

DEPARTMENT OF DEVELOPMENTAL SERVICES

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



July 6, 2022

Chris Patay, Board President
Harbor Developmental Disabilities Foundation, Inc.
21231 Hawthorne Boulevard
Torrance, CA 90503

Dear Mr. Patay:

The Department of Developmental Services' (DDS) Audit Section has completed the audit of Harbor Regional Center (HRC). The period of review was from July 1, 2017, through June 30, 2019, with follow-up as needed into prior and subsequent periods. The enclosed report discusses the areas reviewed along with the findings and recommendations. The audit report includes the response submitted by HRC as Appendix A and DDS' reply on page 19.

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

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

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

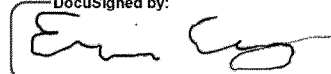
Your invoice for the total amount of \$212,695.70 from the current audit findings is enclosed. When making payments to DDS, please refer to the invoice number to ensure that proper credit is given. If you have any questions regarding the payment process, please contact Diane Nanik, Manager, Accounting Section, at (916) 654-2932.

"Building Partnerships, Supporting Choices"

Chris Patay, Board President
July 6, 2022
Page two

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

Sincerely,

DocuSigned by:

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ERNIE CRUZ
Deputy Director
Community Services Division

Enclosure(s)

cc: Patrick Ruppe, HRC
Judy Wada, HRC
Bob Sands, DHCS
Carla Castañeda, DDS
Pete Cervinka, DDS
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Aaron Christian, DDS
Edward Yan, DDS
Luciah Ellen Nzima, DDS
Dong Le, DDS

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

Chris Patay, Board President
 Harbor Developmental Disabilities Foundation, Inc.
 21231 Hawthorne Boulevard
 Torrance, CA 90503

INVOICE No. 14248

Date **July 6, 2022**

Headquarters

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

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

Vendor no.

<p>For: Per final audit report dated July 6, 2022, please reimburse the Department of Developmental Services for the unresolved overpayment of 212,695.70 for Fiscal Years 2017-18 and 2018-19.</p>	
<p>Amount Due</p>	<p>\$212,695.70</p>

DDS ACCOUNTING OFFICE ONLY:

FY	INV DATE	Curr. Doc	Rptg Structure	Svc Loc	Program	Amount	Approp. Ref.	Fund
FY20/21	07/06/2022	INV14248	43009517	96000	9910	\$212,695.70	101	0001

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

§50730. Request for Administrative Review.

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

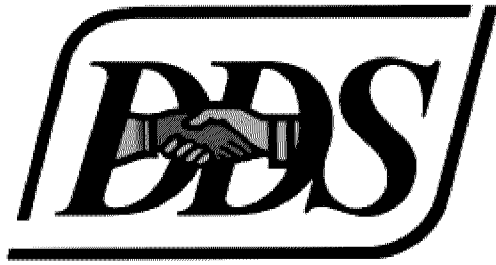
(b) If the appellant does not submit the written request within the 30-day period, the appeals review officer shall deny such request, and all audit exceptions or findings in the report shall be deemed final unless the appellant establishes good cause for late filing.

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

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

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

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



**AUDIT OF THE
HARBOR REGIONAL CENTER
FOR FISCAL YEARS 2017-18 AND 2018-19**

Department of Developmental Services

July 6, 2022

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

Pete Cervinka, Chief, Data Analytics and Strategy
Vicky Lovell, Chief, Research, Audit, and Evaluation Branch
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Luciah Ellen Nzima, Chief, Regional Center Audit Unit
Dong Le, Supervisor, Regional Center Audit Unit

