NORTH LOS ANGELES COUNTY REGIONAL CENTER

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

YEARS ENDED JUNE 30, 2024 AND 2023

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2024 AND 2023

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Certified Public Accountants

Board of Trustees
North Los Angeles County Regional Center, Inc.
Chatsworth, California

INDEPENDENT AUDITOR'S REPORT

<u>Report on the Audit of the Financial Statements</u>

<u>Opinion</u>

We have audited the accompanying financial statements of North Los Angeles County Regional Center, Inc., a California nonprofit public benefit corporation, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Los Angeles County Regional Center, Inc. as of June 30, 2024 and 2023, 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.

<u>Basis for Opinion</u>

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of North Los Angeles County Regional Center, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

<u>Responsibilities of Management for the Financial Statements</u>

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about North Los Angeles County Regional Center, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 North Los Angeles County Regional Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about North Los Angeles County Regional Center's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2025 on our consideration of North Los Angeles County Regional 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 solely 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 the effectiveness of North Los Angeles County Regional Center's 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 North Los Angeles County Regional Center's internal control over financial reporting and compliance.

Lindquist, von Husen and Joyce LLP

March 12, 2025

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2024 AND 2023

	2024	2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,117,156	$ 55,089,362
Cash – client trust funds	8,752,337	8,339,548
Receivables:		
Contract receivable – State of California (Note 3)	82,066,383	30,129,661
Receivable from Intermediate Care Facilities	5,480,515	4,818,455
Other receivables and prepaid expenses	84,165,949	68,079,691
Due from State – accrued vacation and other employee benefits (Note 3)	44,481,970	61,323,848
Due from State – equipment financed with debt (Note 4)	771,467	944,317
Total current assets	251,835,777	228,724,882
Right-of-use assets – operating leases (Note 5)	31,391,133	35,382,822
Total assets	$ 283,226,910	$ 264,107,704
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	$ 114,412,909	$ 91,864,346
Accrued expenses	1,861,892	1,860,811
Accrued vacation and other leave benefits (Note 3)	4,253,222	3,363,654
Note payable (Note 4)	771,467	944,317
Retirement health care plan obligation (Note 8)	10,215,401	18,914,599
Pension plan obligation (Note 9)	30,013,347	39,045,595
Unexpended client support	10,264,266	8,774,410
Operating lease liabilities – current portion (Note 5)	5,684,530	5,342,102
Total current liabilities	177,477,034	170,109,834
Operating lease liabilities – net of current portion (Note 5)	25,706,603	30,040,720
Total liabilities	203,183,637	200,150,554
Net assets:		
Without donor restrictions	80,043,273	63,957,150
Total net assets	80,043,273	63,957,150
Total liabilities and net assets	$ 283,226,910	$ 264,107,704

The accompanying notes are an integral part of these financial statements.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF ACTIVITIES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Change in net assets without donor restrictions		
Support and revenue:		
Grants – State DDS	$ 939,932,902	$ 798,853,449
Intermediate Care Facilities (ICF)	13,830,773	12,707,817
Interest	127,982	48,451
Other income	4,056	5,717
Total support and revenue	953,895,713	811,615,434
Expenses:		
Program services:		
Direct client services	940,523,428	799,780,443
Supporting services:		
Management and general	12,870,832	12,219,694
Total expenses	953,394,260	812,000,137
Change in net deficit before health care and pension plan-related changes other than net period post-retirement benefit income (cost)	501,453	(384,703)
Health care and pension plan-related changes other than net periodic post-retirement benefit income	15,584,670	14,413,409
Change in net assets	16,086,123	14,028,706
Net assets (deficit), beginning of year	63,957,150	49,928,444
Net assets, end of year	$ 80,043,273	$ 63,957,150

The accompanying notes are an integral part of these financial statements.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2024 AND 2023

	2024		
	Program Services	*Management and General*	*Total*
Salaries and related expenses:			
Salaries	$ 41,181,657	$ 6,530,401	$ 47,712,058
Employee health and retirement benefits	17,801,469	2,513,278	20,314,747
Payroll taxes	582,565	93,274	675,839
Total salaries and related expenses	59,565,691	9,136,953	68,702,644
Purchase of services:			
Other purchased services	575,436,925	-	575,436,925
Residential services	174,314,894	-	174,314,894
Day program	117,619,802	-	117,619,802
Facility rent	5,642,918	319,579	5,962,497
General expenses	2,420,011	280,769	2,700,780
Equipment purchases	1,843,486	104,653	1,948,139
Contract and consulting services	1,090,808	1,464,984	2,555,792
Communication	1,256,585	110,595	1,367,180
Legal fees	307,422	246,728	554,150
Insurance	386,032	171,372	557,404
Data processing	-	325,699	325,699
Facility maintenance	-	218,147	218,147
Equipment rental	193,123	17,167	210,290
Office expenses	165,788	50,903	216,691
ARCA dues	-	163,823	163,823
Staff travel	255,577	29,599	285,176
Accounting fees	3,500	98,329	101,829
Board expenses	-	107,831	107,831
Printing	18,166	1,221	19,387
Equipment maintenance	2,700	22,480	25,180
Total expenses	$ 940,523,428	$ 12,870,832	$ 953,394,260

