	63,070	876	63,946
-	-	-	-	69,830	38,098	107,928
-	-	-	-	90,986	-	90,986
-	-	-	-	1,453	236	1,689
-	-	-	-	68,008	6,952	74,960
-	-	-	-	459,162	-	459,162
-	-	-	-	79,490	5,342	84,832
-	-	-	-	51,715	3,399	55,114
-	-	-	-	65,258	7,862	73,120
-	-	-	-	11,730	14,771	26,501
-	-	-	-	483	76	559
<u>\$ 2,424,816</u>	<u>\$ 31,261,314</u>	<u>\$ 9,967,909</u>	<u>\$ 78,213,878</u>	<u>\$ 161,884,283</u>	<u>\$ 1,703,012</u>	<u>\$ 163,587,295</u>

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.
STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 3	\$ 1,002
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
(Increase) decrease in assets:		
Contract receivable - State of California	(9,800,007)	3,803,416
Other receivables	(8,100)	(65,425)
Prepaid expenses	(90,081)	69,976
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,710,682	(914,996)
Payable to Department of Developmental Services	(90,049)	(366,812)
Unexpended client support	74,068	(258,989)
Net cash provided (used) by operating activities	(8,203,484)	2,268,172
Cash flows from financing activities:		
Proceeds from line of credit	-	1,994,838
Payment on line of credit	-	(1,994,838)
Proceeds from contract advance	39,556,913	36,569,302
Payment of contract advance	(27,715,776)	(38,090,083)
Net cash provided (used) by financing activities	11,841,137	(1,520,781)
Net increase in cash	3,637,653	747,391
Cash:		
Beginning of year	2,952,506	2,205,115
End of year	\$ 6,590,159	\$ 2,952,506
Cash	\$ 5,827,306	\$ 2,276,754
Cash - client trust funds	762,853	675,752
	\$ 6,590,159	\$ 2,952,506
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	\$ -	\$ 559

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

Organization

Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc. (the Center), doing business as Eastern Los Angeles Regional Center, was incorporated on February 20, 1986, as a California nonprofit corporation. The Center was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Lanterman Act) of the Welfare and Institutions Code of the State of California. In accordance with the Lanterman Act, the Center provides diagnostic evaluations, client program management and lifelong planning services for persons with developmental disabilities and their families. The Center is one of 21 regional centers within the State of California system and serves the Los Angeles County Health Districts of Northeast Los Angeles, East Los Angeles, Alhambra, and Whittier.

Governance

The Lanterman Act includes governance provisions regarding the composition of the Center's Board of Directors (the Board). The Lanterman Act states that the Board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50 percent of the governing Board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25 percent of the members of the governing Board shall be persons with developmental disabilities. In addition, a member of a required advisory committee composed of persons representing the various categories of providers from which the Center purchases client services, shall serve as a member of the Center's Board. To comply with the Lanterman Act, the Board of Directors includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

Mission Statement

The Center's mission statement is as follows:

Eastern Los Angeles Regional Center is committed to serving individuals with developmental disabilities and their families by promoting partnerships which empower them to achieve meaningful and fulfilling lifestyles in their community.

State of California Contract

The Center operates under an annual cost-reimbursement contract with the Department of Developmental Services (the DDS) of the State of California under the Lanterman Act. Maximum expenditures under the contract are limited to the contract amount plus interest earned. The Center is required to have DDS approval for certain expenses. The Center is required to maintain accounting records in accordance with the Regional Center Fiscal Manual issued by the DDS. In the event of termination or nonrenewal of the contract, the State of California maintains the right to assume control of the Center's operation and the obligation of its liabilities.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State of California Contract (Continued)

Under the terms of these contracts, funded expenditures are not to exceed \$168,417,627, \$160,715,521, and \$157,124,267 for the 2013/14, 2012/13 and 2011/12 contract years, respectively, and are subject to budget amendments. As of June 30, 2014, actual net expenditures under the 2013/14, 2012/13 and 2011/12 contracts were \$170,208,469, \$160,268,094 and \$156,909,733, respectively.

The 2013/14 purchase of service contract is over budget by \$1,790,842. Management believes that this deficit will be funded through additional amendments from funds available within the State of California system. Additionally, the Center has received verbal assurance from the DDS that the 2013/14 purchase of service contract will be made whole through additional amendments.

