PETE CERVINKA
DIRECTOR

CALIFORNIA HEALTH & HUMAN SERVICES AGENCY
DEPARTMENT OF DEVELOPMENTAL SERVICES
1215 O Street, Sacramento, CA 95814 • www.dds.ca.gov

GAVIN NEWSOM
GOVERNOR

June 16, 2026

LaVelle Gates, Board President
Harbor Regional Center
21231 Hawthorne Boulevard
Torrance, CA 90503

Dear LaVelle Gates:

The Department of Developmental Services' (Department) Audit Services Branch has completed the audit of the Harbor Regional Center (HRC). The period of review was from July 1, 2023, through June 30, 2025, with follow-up as needed into prior and subsequent periods. The enclosed report discusses the areas reviewed along with the findings and recommendations and includes the response submitted by HRC in Appendix B.

If there is a disagreement with the audit findings, a written "Statement of Disputed Issues" may be filed with the Department's Audit Appeals Unit, pursuant to California Code of Regulations, 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 $9,573.28 from the current audit findings is enclosed. When making payments to the Department of Developmental Services, please refer to the invoice number to ensure that proper credit is given. If you have any questions regarding the payment process, please contact the Accounting Section at (916) 245-2713, or via email at Accounting@dds.ca.gov.

If you have any questions regarding the audit report, please contact the Audit Services Branch at (916) 654-3695, or via email at Auditservices@dds.ca.gov.

Sincerely,

Jim Knight

JIM KNIGHT
Deputy Director
Administration Division

Attachment(s)

cc: See next page

cc: Patrick Ruppe, Harbor Regional Center
Judy Wada, Harbor Regional Center
Carla Castañeda, Department of Developmental Services
Dr. Michi A. Gates, Department of Developmental Services
Hiren Patel, Department of Developmental Services
Ernie Cruz, Department of Developmental Services
Jacqueline Gaytan, Department of Developmental Services
Diane Nanik, Department of Developmental Services
Jonathan Hill, Department of Developmental Services
Edward Yan, Department of Developmental Services
Luciah Ellen Nzima, Department of Developmental Services
Oscar Perez, Department of Developmental Services

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

La Velle Gates, Board President Harbor Regional Center 21231 Hawthorne Boulevard Torrance, CA 90503	**INVOICE No.** **INV15530** Date **June 16, 2026**

Headquarters

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

Vendor no. HAR10000

▶

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

For: Per final audit report dated June 16, 2026, please reimburse the Department of Developmental Services for the unresolved overpayment of $9,573.28 for the Fiscal Years 2023-24 & 2024-25

DO NOT OFFSET THIS INVOICE WITH ANY VENDOR CLAIMS.
THIS INVOICE MUST BE PAID IN FULL BY CHECK PAYABLE TO DDS.

Amount Due **$9,573.28**

DDS ACCOUNTING OFFICE ONLY:

FY	INV DATE	INV No.	Rptg Structure	Svc Loc	Program	Approp. Ref	Fund	Amount
FY2023-24 & FY2024-25	06/16/2026	INV15530	43009517	96000	9910	101	0001	$9,573.28

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.

PETE CERVINKA
DIRECTOR

CALIFORNIA HEALTH & HUMAN SERVICES AGENCY
DEPARTMENT OF DEVELOPMENTAL SERVICES
1215 O Street, Sacramento, CA 95814 • www.dds.ca.gov

GAVIN NEWSOM
GOVERNOR

AUDIT OF THE HARBOR REGIONAL CENTER FOR FISCAL YEARS 2023-24 AND 2024-25

June 16, 2026

DEPARTMENT TEAM
Jim Knight, Deputy Director, Administration
Edward Yan, Branch Chief, Audit Services Branch
Luciah Ellen Nzima, Chief, Regional Center Audit Services Section
Oscar Perez, Supervisor, Regional Center Audit Services Section
Audit Staff: Carlos Whylesmenchaca, Chanta Ham, and Hajra Raja