Audit Staff: Shoua Vue, Ruth Yang, and Rajiv Raman

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

TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY.....	1
BACKGROUND	2
Authority	3
Criteria	3
Audit Period.....	3
OBJECTIVES, SCOPE, AND METHODOLOGY.....	4
I. Purchase of Service	5
II. Regional Center Operations	5
III. Targeted Case Management and Regional Center Rate Study.....	6
IV. Service Coordinator Caseload Survey.....	6
V. Early Intervention Program (Part C Funding).....	7
VI. Family Cost Participation Program	7
VII. Annual Family Program Fee.....	8
VIII. Parental Fee Program	8
IX. Procurement.....	9
X. Statewide/Regional Center Median Rates.....	11
XI. Other Sources of Funding from DDS.....	11
XII. Follow-up Review on Prior DDS Audit Findings.....	12
CONCLUSIONS.....	13
VIEWS OF RESPONSIBLE OFFICIALS	14
RESTRICTED USE	15
FINDINGS AND RECOMMENDATIONS	16
EVALUATION OF RESPONSE.....	19
ATTACHMENT.....	A
REGIONAL CENTER'S RESPONSE	Appendix A

EXECUTIVE SUMMARY

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

The audit period was July 1, 2017, through June 30, 2019, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where HRC's administrative and operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding HRC's operations. A follow-up review was performed to ensure HRC has taken corrective action to resolve the finding identified in the prior DDS audit report.

Finding that needs to be addressed.

Finding 1: Initial Intake Eligibility Determination

The sampled review of 103 POS vendor payments revealed HRC utilized three vendors to conduct initial intake eligibility determination for 1,162 consumers. The three vendors provided the same services as HRC's Intake Counselors under Service Code 605 (Adaptive Skills Trainer), Sub Code INTAK. However, these services should have been conducted by HRC staff. The payments made to the three vendors totaled \$212,695.70 from July 2017 through March 2020. This is not in compliance with W&I Code, Section 4642(a)(1), HRC's Intake Process for Applicants Three Years of Age and Over, Section V, and HRC's Lanterman Act Eligibility Guidelines for Counselors, Section I, Part B and C.

Finding that has been addressed and corrected.

Finding 2: Duplicate Payments and Overlapping Authorizations

The review of the Operational Indicator Reports revealed 16 instances where HRC over-claimed expenses to the State totaling \$6,339.32 for 12 vendors. These overpayments were due to duplicate payments or overlapping authorizations. This is not in compliance with CCR, Title 17, Section 54326(a)(10). However, HRC resolved the issue and recovered \$6,339.32 after the audit fieldwork.

BACKGROUND

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

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

In addition to the fiscal compliance audit, HRC will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on HRC's fiscal, administrative, and program operations.

DDS and Harbor Developmental Disabilities Foundation, Inc. entered into State Contract HD149007, effective July 1, 2014, through June 30, 2021. This contract specifies that Harbor Developmental Disabilities Foundation, Inc. will operate an agency known as HRC to provide services to individuals with DD and their families in the Bellflower, Harbor, Long Beach and Torrance areas. The contract is funded by state and federal funds that are dependent upon HRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted remotely from August 3, 2020, through September 4, 2020, by the Audit Section of DDS.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was July 1, 2017, through June 30, 2019, with follow-up, as needed, into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of HRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that HRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis to determine whether HRC was in compliance with the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and HRC.

DDS' review of HRC's internal control structure was conducted to gain an understanding of the transaction flow and the policies and procedures, as necessary, to develop appropriate auditing procedures.

DDS reviewed the annual audit reports that were conducted by an independent CPA firm for Fiscal Years (FYs) 2017-18 and 2018-19, issued on January 15, 2019 and January 21, 2020, respectively. It was noted that no management letter was issued for HRC. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

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

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by HRC. The rates charged for the services provided to individual consumers were reviewed to ensure compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and HRC.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000, as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the 10th of each month, and proper documentation for expenditures was maintained.
- DDS selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out of balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all HRC's bank accounts to determine whether DDS had signatory authority, as required by the State Contract with DDS.
- DDS selected a sample of bank reconciliations for OPS accounts and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

DDS selected a sample of OPS claims billed to DDS to determine compliance with the State Contract. The sample included various expenditures claimed for

administration that were reviewed to ensure HRC's accounting staff properly input data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, payroll ledgers, and other support documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of OPS expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17, and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed HRC's policies and procedures for compliance with the DDS Conflict of Interest regulations, and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management (TCM) and Regional Center Rate Study

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

- Reviewed applicable TCM records and HRC's Rate Study. DDS examined the months of April 2018 and 2019 and traced the reported information to source documents.
- Reviewed HRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared timesheets to the Case Management Time Study Forms (DS 1916) to ensure that the forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

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

- “(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:
 - (1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to

the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.