Basis of Accounting

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Classification of Net Assets

U.S. GAAP requires that the Center report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the Center are classified and reported as described below:

Unrestricted: Those net assets and activities which represent expendable funds for operations related to the DDS contract.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; or (b) use in a specified future period.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2014 and 2013, and for the years then ended, the Center did not have any temporarily or permanently restricted net assets or activities.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of Net Assets (Continued)

Unrestricted Net Assets

The unrestricted net asset group is comprised of the Operating, Client Trust, and Donation Funds.

Operating Fund:

These accounts are used to record primary activities of the Center which are carried out under the DDS contract. These accounts also record the activities of the Community Placement Plan (CPP) and federally funded programs.

Client Trust Fund:

The Center serves as representative payee for a portion of its clients. In this fiduciary capacity, it receives social security benefits and other sources of income and makes payments on behalf of certain developmentally disabled clients who are deemed unable to administer the funds themselves. Client trust transactions are not considered revenue or expenses of the Center. The cash that is received and outstanding receivables, net of interfund liabilities, are reported as assets and a liability, *unexpended client support*, until it is distributed.

Donation Fund:

The Donation Fund is used to record solicited and unsolicited support received by the Center for the benefit of its clients.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Contract and Other Receivables

The majority of the Center's receivables represents or relates to the cost-reimbursement contract with DDS. Management believes that the receivables are fully collectible and, therefore, has not provided an allowance for doubtful accounts.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Equipment

Pursuant to the terms of the DDS contract, equipment purchases become the property of the State of California and, accordingly, are charged as expenses when incurred. The Center is required to track acquisitions of furniture and equipment with a cost value in excess of \$5,000 and with an estimated life beyond one year. For the years ended June 30, 2014 and 2013, equipment purchases totaled \$17,023 and \$16,511, and disposed equipment costs totaled \$35,961 and \$13,640, respectively. The aggregated tracked state equipment at June 30, 2014 and 2013, totaled \$777,387 and \$796,325, respectively.

Accrued Vacation and Other Leave Benefits

The Center has accrued a liability for vacation and other leave benefits earned. However, such benefits are reimbursed under the DDS contract only when actually paid. The Center has also recorded deferred costs for accrued vacation and other leave benefits to reflect the future reimbursement of such benefit payments.

Revenue Recognition

Revenue and expenses are recognized in the year the claim is filed with the DDS. Depending on the date of service, claims are classified and charged to the appropriate contract as follows:

- Current year
- Prior year
- Second prior year

Contributions

The Center recognizes all contributions in the year of receipt, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as temporarily restricted or permanently restricted support, depending upon the type of restriction.

The satisfaction of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. This occurs by increasing one class of net assets and decreasing another in the statements of activities. These transactions are reported as *net assets released from restrictions* and are reported separately from other transactions.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Grants

The Center is a sub-recipient to DDS with regard to the following grants:

U.S. Department of Health and Human Services

The Medicaid Waiver grant provides funding for a broad range of medical assistance, which includes home and community based services, to certain persons of need as authorized by Title XIX of the Social Security Act of 1965. This grant also funds Targeted Case Management.

U.S. Department of Education

The Special Education Grants for Infants and Families with Disabilities provides funding for early intervention services for infants and toddlers, through age 3, as authorized by Public Law 102-119.

Income Taxes

The Center is a qualified organization exempt from federal income taxes and state franchise taxes under §501(c)(3) of the Internal Revenue Code (IRC) and §23701d of the California Revenue and Taxation Code, respectively. Accordingly, it is exempt from federal and California income taxes and is not liable for federal unemployment taxes.

The Center has adopted the accounting standard on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax-exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements.

The Center's evaluation on June 30, 2014, revealed no tax positions that would have a material impact on the financial statements. The 2010 through 2013 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2009 through 2013 tax years remain subject to examination by the California Franchise Tax Board. The Center does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Risk

Financial instruments, which potentially subject the Center to concentrations of credit risk, principally consist of cash, contract receivables, and receivables from vendors. The Center invests cash in bank deposit accounts which, at times, may exceed the federally-insured limit. Through its contract with DDS, the Center is reimbursed for its expenses. The ability of DDS to honor its obligations and to continue funding is dependent upon the overall economic well-being of the State of California. Although the State of California is experiencing budgetary issues, the Center has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

Functional Allocation of Expenses

The statements of functional expenses allocate expenses for all funds to the program and supporting service categories based on a direct cost basis for purchases of services, salaries, and related expenses. Operating expenses are allocated based on a percentage of salaries and related expenses per category to total salaries and related expenses, except for certain expenses that are designated as program or supporting services.