TABLE OF CONTENTS

Page

RESTRICTED USE 1
EXECUTIVE SUMMARY 1
BACKGROUND 2
AUTHORITY 2
CRITERIA 2
VIEWS OF RESPONSIBLE OFFICIALS 3
CONCLUSIONS 3
FINDINGS AND RECOMMENDATIONS 4
EVALUATION OF RESPONSE 9
ATTACHMENTS ..... A-C
SECTIONS AUDITED ..... Appendix A
REGIONAL CENTER'S RESPONSE ..... Appendix B

RESTRICTED USE

This audit report is solely for the information and use of the Department of Developmental Services (Department), the Centers of Medicare and Medicaid Services, the Department of Health Care Services, and the Regional Center. This restriction does not limit distribution of this audit report, which is a matter of public record.

EXECUTIVE SUMMARY

The Department conducted a fiscal compliance audit of Harbor Regional Center (HRC) to assess compliance with the requirements set forth in the Lanterman Developmental Disabilities Services Act and Related Laws/Welfare and Institutions Code (WIC); 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 the Department. Overall, the audit indicated that the Regional Center maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2023, through June 30, 2025, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where the Regional Center'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 the Regional Center's operations.

A follow-up review was performed to determine whether the Regional Center has taken corrective action to resolve the findings identified in the prior Department audit report. The results of the follow-up can be found in the Conclusions section.

Findings that need to be addressed:

Finding 1: Overstated Claims – HRC overpaid five vendors a total of $11,573.28. HRC has recovered $2,000 of the overstated claims resulting in an outstanding balance of $9,573.27.

Finding 2: Equipment Inventory – HRC has some weaknesses with its oversight of its equipment inventory.

Finding that has been addressed and corrected:

Finding 3: Overstated Administrative Expenses – HRC overstated administrative expenses in the 2024 Administrative Survey a total of $676,845.66. HRC took corrective action by providing the Department with an amended Administrative Survey. Therefore, this issue is resolved.

BACKGROUND

The Department and Harbor Developmental Disabilities Foundation, Inc. entered into State Contracts HD19907 and HD249007, effective July 1, 2019, through June 30, 2026, and July 1, 2024, through June 30, 2031, respectively. These contracts specify that Harbor Developmental Disabilities Foundation, Inc., will operate an agency known as HRC to provide services to individuals with intellectual and developmental disabilities and their families. The contracts are funded by State and federal funds that are dependent upon the Regional Center performing certain tasks, providing services to eligible individuals, and submitting billings to the Department.

This audit was conducted from October 20, 2025, through November 21, 2025, by the Audit Services Branch of the Department.

AUTHORITY

The audit was conducted under the authority of the WIC, Section 4780.5 and the State Contract between the Department and the Regional Center.

CRITERIA

The following criteria were used for this audit:

- WIC,
- Approved Application for the HCBS Waiver for the Developmentally Disabled,
- CCR, Title 17,
- OMB Circulars A-122 and A-133, and
- The State Contracts between the Department and the Regional Center, effective July 1, 2019, and July 1, 2024, respectively.

VIEWS OF RESPONSIBLE OFFICIALS

The Department issued the draft audit report on April 15, 2026. The findings in the draft audit report were discussed at a formal exit conference on April 20, 2026. The views of responsible officials are included in this final audit report.

CONCLUSIONS

Based upon the audit procedures performed, the Department has determined that except for the items identified in the Findings and Recommendations section, the Regional Center was in compliance with applicable audit criteria.

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

From our review of the three prior Department audit findings, it has been determined that the Regional Center has taken appropriate corrective action to resolve all findings.

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: Overstated Claims

The review of the Operational Indicator Reports revealed seven instances in which HRC overpaid five vendors a total of $11,573.27. The overpaid amount occurred either due to duplicate payments or overlapping authorizations. HRC indicated it was an oversight on its part that staff did not identify the erroneous payments. HRC has recovered $2,000 of the overstated claims resulting in an outstanding balance of $9,573.27. (See Attachment A)

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 reimburse to the Department the overpaid amount totaling $11,573.28. In addition, HRC staff must monitor the Operational Indicator Reports for errors that may have occurred while doing business with its vendors.