The accompanying notes are an integral part of these financial statements.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2024 AND 2023

	2023		
	Program Services	*Management and General*	*Total*
Salaries and related expenses:			
Salaries	$ 38,020,385	$ 6,209,310	$ 44,229,695
Employee health and retirement benefits	17,503,848	2,569,981	20,073,829
Payroll taxes	536,430	86,723	623,153
Total salaries and related expenses	56,060,663	8,866,014	64,926,677
Purchase of services:			
Other purchased services	491,601,944	-	491,601,944
Residential services	143,304,030	-	143,304,030
Day program	96,273,710	-	96,273,710
Facility rent	5,124,154	300,505	5,424,659
General expenses	3,091,635	474,873	3,566,508
Equipment purchases	813,880	59,042	872,922
Contract and consulting services	1,183,732	902,777	2,086,509
Communication	1,130,425	92,512	1,222,937
Legal fees	300,506	106,678	407,184
Insurance	335,433	153,027	488,460
Data processing	-	519,052	519,052
Facility maintenance	-	420,538	420,538
Equipment rental	214,730	19,579	234,309
Office expenses	161,639	(59,704)	101,935
ARCA dues	-	106,405	106,405
Staff travel	153,016	36,337	189,353
Accounting fees	-	95,650	95,650
Board expenses	-	84,953	84,953
Printing	30,946	2,288	33,234
Equipment maintenance	-	39,168	39,168
Total expenses	$ 799,780,443	$ 12,219,694	$ 812,000,137

The accompanying notes are an integral part of these financial statements.

NORTH LOS ANGELES COUNTY REGIONAL CENTER, INC.

(A California Nonprofit Public Benefit Corporation)

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 16,086,123	$ 14,028,706
Adjustments to reconcile change in net assets		
to net cash provided by operating activities:		
Amortization of right-of-use assets – operating lease	4,590,092	4,204,354
(Increase) decrease in assets:		
Cash – client trust funds	(412,789)	(932,382)
Contract receivable – State of California	(51,936,722)	(7,892,453)
Receivable from Intermediate Care Facilities	(662,060)	(642,617)
Other receivables and prepaid expenses	(16,086,258)	(14,882,456)
Due from State – deferred rent	-	2,488,745
Due from State – accrued vacation and other employee benefits	16,841,878	12,029,423
Increase (decrease) in liabilities:		
Accounts payable	22,548,563	21,876,147
Accrued expenses	1,081	257,733
Accrued vacation and other leave benefits	889,568	124,419
Retirement health care plan obligation	(8,699,198)	(1,021,364)
Pension plan obligation	(9,032,248)	(11,132,478)
Deferred rent liability	-	(2,488,745)
Unexpended client support	1,489,856	990,695
Operating lease liabilities	(4,590,092)	(4,204,354)
Net cash provided by operating activities	(28,972,206)	12,803,373
Cash flows from investing activities:		
Reimbursement from State contract for equipment	172,850	196,859
Purchase of equipment	(172,850)	(196,859)
Net cash provided by (used in) investing activities	-	-
Increase in cash	(28,972,206)	12,803,373
Cash, beginning of year	55,089,362	42,285,989
Cash, end of year	$ 26,117,156	$ 55,089,362
Supplementary information:		
Cash paid for interest	$ 32,340	$ 42,806
Noncash investing and financing activities:		
Lease assets obtained in exchange for lease obligations – operating lease	$ 598,403	$ 39,587,176

The accompanying notes are an integral part of these financial statements.

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

North Los Angeles County Regional Center, Inc. (the Center), was incorporated on March 13, 1974 as a California nonprofit public benefit corporation under contract with the State of California Department of Developmental Services (DDS) for the purpose of operating the Center and related activities. The Center was organized in accordance with the provision 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 coordinates, through outside providers, diagnostic and assessment of eligible services to persons with developmental disabilities and plans, accesses, coordinates and monitors services to such individuals and their families. The Center is one of 21 regional centers within the State of California system and serves San Fernando, Antelope, and Santa Clarita Valleys.

The Lanterman Act includes governance provisions regarding the composition of the Center's Board of Trustees. 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% of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25% 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 board. To comply with the Lanterman Act, the Center's board of trustees 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.