- (2) An average service coordinator-to-consumer ratio of 1 to 45 for all consumers who have moved from a developmental center to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 59 consumers for more than 60 days.
- (3) Commencing January 1, 2004, the following coordinator-to-consumer ratios shall apply:
 - (A) All consumers three years of age and younger and for consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, an average service coordinator-to-consumer ratio of 1 to 62.
 - (B) All consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, an average service coordinator-to-consumer ratio of 1 to 62.
 - (C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in subparagraph (A), an average service coordinator-to-consumer ratio of 1 to 66.”

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

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

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

VI. Family Cost Participation Program (FCPP)

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

- Reviewed the list of consumers who received respite, day care, and camping services, for ages 0 through 17 years who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents' income documentation to verify their level of participation based on the FCPP Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' income documentation.
- Reviewed vendor payments to verify that HRC was paying for only its assessed share of cost.

VII. Annual Family Program Fee (AFPF)

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

- The adjusted gross family income is at or above 400 percent of the federal poverty level based upon family size.
- The child has a DD or is eligible for services under the California Early Intervention Services Act.
- The child is less than 18 years of age and lives with his or her parent.
- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.
- The child does not receive services through the Medi-Cal program.
- Documentation was maintained by the RC to support reduced assessments.

VIII. Parental Fee Program (PFP)

The PFP was created for the purpose of prescribing financial responsibility to parents of children under the age of 18 years who are receiving 24-hour, out-of-home care services through an RC or who are residents of a state hospital or on

leave from a state hospital. Parents shall be required to pay a fee depending upon their ability to pay, but not to exceed (1) the cost of caring for a child without DD at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether HRC is in compliance with the W&I Code, Section 4782, DDS requested a list of PFP assessments and verified the following:

- Identified all children with DD who are receiving the following services:
 - (a) All 24-hour, out-of-home community care received through an RC for children under the age of 18 years;
 - (b) 24-hour care for such minor children in state hospitals. Provided, however, that no ability to pay determination shall be made for services required by state or federal law, or both, to be provided to children without charge to their parents.
- Provided DDS with a listing of new placements, terminated cases, and client deaths for those clients. Such listings shall be provided not later than the 20th day of the month following the month of such occurrence.
- Informed parents of children who will be receiving services that DDS is required to determine parents' ability to pay and to assess, bill, and collect parental fees.
- Provided parents a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope within 10 working days after placement of a minor child.
- Provided DDS a copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed.

IX. Procurement

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

- Reviewed HRC's contracting process to ensure the existence of a

Board-approved procurement policy and to verify that the RFP process ensures competitive bidding, as required by Article II of the State Contract, as amended.

- Reviewed the RFP contracting policy to determine whether the protocols in place included applicable dollar thresholds and comply with Article II of the State Contract, as amended.
- Reviewed the RFP notification process to verify that it is open to the public and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded, and authorized by appropriate officials at HRC. The process was reviewed to ensure that the vendor selection process is transparent and impartial and avoids the appearance of favoritism. Additionally, DDS verified that supporting documentation is retained for the selection process and, in instances where a vendor with a higher bid is selected, written documentation is retained as justification for such a selection.