Recent Accounting Pronouncements

ASU 2014-09, Revenue from Contracts with Customers (Topic 606), and its international counterpart, IFRS 15, provide sweeping new, globally applicable converged guidance concerning recognition and measurement of revenue. In addition, significant additional disclosures are required about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers, and will replace virtually all existing revenue guidance, including most industry-specific guidance. ASU No 2014-09 is applicable for annual reporting periods beginning after December 15, 2017. Management has not evaluated the impact of this new guidance.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

2. CASH – CLIENT TRUST FUNDS AND UNEXPENDED CLIENT SUPPORT

The Center functions as the custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of a portion of the Center’s clients. The following is a summary of operating activity not reported in the statements of activities:

	2014	2013
Support:		
Social Security and other client support	\$ 7,016,368	\$ 6,676,282
Disbursements:		
Living out of home	\$ 4,979,152	\$ 4,786,184
Other disbursements	2,037,216	1,890,098
	\$ 7,016,368	\$ 6,676,282

3. CONTRACT RECEIVABLE

Contract receivable consists of the following at June 30:

	2014	2013
Current year	\$ 48,710,531	\$ 36,892,603
Prior year	341,879	827,647
Second prior year	322,611	1,854,764
	\$ 49,375,021	\$ 39,575,014

4. INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT

During the year ended June 30, 2011, various legislative changes were made to the California Welfare and Institutions Code retroactive to July 1, 2007, making Intermediate Care Facility (ICF) providers responsible for providing day treatment and transportation services; and ultimately, making such services eligible for reimbursement under California’s Home and Community Based Services Program, which is funded by the Medicaid Waiver grant (Medicaid).

Previously, such services provided to the residents were not reimbursable by Medicaid because the funds were not directly billed and received by the ICFs. The legislative changes allow for the DDS to bill these services to Medicaid and capture federal funds.

Prior to the year ended June 30, 2012, the DDS directed the Center to prepare billings for these services on behalf of the ICFs for the period from July 1, 2007 to June 30, 2011. The billings included a 5.5% Quality Assurance fee for the State Department of Health Care Services (DHCS), a 1.5% administrative fee for the ICFs, and a 1.5% administration fee for the Center.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

4. INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT (CONTINUED)

Prior to the year ended June 30, 2012, the DDS advanced the amounts billed to the ICFs. The ICFs were directed to remit to the Center the amount billed less its administration fee and the Quality Assurance fee, which it must remit to DHCS. After the Center received the net payment from the ICFs, the Center was directed to remit the amount to the DDS, net of its administration fee. The DDS has instituted protocols should the ICFs not remit the net amounts due to the Center.

Effective July 1, 2012, DDS directed the Center to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services in addition to paying the ICF directly for their services. The Center was directed to reduce the amount of their regular state claim to DDS by the dollar amount of these services. Reimbursement for these services will be received from the ICFs. DDS advances the amount according to the state claim to the ICFs. The ICFs are then required to pass on the payments received, as well as the Center's administrative fee to the Center within 30 days of receipt of funds from the State Controller's Office.

The Center's activity related to the above funding was as follows as of June 30:

	2014	2013
Beginning balance	\$ 1,718,161	\$ 2,149,450
Total billed due from vendors	1,110,113	978,213
Amounts remitted by vendors	(1,374,930)	(1,409,502)
Receivable from ICFs	\$ 1,453,344	\$ 1,718,161
Beginning balance	\$ 1,319,584	\$ 2,117,685
Amount remitted by Center to the DDS	(354,866)	(798,101)
Payable to the DDS	\$ 964,718	\$ 1,319,584
Deferred administrative fee	\$ 14,471	\$ 19,794

5. LINE OF CREDIT

The Center has a revolving line of credit with City National Bank, expiring June 30, 2015, for a maximum borrowing amount of \$17,000,000 until June 30, 2014, then \$35,000,000 until the earlier date of October 1, 2014 or the effective date of a State of California budget with respect to the State General Fund for the fiscal year commencing July 1, 2014, then \$17,000,000 until the maturity date of June 30, 2015. Interest is payable monthly at the greater of 2.25% or 1.00% below the bank's prime rate, 2.25% at June 30, 2014. The line of credit is unsecured and requires the Center to comply with certain reporting covenants. The Center did not use this line of credit during the year ended June 30, 2014. The Center drew and repaid \$1,994,838 on the line of credit during the year ending June 30, 2013. There was no outstanding balance on the line of credit at June 30, 2014 and 2013.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