The Center's mission is to provide lifelong partnerships and planning to persons with developmental disabilities by promoting their civil and personal rights, providing comprehensive information, advocating in cooperation with consumers, promoting and providing quality of services, and supporting full participation of consumers and families in all aspects of community life.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

State of California Contract

The Center operates under an annual cost-reimbursement contract with DDS under the Lanterman Act. The maximum expenditure under the contract is limited to the contract amount plus interest earned. The Center is required to maintain accounting records in accordance with the Regional Center Fiscal Manual, issued by DDS, and is required to have DDS approval for certain expenses. 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.

Under the terms of these contracts, funded expenditures are not to exceed $993,463,341, $934,288,443, and $734,297,364 for the FY 2023-2024, FY 2022-2023, and FY 2021-2022 contract years, respectively, and are subject to budget amendments. As of June 30, 2024, actual net expenditures under the FY 2023-2024, FY 2022-2023, and FY 2021-2022 contracts were $814,981,115, $890,697,014, and $697,411,877, respectively. The unexpended balance under these contracts amounting to $178,482,226, $43,591,429, and $36,885,487 for the FY 2023-2024, FY 2022-2023, and FY 2021-2022 contract years, represents a conditional contribution that will be used to fund expenditures in the next fiscal years until the contract amounts are fully expended or expire. The Center could bill DDS in the future for expenses relating to previous fiscal years if the expenses billed relate to the previous fiscal year. As a result, the Center internally tracks revenue by current year, previous year and second previous year.

Accounting Method

The Center uses the accrual method of accounting, which recognizes income in the period earned and expenses when incurred, regardless of the timing of payments.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 revenue and expense during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Center reports information regarding its financial position and activities according to two classes of net assets, as applicable: net assets without donor restrictions and net assets with donor restrictions.

- Net assets without donor restrictions include those assets over which the Board of Trustees has discretionary control in carrying out the operations of the Center.

- Net assets with donor restrictions include those assets subject to donor restrictions and for which the applicable restrictions were not met as of the end of the current reporting period. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. When a donor restriction expires – that is, when a stipulated time restriction ends or purpose restriction is accomplished – net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as *net assets released from restrictions*. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates the resources be maintained in perpetuity.

  The Center had no net assets with donor restrictions as of June 30, 2024 and 2023.

Revenue Recognition:

Contributions

Contributions are recognized as revenue when they are unconditionally communicated. Grants represent contributions if resource providers receive no value in exchange for the assets transferred. Contributions are recorded at their fair value as support without donor restrictions or support with donor restrictions, depending on the absence or existence of donor-imposed restrictions as applicable. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. If donors' restrictions are satisfied in the same period that the contribution is received, the contribution is reported as support without donor restrictions.

Government contracts, which are funded on a reimbursement basis, are shown as revenue without donor restriction. A portion of the Center's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions.

Federal Grants

U.S. Department of Education

The Center is a sub-recipient to DDS with regard to the Special Education Grants for Infants and Families, Part C, which provides funding for early intervention services for infants and toddlers, through age 3, as authorized by Public Law 102-119.

This grant is conditional upon certain performance requirements and/or the incurrence of allowable qualifying expenses. The Center recognized grants revenue totaling $694,192 and $789,556 from this award during the year ended June 30, 2024 and 2023, respectively. Amounts earned and released within the same year under conditional awards are reported as increases in net assets without donor restrictions in the accompanying statements of activities.

Leases

An accounting standard on leases, required by accounting principles generally accepted in the United States of America, requires lessees to account for leases as either finance leases or operating leases and to recognize right-of-use (ROU) assets and corresponding lease liabilities on the statement of financial position for all leases other than leases with terms of 12 months or less. For finance leases, lessees would recognize interest expense and amortization of the ROU asset, and for operating leases, lessees would recognize straight-line total rent expense. The Center does not recognize rent expense on a straight-line basis and the impact of this is not significant since there would be a corresponding adjustment to accrued revenue from the State DDS cost-reimbursement contract. The accounting standard also requires additional disclosures about the amount, timing, and uncertainty of cash flows arising from leases.

Cash and Restricted Cash

Cash is defined as cash in demand deposit accounts as well as cash on hand. Restricted cash are funds restricted as to their use, regardless of liquidity. Cash held in trust for clients is not included in total cash shown on the statement of cash flows. The Center occasionally maintains cash on deposit at a bank in excess of the Federal Deposit Insurance Corporation limit. The uninsured cash balance, including restricted cash, was approximately $26,712,000 as of June 30, 2024. The Center has not experienced any losses in such accounts.

Contract and Other Receivables

The majority of the Center's receivables represents or relates to the cost-reimbursement contract with DDS. Receivables are recorded at their net realizable value. The Center uses the allowance method to account for uncollectible receivables. Management believes that the receivables are fully collectible and, therefore, has not provided an allowance for doubtful accounts as of June 30, 2024 and 2023.

State Equipment

State Equipment is stated at cost of acquisition. 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 expenses the cost of equipment upon acquisition if purchased with funds from the DDS contract in accordance with the Regional Center Fiscal Manual.