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

- Selected a sample of Operations, Community Placement Plan (CPP), and negotiated POS contracts subject to competitive bidding to ensure HRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that HRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals and written justification for final vendor selection decisions and that those contracts were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures:

- To determine compliance with the W&I Code, Section 4625.5 for contracts in place as of March 24, 2011: Reviewed to ensure HRC has a written policy requiring the Board to review and approve any of its contracts of two hundred fifty thousand dollars (\$250,000) or more before entering into a contract with the vendor.
- Reviewed HRC Board-approved Operations, Start-Up, and POS vendor contracts of \$250,000 or more, to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers; verified that the funds provided were specifically used to establish new or additional services to consumers, the usage of funds is of direct benefit to consumers, and the contracts are supported

with sufficiently detailed and measurable performance expectations and results.

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

X. Statewide/Regional Center Median Rates

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

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

- Reviewed sample vendor files to determine whether HRC is using appropriately vendorized service providers and correct service codes, and that HRC is paying authorized contract rates and complying with the median rate requirements of W&I Code, Section 4691.9.
- Reviewed vendor contracts to ensure that HRC is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or RC median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where required by regulation, or health and safety exemptions were granted by DDS.
- Reviewed vendor contracts to ensure that HRC did not negotiate rates with new service providers for services which are higher than the RC's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower. DDS also ensured that units of service designations conformed with existing RC designations or, if none exists, ensured that units of service conformed to a designation used to calculate the statewide median rate for the same service code.

XI. Other Sources of Funding from DDS

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure HRC's accounting staff

were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- CPP;
- Part C – Early Start Program;
- Family Resource Center; and
- Mental Health Services Act.

XII. Follow-up Review on Prior DDS Audit Findings

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

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, HRC was in compliance with applicable sections of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and HRC for the audit period, July 1, 2017, through June 30, 2019.

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

From the review of the prior audit finding, it has been determined that HRC has taken appropriate corrective action to resolve the finding.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on May 2, 2022. The findings in the draft audit report were discussed at a formal exit conference with HRC on May 6, 2022. The views of HRC's responsible officials are included in this final audit report.

RESTRICTED USE

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

FINDING AND RECOMMENDATION

Finding that needs to be addressed.

Finding 1: Initial Intake Eligibility Determination

The sampled review of 103 POS vendors payments revealed HRC utilized three vendors to conduct initial intake eligibility determination for 1,162 consumers. The three vendors, Vendor Numbers PH1745, PH1771, and PH1914, provided services under Service Code 605 (Adaptive Skills Trainer), Sub Code INTAK. Further review of documentation provided by HRC for five sampled consumers indicated that the vendors were responsible for sending out letters informing the consumers and their families of their eligibility determination. The initial intake eligibility determination should be the responsibility of HRC's Intake Counselors. HRC stated that the three vendors were only utilized when its Intake Counselors had a high volume of consumers that required an initial intake eligibility determination. The payments made to the three vendors totaled \$212,695.70 from July 2017 through March 2020. (See Attachment A)

In addition, HRC did not follow its procedures, which state that initial intake eligibility determinations are the responsibility of HRC's Intake Counselors and the Lanterman Act Eligibility Team, which consists of HRC's Intake Program Manager, Physician, and a Psychologist. This team is responsible for determining the applicant's eligibility to receive regional center services.

W&I Code, Section 4642(a)(1), states:

- “(1) Any person believed to have a developmental disability, and any person believed to have a high risk of parenting a developmentally disabled infant shall be eligible for initial intake and assessment services in the regional centers. In addition, any infant having a high risk of becoming developmentally disabled may be eligible for initial intake and assessment services in the regional centers. For purposes of this section, “high-risk infant” means a child less than 36 months of age whose genetic, medical, or environmental history is predictive of a substantially greater risk for developmental disability than that for the general population. The department, in consultation with the State Department of Public Health, shall develop specific risk and service criteria for the high-risk infant program on or before July 1, 1983.

These criteria may be modified in subsequent years based on analysis of actual clinical experience.”