NOTES TO FINANCIAL STATEMENTS

June 30, 2014 and 2013

6. PENSION PLANS

The Center has a money purchase pension plan which has been restated, effective April 1, 2005. The plan is available for all employees who have been continuously employed for one year and have worked at least 1,000 hours. The Center contributes 9% of the participant's eligible compensation, with no required contribution from participants. A participant vests in employer contributions at the rate of 20% for each year of service, with 100% vesting after five years. The total pension expense for the years ended June 30, 2014 and 2013, was \$1,046,894 and \$964,170, respectively.

In addition, the Center has a retirement plan pursuant to §403(b) of the IRC. Eligible participants are full-time employees who have completed one month of service. All eligible employees may make voluntary contributions by salary reduction to the plan, up to the limit allowed by law.

7. CONTRACT ADVANCE

The contract advance balance represents monies the DDS advances to the Center at the beginning of each fiscal year to provide interest-free working capital. The DDS uses its discretion in determining the balance on a month-to-month basis. If the DDS so chooses, the advance can be paid by offsetting claim reimbursements partially or in full or require the Center to make a payment.

8. OPERATING LEASES

The Center leases its office facilities in Alhambra and Whittier under operating leases. The leases were scheduled to expire at various dates through July 1, 2016. On May 1, 2014, a new lease agreement was signed for the Alhambra office facility and is scheduled to expire on July 31, 2026, with a 3% annual increase in the base rent. On June 26, 2014, a new lease agreement was signed for the Whittier office facility and is scheduled to expire on June 30, 2024, with an annual increase in rent of \$0.05 per square foot. These leases generally require the Center to pay for its share of the facilities' annual direct expenses including maintenance, insurance, janitorial, and gardening expenses. The Center's share of direct expenses ranges between 7% - 15% for the premises. Rent expense for the years ended June 30, 2014 and 2013, was \$2,580,009 and \$2,595,463, respectively.

Future obligations on leases in effect at June 30, are as follows:

2015	\$ 2,363,743
2016	2,436,001
2017	2,510,214
2018	2,586,441
2019	2,664,743
Thereafter	<u>20,757,242</u>
	<u>\$ 33,318,384</u>

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
NOTES TO FINANCIAL STATEMENTS
June 30, 2014 and 2013

9. COMMITMENTS AND CONTINGENCIES

Litigation

The Center is currently a defendant in several litigious actions, in addition to threats of litigation arising out of the normal course of operations. The Center's management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no provision in the financial statements for any costs relating to the settlement of such claims. These matters have been referred to the Center's attorneys and/or insurance carriers. In management's opinion, a material unfavorable outcome is remote.

Funding

The majority of the Center's funding is provided under annual grants and contracts with federal and California agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it may have an effect on the Center's programs and activities.

The Center's contract with the DDS provides funding for services under the Lanterman Act. In the event that the operations of the Center result in a deficit position at the end of the contract year, the DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. Should a system-wide deficit occur, the DDS is required to report to the Governor of California and the appropriate fiscal committee of the State Legislature, and recommend actions to secure additional funds or reduce expenditures. The DDS recommendations are subsequently reviewed by the Governor and the Legislature and a decision is made with regard to specific actions, including the possible suspension of the entitlement.

The Center's revenue, which is derived from restricted funding provided by government grants and contracts, is subject to audit by the governmental agencies. In accordance with the terms of the DDS contract, an audit may be performed by an authorized representative of the DDS. Should such an audit disclose any unallowable costs, the Center may be liable to the State of California for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2014 and 2013, and for the years then ended.

10. SUBSEQUENT EVENTS

The Center has evaluated all subsequent events through November 6, 2014, the date the financial statements were available to be issued.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

SUPPLEMENTARY FINANCIAL INFORMATION

Year Ended June 30, 2014

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2014

Federal Grantor/ Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Disbursements/ Expenditures
Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services passed-through the State of California Department of Developmental Services:			
■ Medical Assistance Program (Medicaid; Title XIX)	93.778	HD099004	\$ 86,744,768 *
■ Targeted Case Management	93.778	HD099004	<u>5,584,995 *</u>
			92,329,763
Office of Special Education and Rehabilitative Services of the U.S. Department of Education passed-through the State of California Department of Developmental Services:			
Early Intervention Services:			
■ Special Education - Grants for Infants and Families	84.181	H181A130135	<u>1,134,708</u>
			<u>\$ 93,464,471</u>

* Major program

Basis of Accounting and Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.



LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.
Alhambra, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of *Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.* (the Center), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 6, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lautze & Lautze

San Francisco, California
November 6, 2014



LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.
Alhambra, California

Report on Compliance for Each Major Federal Program

We have audited *Eastern Los Angeles Regional Center for the Developmentally Disabled, Inc.'s* (the Center) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2014. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-1. Our opinion on each major federal program is not modified which respect to this matter.

The Center's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Board of Directors
Eastern Los Angeles Regional Center
for the Developmentally Disabled, Inc.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lautze & Lautze

San Francisco, California
November 6, 2014



**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2014

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014**

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

- Auditor's report on financial statements: Unmodified.
- Internal control over financial reporting:
 - Material weaknesses identified: No.
 - Significant deficiencies identified that are not considered to be material weaknesses: None reported.
 - Noncompliance material to financial statements noted: No.
- Federal awards - internal control over major programs:
 - Auditor's report on compliance for major programs: Unmodified.
 - Material weaknesses identified: No.
 - Significant deficiencies identified that are not considered to be a material weakness: None reported.
 - Any audit findings identified that are required to be reported in accordance with Section 510(a) of Circular A-133: Yes.
 - Major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.778	Medical Assistance Program (Medicaid; Title XIX)
93.778	Targeted Case Management
 - Dollar threshold used to distinguish between Type A and Type B programs: \$2,803,934.
 - Auditee qualifies as low-risk: No.

SECTION II - FINANCIAL STATEMENT FINDINGS

- None reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- See 2014-1 on pages 27 – 28.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014

2014-1 TARGETED CASE MANAGEMENT ALLOWABLE COSTS

FEDERAL AWARD PROGRAM

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.778	Targeted Case Management

CRITERIA

Allowable Targeted Case Management (TCM) units are based on services which assist consumers to gain access to needed social, educational, medical or other services, and include the following components:

- Assessment and periodic reassessment to determine service needs.
- Development and periodic revision of an Individual Program Plan (IPP) based on the information collected through assessment or reassessment.
- Monitoring and follow-up activities, including activities and contacts that are necessary to ensure that the IPP is effectively implemented and adequately addresses the needs of the consumer.
- Referral and related activities to help the consumer obtain needed services.

CONDITION

Six TCM units tested were of an administrative nature, which are unallowable services.

QUESTIONED COSTS

The monetary effect of this finding is undeterminable.

CONTEXT

Based on our testing of 139 randomly selected TCM units from a population of 438,425 TCM units, it came to our attention that six TCM units billed were of an administrative nature, which are unallowable services.

EFFECT

Six TCM units, which were unallowable services, were overcharged to the Department of Health and Human Services through the State of California's Department of Developmental Services.

CAUSE

The conditions are a result of an oversight in maintaining and monitoring of the TCM units billed. When brought to management's attention, the subsequent month's billing was corrected.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014

2014-1 TARGETED CASE MANAGEMENT ALLOWABLE COSTS (CONTINUED)

RECOMMENDATION

The Center has a system in place to perform quality control checks of TCM billable units by service coordinator on a monthly basis. Accordingly, we recommend that management continue training staff on the allowable and unallowable billable TCM services.

VIEWS OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management agrees with the finding and is committed to reporting the correct TCM units. We will provide additional training in a staff meeting to reinforce the requirements. We will continue to provide training to new employees and monitor the submitted hours for all staff. We will continue to train staff when we see errors. Any and all errors are corrected in the subsequent month's submission.

**EASTERN LOS ANGELES REGIONAL CENTER
FOR THE DEVELOPMENTALLY DISABLED, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**
Year Ended June 30, 2014

FINDING 2013-01 TARGETED CASE MANAGEMENT ALLOWABLE COSTS

FEDERAL AWARD PROGRAM

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.778	Targeted Case Management

CONDITION

Five TCM units tested were of an administrative nature, which are unallowable services.

RECOMMENDATION

The Center has a system in place to perform quality control checks of TCM billable units by service coordinator on a monthly basis. Accordingly, we recommend that management continue training staff on the allowable and unallowable billable TCM services.

CURRENT STATUS

This finding recurred in the current fiscal year.