State Equipment purchases for the year ended June 30, 2024 and 2023 totaled $133,990 and $109,475, respectively. State Equipment disposals for the year ended June 30, 2024 and 2023 totaled $426,627 and $564,601, respectively. The capitalized equipment and reciprocating offset account at June 30, 2024 and 2023 totaled $4,058,394 and $4,351,031, respectively.

The Center also owns non-State equipment, including purchases funded by the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was fully depreciated as of June 30, 2024 and 2023 amounting to $4,978,291.

Accrued Vacation, Sick and Other Leave Benefits

The Center has accrued a liability for vacation and sick leave benefits earned by employees which is reimbursable under the DDS contract; however, such benefits are reimbursed under the DDS contract only when actually paid. The amount of accrued vacation and other leave benefits is included in the amount due from the State of California (See Note 3).

Post-Retirement Health Care Plan and Pension Plan

The Center is required to recognize the funded status of a benefit plan, measured as the difference between plan assets at fair value and the benefit obligation, in the statement of financial position, with an offsetting charge or credit to net assets. Gains or losses, prior service costs or credits that arise during the period but are not recognized as components of net period benefit cost, will be recognized each year as a separate charge or credit to net assets.

Income Taxes

The Center is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code and the related California code sections. Contributions to the Center qualify for the charitable contribution deduction.

The Center believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements. The Center's federal and state information returns for the years 2020 through 2023 are subject to examination by regulatory agencies, generally for three years and four years after they were filed for federal and state, respectively.

Functional Expenses Allocation

The costs of providing program and supporting services are summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Expenses directly attributed to a specific functional area of the Center are reported as expenses of those functional areas, while shared costs that benefit multiple functional areas have been allocated among the various functional areas based on estimates determined by management to be equitable. Shared costs are generally allocated among the program and supporting service benefited based on an analysis of personnel time and square footage occupied by the program and supporting services.

Subsequent Events

Management has evaluated subsequent events through March 12, 2025, the date on which the financial statements were available to be issued.

NOTE 3 – CONTRACT REIMBURSEMENT RECEIVABLE

The Center's primary source of revenue is from the State of California. Subject to renewal, the Center enters into a five-year contract with the State of California's Department of Developmental Services that is subject to annual appropriations by the State. The Center completed its fifth year of a 5-year contract with DDS that started fiscal year ended June 30, 2020. Revenue from the State is recognized monthly when a claim (invoice) for reimbursement of actual expenses is submitted to DDS for payment. These claims are paid at the State's discretion either through a direct payment to the Center or by offsetting the claim against the cash advances received by the Center from the State.

Contract reimbursement receivables at June 30, 2024 and 2023 are summarized, as follows:

	2024	2023
Claims submitted:		
Current year	$ 273,453,538	$ 238,595,003
Prior year	14,991,123	10,102,195
Second prior year	3,566,536	(99,428)
Third prior year and other receivable	(548,381)	(76,179)
Total	$ 291,462,816	$ 248,521,591

DDS advanced the Center under the regional center contracts. For financial statement presentation, to the extent there are claims receivable, these advances have been offset against the claims receivable from DDS as follows:

	2024	2023
Contracts receivable	$ 291,462,816	$ 248,521,591
Contract advances	(209,396,433)	(218,391,930)
Net contracts receivable/contract advances	$ 82,066,383	$ 30,129,661

In addition, the Center has accrued receivables from the State for expenses that will be settled in cash in future years. These expenses are required to be recognized as liabilities under generally accepted accounting principles; however, such benefits are reimbursed by the state contract only when actually paid. These expenses relate to accrued vacation and other employee benefits and the obligations for the post-retirement health care benefits and pension plan.

The Center's contract with DDS includes various fiscal provisions, which provide that the State of California retains all rights, title, and interest to the funds provided by DDS and that funds received from DDS may only be used for the purpose of satisfying claims against or expenses of the Center incurred pursuant to and in the performance of its contract with DDS.

Due from State – accrued vacation and other employee benefits consisted of the following as of June 30, 2024 and 2023 are summarized, as follows:

	2024	2023
Vacation and other employee benefits	$ 4,253,222	$ 3,363,654
Retirement health care and pension plan obligation, net of unrecognized loss on pension	40,228,748	57,960,194
	$ 44,481,970	$ 61,323,848

NOTE 4 – LINE OF CREDIT AND NOTE PAYABLE

In May 2021, the Center obtained a revolving line of credit (LOC) agreement with a bank whereby it may borrow up to $55,000,000 until the expiration of the agreement on June 30, 2022. In May 2022, the Center amended the LOC agreement by increasing the maximum line amount up to $60,000,000 and extending the maturity date through June 30, 2023. In June 2023, the Center amended the LOC agreement by increasing the maximum line amount up to $70,000,000 and extending the maturity date through June 30, 2024. Borrowings are unsecured with interest payable monthly at the greater of the Secured Overnight Financing Rate plus 2.10% or 1% below the bank's prime rate. There was no balance outstanding as of June 30, 2024. The agreement contains affirmative covenants. The Center was in compliance with all covenants as of June 30, 2024.In May 2024, the Center amended the LOC agreement by increasing the maximum line amount up to $80,000,000 (reduced to $70,000,000 from September 1, 2024 through February 28, 2025) and extending the maturity date through June 30, 2025.