Finding 2: Equipment Inventory

The review of HRC's inventory process revealed the following:

- HRC did not complete the required triennial comprehensive physical inventory; the last one was conducted in September 2020. HRC stated it was unable to complete the inventory due to competing operational priorities.

- There were 10 items of equipment missing. HRC indicated these items may have been disposed of; however, it did not complete or submit the required Property Survey Report (Std. 152) to the Department for the 10 missing items. (See Attachment B)

- HRC purchased six items but did not complete or submit the required Equipment Acquired Under Contract form (DS 2130) to the Department to document the purchases. In addition, these items,

each valued over $5,000, were not included in HRC's inventory listing and were not capitalized. (See Attachment C)

State's Equipment Management Guidelines, Section III (F) states in part:

"III. SPECIFIC PROCEDURES

(F) Each RC shall conduct a comprehensive physical inventory of all state-owned, nonexpendable equipment and sensitive equipment, as defined in Attachment A, at least once every three years. The inventory will be conducted per State Administrative Manual (SAM) Section 8652."

The State Equipment Management Guidelines, Section III (E) states in part:

"III. SPECIFIC PROCEDURES

(E) RCs will conform with the following guidelines for any state-owned equipment that is junked, recycled, lost, stolen, donated, destroyed, traded-in, transferred or otherwise removed from the control of the RC.

RCs shall work directly with their regional Department of General Services' (DGS) office to properly dispose of state-owned equipment. RCs will complete a *Property Survey Report* (Std. 152) for all state-owned equipment subject to Disposal. A copy of the Std. 152 will be forwarded to CSS after the items have been disposed and all required approvals and certifications have been obtained. Another copy of the Std. 152 shall be forwarded to the RC Accounting Unit for posting. The RC will retain copies of all completed Std. 152s for audit purposes."

The State Equipment Management Guidelines, Section IV states:

"IV. ACCOUNTING GUIDELINES FOR STATE-OWNED EQUIPMENT

RCs will follow standard accounting guidelines as described in SAM Section 8600 et seq."

State Administrative Manual, Section 8602 states:

"Capital Property 8602

State property is capitalized for accounting purposes when certain conditions are met. Capitalization means to record the property in the accounting records as assets. Tangible and intangible property must meet the following three requirements in order to be capitalized:

1. Have a normal useful life of at least one year;
2. Have a unit acquisition cost of at least $5000 (e.g., four identical assets which cost $3000 each, for a $12,000 total, would not meet the requirement); and
3. Be used to conduct State business.

The State Equipment Management Guidelines, section III (B) also states in part:

"III. SPECIFIC PROCEDURES

B. Receipt of State-Owned Equipment

The RC Stock Receiving Room (or other functional equivalent) is responsible for receiving the equipment and securing the approval signature from the requester when equipment subject to these guidelines is delivered. Copies of the stock received documents shall be forwarded to the RC Property Custodian (or functional equivalent) to arrange tagging and to the RC Accounting Unit for invoice payment. RCs will also provide the Department of Developmental Services' (DDS) Customer Support Section (CSS) with a list of all state-owned, non-expendable and sensitive equipment received during each calendar quarter. This information is to be provided to CSS quarterly, utilizing the Equipment Acquired Under Contract form (DS 2130), or a suitable electronic alternative."

The State Equipment Management Guidelines, Section IV states:

"IV. ACCOUNTING GUIDELINES FOR STATE-OWNED EQUIPMENT

RCs will follow standard accounting guidelines as described in SAM Section 8600 et seq."

State Administrative Manual, Section 8650 states:

"Accounting and Control of Property 8650

To maintain accountability of state assets, departments will maintain a record of state property, whether capitalized or not, in a property accounting or inventory system. This system may be automated or manual.

When property is acquired, departments will record the following information in the system:

1. Date acquired
2. Property description
3. Property identification number
4. Cost or other basis of valuation
5. Owner fund
6. Rate of depreciation (or depreciation schedule), if applicable.