HRC’s The Intake Process for Applicants Three Years of Age and Over, Section V, states in part:

“V. Eligibility Determination

- A. Eligibility will be determined within 75 days of receiving the initial application.
- B. The Intake Counselor will:
 - 1. Complete the Intake Eligibility Review Form (See attachments) and compile all other relevant assessments and information.
 - 2. Review the applicant’s assessments with the Lanterman Act Eligibility Team (consisting of Intake Program Manager, HRC Physician and HRC Psychologist). The team will determine the applicant’s eligibility status; refer to Lanterman Act Eligibility Guidelines for Counselors.”

HRC’s Lanterman Act Eligibility Guidelines for Counselors, Section I, Part B and C, states:

- “B. Level 2: Cases requiring a meeting with the Lanterman Act Eligibility Committee for eligibility determination:
 - 1. Autism
 - 2. Cerebral Palsy
 - 3. Epilepsy
 - 4. Mental Retardation with a dual diagnosis of mental illness
 - 5. Mental Retardation with full scale IQ of 65 or above or if any sub-scale is 65 or above.
 - 6. Any cases where the applicant is clearly not eligible, however the applicant/parent is not in agreement with the diagnosis or eligibility decision will be reviewed at level 2.
- C. Level 3: Cases requiring additional review:
 - 1. Any case to be considered for eligibility as having a condition similar to mental retardation or requiring treatment similar to that required by

someone with mental retardation will require administrative review.

2. Any case determined by the intake program manager or the Lanterman Act Eligibility Committee to benefit from further review.”

Recommendation:

HRC must reimburse DDS the payments to the three vendors totaling \$212,695.70. In addition, HRC should ensure that initial intake eligibility determination is conducted by HRC. Also, HRC should follow its procedures and ensure that its Intake Counselors and Lanterman Act Eligibility Team are responsible for determining consumers’ eligibility to receive regional center services.

Finding that has been addressed and corrected.

Finding 2: Duplicate Payments and Overlapping Authorizations

The review of the Operational Indicator Reports revealed 16 instances where HRC over-claimed expenses to the State totaling \$6,339.32 for 12 vendors. These overpayments were due to duplicate payments or overlapping authorizations. HRC stated that the overpayments occurred due to an oversight on its part since it did not identify the erroneous payments during the review of its Operational Indicator Reports. HRC recovered \$6,339.32 after completing the audit fieldwork.

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

“(c) Regional Centers shall not reimburse vendors:

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

Recommendation:

HRC must ensure its staff is efficiently monitoring the Operational Indicator Reports to accurately detect any erroneous payments that may have occurred while conducting business with its vendors.

EVALUATION OF RESPONSE

As part of the audit report process, HRC was provided with a draft audit report and requested to provide a response to the findings. HRC's response dated June 6, 2022, is provided as Appendix A.

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

Finding 1: Initial Intake Eligibility Determination

HRC stated that it is not disputing the finding and has modified its intake process to include a more formalized Lanterman Eligibility Review Committee. HRC indicated that the committee meets once a week to review records and to determine eligibility for regional center services. In addition, HRC stated it has modified the Eligibility Review Form to ensure clear indication of committee participants. Further, HRC stressed that eligibility is determined by the Lanterman Eligibility Team and not solely by an Intake Contractor.

Lastly, HRC stated that it has worked with DDS' Accounting Department and has prepared the payment to reimburse DDS once the final report and the invoice are issued. For FYs 2019-20, 2020-21, and 2021-22, HRC stated that it has journaled expenditures for the remaining Intake Contractor from POS to Operations and changed funding for his contract going forward.

Finding 2: Duplicate Payments and Overlapping Authorizations

HRC did not respond to this finding since the issue was addressed and corrected before the issuance of the draft report.