During March 2021, the Center entered into an equipment financing agreement with a bank to finance a maximum loan amount of $3,000,000 for costs associated with relocation to a new facility. The Center drew $1,358,728 under this agreement of which $771,467 is outstanding as of June 30, 2024 and $944,317 was outstanding as of June 30, 2023. The note bears interest at a fixed rate of 3.71% with monthly payments of principal and interest of $18,389, with the final payment due March 31, 2028. The agreement contains affirmative covenants. The Center was in compliance with all covenants as of June 30, 2024.

The relocation costs will be reimbursed in full by the State and any equipment purchases will be owned by the State. As a result, there is a corresponding receivable balance in an equal amount included in due from state - equipment financed with debt on the statement of financial position.

The following future principal payments are to be made under this agreement:

Fiscal year ended June 30,	
2025	$ 195,372
2026	202,739
2027	210,381
2028	162,975
	$ 771,467

NOTE 5 – OPERATING LEASES

The Center leases office spaces and equipment under operating leases. The leases have remaining lease terms of 2 to 12 years. Rental expense included in operating expenses in 2024 and 2023 was $5,962,497 and $5,424,659, respectively.

As of June 30, 2024, the weighted average remaining lease term and discount rate for the operating leases was 6 years and 2.90%, respectively. The lease asset and liability were calculated utilizing the risk-free discount rate according to the Center's elected policy. The options to renew the operating leases were considered when assessing the value of the right-of-use (ROU) assets when the Center is reasonably certain that it will exercise its option to renew a lease.

As of June 30, 2024, the ROU assets had a balance of $31,391,133, as shown in noncurrent assets on the statement of financial position; the lease liabilities are included in other current liabilities ($5,684,530) and other long-term liabilities ($25,706,603).

The maturities of lease liabilities are estimated as follows:

Year ended June 30,	
2025	$ 5,684,530
2026	5,855,066
2027	4,764,994
2028	2,329,045
2029	2,398,915
Thereafter	13,903,436
Total lease payments	34,935,986
Less amount representing interest	(3,544,853)
Present value of lease liabilities	$ 31,391,133

NOTE 6 – CASH – CLIENT TRUST FUNDS AND UNEXPENDED CLIENT SUPPORT

The Center functions as custodian for the receipt of certain governmental payments and resulting disbursements made on behalf of regional center consumers. These cash balances are segregated from the operating cash accounts of the Center and are restricted for consumer support. Since the Center is acting as an agent in processing these transactions, no revenue or expense is reflected on the accompanying statements of activities. The following is a summary of operating activity not reported in the statements of activities for the years ended June 30, 2024 and 2023:

	2024	2023
Support:		
Social Security and other client support	$ 8,212,193	$ 10,254,067
Disbursements:		
Living out of home	$ 4,013,193	$ 5,395,351
Other disbursements	4,199,000	4,858,716
	$ 8,212,193	$ 10,254,067

NOTE 7 – LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restriction limiting their use, within one year of the statement of financial position at June 30, 2024 and 2023, comprise the following:

	2024	2023
Financial assets at end of year available within one year:		
Cash	$ 26,117,156	$ 55,089,362
Contract reimbursement receivable, net of contract advance	82,066,383	30,129,661
Accounts receivable from Intermediate Care Facilities	5,480,515	4,818,455
Financial assets available for general expenditure within one year	$ 113,664,054	$ 90,037,478

Each regional center submits a monthly purchase of service expenditure projection to DDS, beginning in December of each fiscal year. By February 1st of each year, DDS shall allocate to all regional centers no less than one hundred percent (100%) of the enacted budget for Operations and ninety-nine percent (99%) of the enacted budget for Purchase of Service. To do this, it may be necessary to amend the Center's contract in order to allocate funds made available from budget augmentations and to move funds among regional centers. In the event that DDS determines that a regional center has insufficient funds to meet its contractual obligations, DDS shall make best efforts to secure additional funds and/or provide the regional center with regulatory and statutory relief. The contract with DDS allows for adjustments to the Center's allocations and for the payment of claims up to two years after the close of each fiscal year.

In addition, the Center maintains a line of credit (see Note 4) to manage cash flow requirements as needed should there be delays in reimbursement for expenditures from DDS.