The property information for each item of property constitutes the property register (i.e., an inventory listing of all departmental property). It shall include both capitalized and non-capitalized property. The capitalized segment shall serve as the subsidiary ledger for the Capital Assets Group of Accounts or for the capital assets of Proprietary and Fiduciary funds. Groups of similar property may be combined on one record, but for convenience in analyzing movements and transfers, a separate record for each property is usually desirable.

Recommendation:

HRC should prioritize and complete the overdue triennial comprehensive physical inventory. HRC should also investigate the status of the 10 missing items and determine whether they were disposed of, lost, or transferred. For any items confirmed as disposed, HRC should complete and submit the required Property Survey Report (Std. 152) to the Department. Further, HRC should complete and submit the required Equipment Acquired Under Contract form (DS 2130) for the six equipment purchases, recorded in the inventory listing and capitalized in accordance with the State Equipment Management Guidelines.

Finding that has been addressed and corrected.

Finding 3: <u>Overstated Administrative Expenses</u>

HRC improperly included operational expenses from FYs 2023–24 and 2024–25 in its FY 2022–23 Administrative Survey submitted to the Department in September 2024. As a result, its operational expenses were overstated by $676,845.66. HRC took corrective action by providing the Department with an amended Administrative Survey. Therefore, this issue is resolved.

Administrative Time Study Instructions for Federal Programs States in part:

> "The reporting period for the survey data is fiscal year 2022-23. As such, all expenditure data, including payroll and benefits, should be for the fiscal year ending June 30, 2023."

Recommendation:

HRC must follow the Administrative Time Study instructions and report only operational expenses incurred during FY 2022–23 in the Administrative Survey. Additionally, HRC should revise, and resubmit the Administrative Surveys for FYs 2022–23, 2023–24, and 2024–25 so that all reported expenses are aligned with the correct fiscal year.

EVALUATION OF RESPONSE

As part of the audit report process, the Regional Center was provided with a draft audit report and requested to provide a response to the findings. Its response is provided as Appendix B. The Department's Audit Services Branch has evaluated the response and will confirm the appropriate corrective actions have been taken during the next scheduled audit, unless otherwise described.

Finding 1: Overstated Claims

HRC does not dispute the finding and has collected $2,000 with an outstanding balance of $9,573.28. HRC stated that it is pursuing repayment from the vendors and will reimburse the Department as additional payments are received. However, regardless of whether payments are recovered, HRC remains responsible for reimbursing the Department for the full outstanding balance of $9,573.28.

Harbor Regional Center
Overstated Claims
Fiscal Years 2023-24 and 2024-25

No.	UCI	Vendor Number	Service Code	Sub Code	Authorization Number	Service Month	Overpayment	Corrected	Outstanding Balance
1	[redacted]	PH2698	24	PCP1	25812435	Aug-24	$1,000.00	$1,000.00	$0.00
2		PH2698	24	PCP1	25812427	Aug-24	$1,000.00	$1,000.00	$0.00
3		PH2748	99	SDS	25833017	Jul-24	$4,846.08	$0.00	$4,846.08
4		PH2135	744	EVAL	25811555	Aug-24	$730.32	$0.00	$730.32
5		PH2135	744	EVAL	24763562	Sep-23	$730.32	$0.00	$730.32
6		PW5826	772	DEDI	24771191	Oct-23	$2,181.43	$0.00	$2,181.43
7		PH2500	785	EVALA	24759923	Aug-23	$1,085.13	$0.00	$1,085.13
Total Overpayment Due to Overstated Claims							**$11,573.28**	**$2,000.00**	**$9,573.28**

Harbor Regional Center
Property Survey Report Not Submitted for Missing Equipment
Fiscal Years 2023-24 and 2024-25

No.	Equipment Description	Serial Number	Original Cost	State Tag Number
1	Monitor	GY17HCHW921806	$315.00	374331
2	Printer	CNB9BDHCYP	$364.00	357619
3	Printer	CNB9BDHCY9	$364.00	357768
4	Laptop	49RXSK1	$1,443.00	354981
5	Laptop	21JZSM1	$1,443.00	373089
6	Laptop	H0JZSM1	$1,443.00	373186
7	Laptop	FHYZMX1	$1,570.43	378310
8	Television	N/A	$2,247.43	354965
9	Wheel Chair AT Parts	N/A	$5,377.69	373423
10	Refrigerator	S10400041	$5,687.00	357671