Harbor Regional Center
Services Provided Prior to Eligibility Determination
Fiscal Years 2017-18, 2018-19 and 2019-20

No.	Vendor Number	Vendor Name	Service Code	Sub Code	Payment Period	POS Amount
1	PH1745		605	INTAK	Jul-17	\$4,371.71
2	PH1745		605	INTAK	Aug-17	\$4,205.68
3	PH1745		605	INTAK	Sep-17	\$4,639.19
4	PH1745		605	INTAK	Oct-17	\$4,943.54
5	PH1745		605	INTAK	Nov-17	\$3,762.99
6	PH1745		605	INTAK	Dec-17	\$3,486.28
7	PH1745		605	INTAK	Jan-18	\$4,519.23
8	PH1745		605	INTAK	Feb-18	\$3,311.02
9	PH1745		605	INTAK	Mar-18	\$3,799.81
10	PH1745		605	INTAK	Apr-18	\$4,058.05
11	PH1745		605	INTAK	May-18	\$3,707.56
12	PH1745		605	INTAK	Jun-18	\$2,416.38
13	PH1745		605	INTAK	Jul-18	\$3,744.43
14	PH1745		605	INTAK	Aug-18	\$3,652.19
15	PH1745		605	INTAK	Sep-18	\$2,877.52
16	PH1745		605	INTAK	Oct-18	\$3,845.92
17	PH1745		605	INTAK	Nov-18	\$3,283.31
18	PH1745		605	INTAK	Dec-18	\$2,711.48
19	PH1745		605	INTAK	Jan-19	\$4,058.07
20	PH1745		605	INTAK	Feb-19	\$5,155.59
21	PH1745		605	INTAK	Mar-19	\$6,419.08
22	PH1745		605	INTAK	Apr-19	\$5,745.82
23	PH1745		605	INTAK	May-19	\$5,238.57
24	PH1745		605	INTAK	Jun-19	\$4,943.39
25	PH1745		605	INTAK	Jul-19	\$4,168.69
26	PH1745		605	INTAK	Aug-19	\$5,164.79
27	PH1745		605	INTAK	Sep-19	\$4,297.89
28	PH1745		605	INTAK	Oct-19	\$4,602.29
29	PH1745		605	INTAK	Nov-19	\$3,818.33
30	PH1745		605	INTAK	Dec-19	\$3,587.66
31	PH1745		605	INTAK	Jan-20	\$4,302.71
32	PH1745		605	INTAK	Feb-20	\$3,833.14
33	PH1745		605	INTAK	Mar-20	\$2,702.34
Total Services Provided Prior to Eligibility Determination:						\$135,374.65
34	PH1771		605	INTAK	Jul-17	\$2,822.09
35	PH1771		605	INTAK	Aug-17	\$2,526.97
36	PH1771		605	INTAK	Sep-17	\$1,715.40
37	PH1771		605	INTAK	Oct-17	\$2,213.40
38	PH1771		605	INTAK	Nov-17	\$2,268.75

Harbor Regional Center
Services Provided Prior to Eligibility Determination
Fiscal Years 2017-18, 2018-19 and 2019-20