NOTE 8 – POST-RETIREMENT HEALTH CARE PLAN

The Center sponsors a post-retirement health care plan through the California Public Employees' Retirement System (PERS) for its employees. The actuarial cost method used for determining the benefit obligations is the Projected Unit Benefit Cost Method. Under this method, the actuarial present value of projected benefits is the value of benefits expected to be paid for current active employees and retirees. The Accumulated Post-Retirement Benefit Obligation (APBO) is the actuarial present value of benefits attributed to employee service rendered prior to the valuation date. The APBO equals the present value of projected benefits multiplied by a fraction equal to service to date over service at full eligibility age. The Periodic Benefit Cost is the actuarial present value of benefits attributed to one year of service. This equals the present value of benefits divided by service at expected retirement. The actuarial assumptions are summarized below:

	June 30, 2024	*June 30, 2023*
Discount Rate		
Used to determine Net Periodic Benefit Cost	5.20%	4.65%
Used to determine Benefit Obligations	5.50%	5.20%
Long-term Rate of Return on Plan Assets		
Used to determine Net Periodic Benefit Cost	6.00%	6.00%
Used to determine Benefit Obligations	6.00%	6.00%
General inflation	2.30%	2.30%
Health Cost Trend		
Health care cost trend rate assumed for next year	5.59%	10.29%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	3.75%	4.25%
Year that the rate reaches the ultimate trend rate	2071	2070
Number of Participants		
Active employees	636	610
Retired employees	183	183

The Center is required to recognize an expense each year equal to the Net Periodic Post Retirement Benefit Cost.

The Center recognizes the post-retirement health care plan liability as the unfunded APBO in its financial statements. All previously unrecognized actuarial gains or losses are reflected in the statement of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets, are unamortized actuarial net gain of $27,163,855 and $19,397,998 for the years ended June 30, 2024 and 2023, respectively.

The pension-related changes other than net periodic pension cost increased net assets by $7,765,858 and $1,538,413 for the years ended June 30, 2024 and 2023, respectively.

The following table provides a reconciliation of the changes in the plan's benefit obligations:

	June 30, 2024	*June 30, 2023*
Obligations at beginning of year	$ 50,281,141	$ 48,354,029
Service cost	2,997,901	2,895,645
Interest cost	2,466,253	2,202,866
Actuarial (gain) loss	(7,077,235)	(1,490,806)
Benefits paid	(1,663,167)	(1,680,593)
Obligations at end of year	$ 47,004,893	$ 50,281,141

The following table provides a reconciliation of the changes in the plan's assets:

	June 30, 2024	*June 30, 2023*
Fair value of plan assets at beginning of year	$ 31,366,542	$ 28,418,066
Actual return on plan assets	4,001,537	2,819,210
Employer contributions	3,084,580	1,809,859
Benefits paid	(1,663,167)	(1,680,593)
Fair value of plan assets at end of year	36,789,492	31,366,542
Net amount recognized in the statements of financial position	$ (10,215,401)	$ (18,914,599)

Net periodic post-retirement benefit cost consists of the following components:

	June 30, 2024	*June 30, 2023*
Service cost	$ 2,997,901	$ 2,895,645
Interest cost	2,466,253	2,202,866
Return on assets	(1,924,635)	(1,708,962)
Amortization of (gains) or losses	(1,338,279)	(1,062,641)
Net periodic post-retirement benefits costs	$ 2,201,240	$ 2,326,908

The net accumulated amount recognized as a separate increase in net assets of $27,163,855 and $19,397,998 as of June 30, 2024 and 2023, respectively, for prior service cost and unamortized net actuarial gain (loss) does not have an offsetting accrual from the DDS to reflect the future reimbursement of such benefits. The accumulated gain is recognized in prepaid expense and other assets on the statements of financial position.

Plan Assets

The plan's assets are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A recent accounting standard has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted market prices included in level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which a fair measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following tables set forth by level, within the fair value hierarchy, the plan's assets at fair value as of June 30:

June 30, 2024	*Level 1*	*Level 2*	*Level 3*	*Total*
Cash and cash equivalents	$ 973,710	$ -	$ -	$ 973,710
Mutual funds:				
Equity	19,392,081	2,648,226	-	22,040,307
Fixed income	8,638,377	5,137,098	-	13,775,475
Balanced	-	-	-	-
Total	$ 29,004,168	$ 7,785,324	$ -	$ 36,789,492

June 30, 2023	*Level 1*	*Level 2*	*Level 3*	*Total*
Cash and cash equivalents	$ 1,326,553	$ -	$ -	$ 1,326,553
Mutual funds:				
Equity	19,206,937	351,803	-	19,558,740
Fixed income	7,982,007	2,035,631	-	10,017,638
Balanced	-	463,611	-	463,611
Total	$ 28,515,497	$ 2,851,045	$ -	$ 31,366,542

The investment objective of the plan is to provide a rate of return commensurate with a moderate degree of risk of loss of principal and return volatility. A trustee administers the plan assets and investment responsibility for the assets is assigned to outside investment managers. The assets of the plan are periodically rebalanced to remain within the desired target allocations.