Harbor Regional Center
Overstated Adminstrative Expenses
Fiscal Years 2023-24 and 2024-25

No.	Equipment Description	Acquisition Date	Original Cost
1	Security Cameras with Network Recorder	3/14/2023	$5,050.00
2	IDF PoE Additional Switches	3/14/2023	$39,399.18
3	Modular Furniture	9/27/2023	$347,984.99
4	Modular Furniture	8/15/2024	$292,875.84
5	Modular Furniture	8/15/2024	$13,016.83
6	4 VPN Devices	9/12/2024	$22,968.00

APPENDIX A

SCOPE, OBJECTIVES, AND METHODOLOGY

The Department is responsible, under the WIC, for ensuring that persons with intellectual and developmental disabilities receive the services and supports they need to lead more independent, productive, and integrated lives. To secure these services and supports, the Department contracts with 21 private, nonprofit community agencies/corporations that provide fixed points of contact in the community for serving eligible individuals and their families in California. These fixed points of contact are referred to as Regional Centers. The Regional Centers are responsible under State law to help ensure that such persons receive access to the programs and services that are best suited to them throughout their lifetime.

The Department also is responsible for providing assurance to the federal Department of Health and Human Services, Centers for Medicare, and Medicaid Services, 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 providing this assurance, the Audit Services Section conducts fiscal compliance audits of each Regional Center no less than every two years and completes follow-up reviews in alternate years.

In addition to the fiscal compliance audit, each Regional Center is monitored by the Department's Federal Programs Branch 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 Department monitoring system that provides information on the Regional Centers' fiscal, administrative, and program operations.

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

- To determine compliance with the WIC,
- 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 the Department and the Regional Center.

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 the Regional Center's financial statements. The Department limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that the Regional Center was in compliance with the objectives identified above.

The Department review of the Regional Center'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.

The Department reviewed available annual audit report(s) that were conducted by an independent Certified Public Accounting firm. This review was performed to determine the impact, if any, upon the Department audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

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

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

- The Department 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 the Regional Center. The rates charged for the services provided to individuals were reviewed to ensure compliance with the provision of the WIC; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between the Department and the Regional Center.

- If applicable to this audit, the Department selected a sample of Individual 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, the Department determined if any retroactive Social Security benefit payments received exceeded the $2,000 resource limit for longer than nine months. The Department also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the 10th of each month, and proper documentation for expenditures was maintained.

- The Department analyzed all bank accounts to determine whether the Department had signatory authority, as required by the State Contract with the Department.

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

II. Regional Center Operations

The Department selected a sample of OPS claims billed to the Department to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to assure that 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.

- The Department reviewed the Regional Center's policies and procedures for compliance with the Department Conflict of Interest regulations, and the Department 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 Department rate of reimbursement from the federal government. The following procedures were performed upon the study:

- The Department examined the two TCM Rate Studies submitted to the Department during the audit period and traced the reported information to source documents.

- A review of the recent Case Management Time Study (required to be submitted every three years) is conducted if the study was not reviewed during the prior audit. The Department selected a sample of the Case Management Time Study Forms (DS 1916) for examination and reconciled them to the corresponding payroll timesheets to ensure that the forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under the WIC, Section 4640.6(e), Regional Centers are required to provide service coordinator caseload data to the Department. The Department verified that the documentation was maintained to support the service coordinator caseload survey ratios.

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. 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 a Regional Center 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 the Department, or (2) the cost of services provided, whichever is less. To determine compliance with the WIC Section 4784, the Department 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 a Regional Center for children under the age of 18 years;

  (b) 24-hour care for such minor children in state hospitals;

  (c) provided, however, that no ability to pay determination may be made for services required by state or federal law, or both, to be provided to children without charge to their parents.

- Provided the Department with a listing of new placements, terminated cases, and client deaths for those clients. Such listings must 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 the Department 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, and a return envelope within 10 working days after placement of a minor child.