No.	Vendor Number	Vendor Name	Service Code	Sub Code	Payment Period	POS Amount
39	PH1771		605	INTAK	Dec-17	\$940.71
40	PH1771		605	INTAK	Jan-18	\$1,789.17
41	PH1771		605	INTAK	Feb-18	\$1,733.84
42	PH1771		605	INTAK	Mar-18	\$1,844.51
43	PH1771		605	INTAK	Apr-18	\$2,259.51
44	PH1771		605	INTAK	May-18	\$221.34
45	PH1771		605	INTAK	Jun-18	\$442.68
46	PH1771		605	INTAK	Jul-18	\$442.68
Total Services Provided Prior to Eligibility Determination:						\$21,221.05
47	PH1914		605	INTAK	Jul-17	\$527.00
48	PH1914		605	INTAK	Aug-17	\$884.00
49	PH1914		605	INTAK	Sep-17	\$2,941.00
50	PH1914		605	INTAK	Oct-17	\$3,264.00
51	PH1914		605	INTAK	Nov-17	\$4,199.00
52	PH1914		605	INTAK	Dec-17	\$1,717.00
53	PH1914		605	INTAK	Jan-18	\$2,737.00
54	PH1914		605	INTAK	Feb-18	\$1,258.00
55	PH1914		605	INTAK	Mar-18	\$1,564.00
56	PH1914		605	INTAK	Apr-18	\$1,598.00
57	PH1914		605	INTAK	May-18	\$2,720.00
58	PH1914		605	INTAK	Jun-18	\$2,414.00
59	PH1914		605	INTAK	Jul-18	\$918.00
60	PH1914		605	INTAK	Aug-18	\$1,139.00
61	PH1914		605	INTAK	Sep-18	\$680.00
62	PH1914		605	INTAK	Oct-18	\$306.00
63	PH1914		605	INTAK	Nov-18	\$2,448.00
64	PH1914		605	INTAK	Dec-18	\$1,054.00
65	PH1914		605	INTAK	Jan-19	\$2,074.00
66	PH1914		605	INTAK	Feb-19	\$1,105.00
67	PH1914		605	INTAK	Mar-19	\$1,258.00
68	PH1914		605	INTAK	Apr-19	\$1,700.00
69	PH1914		605	INTAK	May-19	\$3,808.00
70	PH1914		605	INTAK	Jun-19	\$2,856.00
71	PH1914		605	INTAK	Jul-19	\$3,927.00
72	PH1914		605	INTAK	Aug-19	\$4,760.00
73	PH1914		605	INTAK	Dec-19	\$2,244.00
Total Services Provided Prior to Eligibility Determination:						\$56,100.00
Grand Total of Overpayments for Services Provided Prior to Eligibility Determination:						\$212,695.70

APPENDIX A

HARBOR REGIONAL CENTER

RESPONSE TO AUDIT FINDINGS

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



June 6, 2022

Edward Yan, Manager
Audit Section
1215 O Street, MS 9-20
Sacramento, CA 95814

Re: Audit of Harbor Regional Center for Fiscal Years 2017-18 and 2018-19 Draft Report

Dear Mr. Yan:

Thank you for meeting with us on May 6, 2022 to discuss the Department of Developmental Services (DDS) Audit of Harbor Regional Center (HRC) for Fiscal Years 2017-18 and 2018-19 Draft Report. HRC is not disputing the draft findings but providing additional information regarding Finding 1: Initial Intake Eligibility Determination.

Eligibility Determination and Procedures

The draft report dated May 2, 2022 references two findings: (1) ensuring that the initial intake eligibility determination is conducted by HRC and (2) following procedures to ensure that the Intake counselors and the Lanterman Act Eligibility Team is responsible for determining eligibility to receive regional center services.

As explained since September 2020 when this was first brought to our attention as a possible issue, HRC vendored the three (3) Intake Contractors to assist with intake overflow. The contractors are well qualified and, in fact, two of the three contractors were former HRC Early Start Counselors (and one has since been rehired). The Intake Contractors performed the same functions as the Intake Counselor and neither of these positions are solely responsible for determining eligibility for regional center services. One of their responsibilities is to serve as the primary contact in facilitating a smooth transition through the intake process. This includes gathering information from the applicant/family to complete a psychosocial report and coordinating the appointment for the psychological evaluation. At the conclusion of the intake assessments, the Intake Counselor completes the Intake Eligibility Review Form and compiles other assessments/documents to review with the Lanterman Eligibility Team. The Lanterman Eligibility Team is responsible for reviewing the records and making a decision regarding eligibility.

We recognize that during the FY 2017-18 and FY 2018-19 audit the documentation may have suggested that the Intake Counselor and Intake Contractors were determining eligibility. While that is not the case, we have taken the opportunity to modify our intake process to include a more formalized Lanterman Eligibility Review Committee. The committee meets one time per week to

review records and determine eligibility for regional center services. We have also modified the Eligibility Review Form to ensure clear indication of committee participants.