Variability of Estimated APBO

Actual future costs may vary significantly from the estimates used in calculating the APBO for a variety of reasons. Future costs may vary from estimates due to a variety of factors including, but not limited to, changes in medical costs, applicable laws, mortality rates, retirement rates, termination rates, rate of return, or other changes in economic or demographic assumptions.

Cash Flow Estimates for Future Benefit Payments

The following estimated benefit payments for the next ten years are expected to be paid on a fiscal year basis as follows:

Years Ending June 30,	
2024	$ 1,757,040
2025	1,897,059
2026	2,030,251
2027	2,173,443
2028	2,286,056
2029 – 2034	15,552,074
Total	$ 25,695,923

NOTE 9 – PENSION PLAN

The Center contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for participating public entities within California. Substantially all of the Center's employees participate in PERS.

PERS uses the Entry Age Normal Cost Method to fund benefits. Under this method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

Employee contributions are approximately 7% of salary and wages. The Center is required to contribute the remaining amount necessary to fund benefits for its employees, using the actuarial basis adopted by the PERS Board of Administration. Total retirement expense for the years ended June 30, 2024 and 2023 was $3,198,872 and $2,661,706, respectively.

The actuarial calculations and contribution rates generated by CalPERS are based on various assumptions about long-term demographic and economic trends and behavior. The CalPERS actuarial assumptions and calculations are in accordance with Governmental Accounting Standards Board (GASB) guidance. However, GASB guidance is not applicable to the Center, as the Center is a nonprofit organization where the appropriate generally accepted accounting principles for reporting should be in accordance with Financial Accounting Standards Board (FASB) guidance. In order for the Center to obtain a valuation report in accordance with FASB, the Center has obtained the census data from PERS along with plan asset balances for the fiscal year ended June 30, 2024 and 2023 and had an actuarial valuation performed in accordance with FASB to record the unfunded pension obligation and related pension expense in the statements of financial position and statements of activities, respectively, as of and for the years ended June 30, 2024 and 2023. The actuarial assumptions are summarized below:

	June 30, 2024	*June 30, 2023*
Economic Assumptions		
Discount Rate	5.20%	4.70%
Long-term Rate of Return on Plan Assets	6.80%	6.80%
Salary Increases (annually)	4.00%	4.00%
Number of Participants		
Active members	647	610
Transferred members	105	92
Terminated members	504	431
Retired members or beneficiaries	296	289

The Center is required to recognize an expense each year equal to the Net Periodic Post-Retirement Benefit Cost.

The Center recognizes the pension plan liability as the unfunded ABO in its financial statements. All previously unrecognized actuarial gains or losses are reflected in the statements of financial position. The plan items not yet recognized as a component of periodic plan expenses, but included as a separate charge to net assets, are:

	June 30, 2024	*June 30, 2023*
Unamortized experience loss	$ 12,596,360	$ 10,145,991
Unamortized loss from asset return	(471,724)	3,767,772
Unamortized gain from assumption changes	(67,857,229)	(59,398,895)
Amortization amount	3,522,204	1,093,555
End of year gain	($ 52,210,389)	$ (44,391,577)

The pension-related changes other than net periodic pension cost increased net assets by $7,878,232 and $12,385,371 for the years ended June 30, 2024 and 2023, respectively.

The following table provides a reconciliation of the changes in the plan's benefit obligations:

	June 30, 2024	*June 30, 2023*
Obligations at beginning of year	$193,767,457	$ 196,591,469
Service cost	9,015,409	9,375,077
Interest cost	10,042,255	9,175,918
Actuarial gain	(8,458,334)	(16,444,918)
Plan amendment	-	549,045
Experience loss	2,450,369	1,543,386
Benefits and expenses paid	(6,332,195)	(7,022,520)
Obligations at end of year	$ 200,484,961	$ 193,767,457

The following table provides a reconciliation of the changes in the plan's assets:

	June 30, 2024	*June 30, 2023*
Fair value of plan assets at beginning of year	$ 154,721,862	$ 146,413,396
Actual return on plan assets	14,797,609	9,003,533
Employer and employee contributions	7,284,338	6,327,453
Benefits and expenses paid	(6,332,195)	(7,022,520)
Fair value of plan assets at end of year	170,471,614	154,721,862
Net amount recognized in the statements of financial position	$ (30,013,347)	$ (39,045,595)

Net periodic postretirement benefit cost consists of the following components:

	June 30, 2024	*June 30, 2023*
Service cost	$ 9,015,409	$ 9,375,077
Interest cost	10,042,255	9,175,918
Expected return on plan assets	(10,558,113)	(9,936,514)
Amortization of prior service cost	59,420	59,420
Recognized net actuarial gains	(2,428,649)	(1,093,555)
Net periodic post-retirement benefit costs	$ 6,130,322	$ 7,580,346

The accumulated net amount recognized as a separate increase to net assets of $52,210,389 and $44,391,577 as of June 30, 2024 and 2023, respectively, for unamortized net actuarial gain (loss) does not have an offsetting accrual from the DDS to reflect the future reimbursement of such benefits. Gains are recognized in prepaid expense and other assets and losses are offset with receivables from the State for pension plan on the statements of financial position as of June 30, 2024 and 2023, respectively.

The following estimated benefit payments for the next ten years are expected to be paid on a fiscal year basis as follows:

Years Ending June 30,	
2025	$ 7,104,939
2026	7,652,170
2027	8,081,187
2028	8,479,926
2029	9,051,117
2030 - 2034	55,904,430
Total	$ 96,273,769

NOTE 10 – COMMITMENTS AND CONTINGENCIES

In accordance with the terms of the DDS contract, an audit may be performed by an authorized state representative. Should such audit disclose any unallowable costs, the Center may be liable to the State 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, 2024 and 2023.

The Center's contract with 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, DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. Should a system-wide deficit occur, 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. 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.

Collective Bargaining Agreements

The Center retains a substantial portion of its labor force through Social Services Union, Local 721, Services Employees International Union. This labor force is subject to collective bargaining agreements and, as such, renegotiation of such agreements could expose the Center to an increase in hourly costs and work stoppages.

In February 2023, the Center ratified a new collect bargaining agreement effective February 17, 2023, through February 16, 2028.

Unemployment Insurance

The Center has elected to self-insure its unemployment insurance. The Center is required to reimburse the state of California for benefits paid to its former employees.

Legal Matters

The Center is involved in various claims and legal actions in the normal course of business. Based upon counsel and management's opinion, the resolution of such matters is either covered by insurance or will not have a material adverse effect on the financial position, result of operation or cash flows.

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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*

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 North Los Angeles County Regional Center, Inc., which comprise the statement of financial position as of June 30, 2024, 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 March 12, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered North Los Angeles County Regional Center, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 North Los Angeles County Regional Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of North Los Angeles County Regional Center, Inc.'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item Finding No. 2024-001 that we consider to be material weaknesses.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether North Los Angeles County Regional Center, Inc.'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 financial statements. 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*.

North Los Angeles County Regional Center, Inc.'s Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on North Los Angeles County Regional Center, Inc.'s response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. North Los Angeles County Regional Center, Inc.'s response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lindquist, von Husen and Joyce LLP

March 12, 2025

Finding No. 2024-001 – A Significant Amount of Undeposited Checks and Material Reconciling Items between North Los Angeles County Regional Center's Receivable Balances and Confirmation Reply from DDS

Condition:

The receivable balances of North Los Angeles County Regional Center appeared to be materially different from the confirmation reply from DDS due to several unrecorded claims offsets and undeposited checks. North Los Angeles County Regional Center received DDS claim offset letters in October 2023 and May 2024 amounting to $217 million which were not recorded until January 2025.

North Los Angeles County Regional Center also received 42 checks from DDS during the fiscal year ended June 30, 2024 which were not deposited until December 2024. These checks total approximately $9.6 million of undeposited funds as of June 30, 2024.

Criteria:

North Los Angeles County Regional Center is responsible for the preparation and fair representation of the financial statements in accordance with accounting principles generally accepted in the United States of America. Good internal controls over cash include the timely deposit of checks received.

Effect:

The receivable balances from the confirmation reply received from DDS did not match the receivable balances of North Los Angeles County Regional Center for contract years 2023-2024, 2022-2023 and 2021-2022. There is also a risk that checks held but not deposited for more than six months may become stale and must be reissued by DDS.

Cause:

Due to heavy workload demands and challenges, the accounting staff responsible for coding the DDS claim offset letters gave priority to other tasks, and as a result, did not prioritize the task of coding and forwarding the claim offset letters on a timely basis to appropriate staff for recording to the general ledger. The same accounting staff is responsible for coding DDS checks for deposit. Similarly, due to heavy workload demands and challenges, the staff prioritized other tasks and did not code and forward the checks on a timely basis to appropriate staff for deposit and posting to the general ledger.

Recommendation:

Management should strengthen its existing internal controls over cash and claim offset letters by implementing a monthly reconciliation between the records of North Los Angeles County Regional Center and DDS to detect discrepancies earlier.

Views of Responsible Officials and Planned Corrective Actions:

North Los Angeles County Regional Center understands the importance of timely deposits and timely recording of transactions. The unrecorded DDS claim offset letters and undeposited checks were related to a staff performance issue, which has been addressed and resolved. Additionally, North Los Angeles County Regional Center will strengthen our existing internal controls, including implementing procedures to identify when checks have not been forwarded for deposit and procedures for periodic reconciliations with DDS records by a staff member different than the one responsible for coding DDS checks and claim offset letters in order to detect discrepancies earlier.