In summary, HRC Intake Contractors have never been solely responsible for determining eligibility for regional center services. The Intake Contractors are responsible for ongoing communication with the applicant/family, gathering information and completing a psychosocial report. Lastly, eligibility is determined by the Lanterman Eligibility Team and not a sole individual.

Audit Process

As the Draft Report indicates, the audit was conducted remotely from August 3, 2020 through September 4, 2020. The Intake Contractors issue was first brought to our attention on August 25, 2020 when one of the DDS auditors noticed there was a sub code INTAK. Shortly after, vendor files for the three (3) Intake Contractors (PH1745, PH1771, and PH1914) were requested and provided and HRC Administration/Accounting staff arranged meetings for the DDS auditors with HRC's Community Services and Early Childhood Services directors.

On September 2, 2020, HRC's Controller received an email from one of the DDS auditors saying that they will "mention HRC is contracting out to vendors for intake and paying out of the POS fund rather than the OPS fund. The services provided by vendors for POS should be specified in the consumers IPP according to WIC 4646. We will notify management who will decide whether to make it a finding." On September 4, 2020, at the final "DDS Audit Update" meeting HRC Administration/Accounting staff and DDS Auditors further discussed the possible finding. HRC explained that we were no longer utilizing the three (3) Intake Contractors; however, we are utilizing another Intake Contractor (PH2372). (This vendor is extremely well qualified because he is a former HRC Lanterman Intake Counselor.) Therefore, HRC asked how can we address the issue for the audit report and how can we correct the issue going forward. We asked whether we should journal the expenditures for the audit period from Purchase of Services (POS) to Operations funding. The DDS Auditors said to wait because they did not know whether this would be a finding or not. We also asked whether we should change the service code from 605 (Adaptive Skills Trainer) to 056 (Inter-Disciplinary Services). We were given the impression that the service code change may correct the issue going forward and, therefore, closed PH2372 and re-vendored the one remaining Intake Contractor under service code 056 (PH2418).

HRC did not hear from DDS regarding the FY 2017-18 and FY 2018-19 audit until December 31, 2021. Between September 2020 and December 2021 at other meetings with DDS Audit staff, we inquired whether there was any update regarding the Intake Contractors and other possible findings, as well as a prior audit finding. On January 7, 2022, HRC and the DDS Auditors met to discuss Intake. The DDS Auditors confirmed that this was the only open issue but could not confirm whether it would be a finding. HRC again asked how can we address the issue before the draft report is released and how can we correct the issue going forward. We discussed the service code change, and we asked again whether we should journal the expenditures from POS to Operations and we stressed that we would like to do so before the upcoming FY 2019-20

contract year close on March 31, 2022. Over the next few weeks, DDS requested and HRC provided additional information and clarification regarding the Intake process.

The DDS Auditors did not confirm the finding until the draft report was about to be released. At the May 6, 2022 Exit Conference, HRC and DDS discussed the timing of the draft report and the finding. The DDS Auditors were very gracious. We discussed that HRC is not disputing the finding but is still requesting guidance on how to correct the issue for the FY 2019-20 and FY 2020-21 audit and going forward. Since the Exit Conference, as discussed HRC has worked with DDS Accounting and prepared payment to reimburse DDS once the final report and invoice are issued. For FYs 2019-20, 2020-21 and 2021-22, HRC has journaled expenditures for the remaining Intake Counselor from POS to Operations and changed funding for his contract going forward. Please see the attached Summary and copies of journal entries.

Please let us know if you have any questions.

Thank you.

Sincerely,

Judy Wada
Judy Wada
Chief Financial Officer

Cc: Carla Castaneda, DDS
Pete Cervinka, DDS
Brian Winfield, DDS
Jim Knight, DDS
Ernie Cruz, DDS
Vicky Lovell, DDS
Aaron Christian, DDS
Luciah Ellen Nzima, DDS
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