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

VII. Procurement

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

- Reviewed the Regional Center'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 the Regional Center. The process was reviewed to ensure that the vendor selection process is transparent and impartial and avoids the appearance of favoritism. Additionally, the Department 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.

The Department performed the following procedures to determine compliance with the State Contract:

- Selected a sample of Operations, Community Placement Plan, and negotiated POS contracts subject to competitive bidding to ensure the

Regional Center notified the vendor community and the public of contracting opportunities available.

- Reviewed the contracts to ensure that the Regional Center 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, the Department performed the following procedures:

- To determine compliance with the WIC, Section 4625.5: Reviewed to verify that the Regional Center 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 the Regional Center Board-approved Operations, Start-Up, and POS vendor contracts of $250,000 or more, to verify that the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to individuals; verified that the funds provided were specifically used to establish new or additional services to individuals, the usage of funds is of direct benefit to individuals, and the contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess the 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 WIC and State Contract requirements.

VIII. Statewide/Regional Center Median Rates

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, July 1, 2016, and April 1, 2022. Regional Centers may not negotiate rates higher than the set median rates for services. Despite the median rate requirement, rate increases can be obtained from the Department under health and safety exemptions where Regional Centers demonstrate the exemption is necessary for the health and safety of the individuals.

To determine compliance with the Lanterman Act, the Department performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether the Regional Center is using appropriately vendorized service providers and correct service codes and is paying authorized contract rates and complying with the median rate requirements of WIC Section 4691.9.

- Reviewed vendor contracts to verify that the Regional Center is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or Regional Center median rate set after June 30, 2008. Additionally, the Department 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 the Department.

- Reviewed vendor contracts to verify that the Regional Center did not negotiate rates with new service providers for services which are higher than the Regional Center'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. The Department also verified that units of service designations conformed with existing Regional Center designations or, if none exists, checked that units of service conformed to a designation used to calculate the statewide median rate for the same service code.

IX. Other Sources of Funding from the Department

Regional Centers may receive other sources of funding from the Department. The Department performed sample tests on identified sources of funds from the Department to ensure the Regional Center'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 the Department identified in this audit may include:

- Community Placement Plan;
- Part C – Early Start Program;
- Family Resource Center;
- Foster Grandparent;
- Senior Companion;
- Mental Health Services Act;
- HCBS Compliance;
- Language Access and Cultural Competency Program; and
- Enhanced Community Integration for Children and Adolescents.

X. Follow-up Review on Prior Department Audit Finding(s)

As an essential part of the overall Department monitoring system, a follow-up review of prior Department audit finding(s) was conducted, if applicable. The Department identified prior audit finding(s) and reviewed supporting documentation to determine the degree of completeness of implementation of corrective actions.

APPENDIX B

HARBOR REGIONAL CENTER'S
RESPONSE
TO THE 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).

HARBOR
REGIONAL CENTER

May 19, 2026

Edward Yan
Branch Chief, Audit Services Branch
Department of Development Services
1215 O Street
Sacramento, CA 95814
Ed.Yan@dds.ca.gov

Re: Draft Audit Report of Harbor Regional Center for Fiscal Years 2023-24 and 2024-25

Dear Ed,

This letter is in response to the Department of Developmental Services (DDS) Draft Audit of Harbor Regional Center (Harbor) for Fiscal Years 2023-24 and 2024-25 dated April 15, 2026, and the exit conference held on April 20, 2026. Attached please find additional information regarding the draft findings.

If you have any questions, I am available at judy.wada@harborrc.org or (310) 543-0625.

Thank you.

Sincerely,

Judy Wada

Judy Wada
Chief Financial Officer

Cc: Carla Castaneda, DDS
Michi A. Gates, DDS
Jim Knight, DDS
Ernie Cruz, DDS
Jacqueline Gaytan, DDS
Luciah Ellen Nzima, DDS
Oscar Perez, DDS
Patrick Ruppe, Harbor
Bing Tayag, Harbor

Findings that need to be addressed.

Finding 1: <u>Overstated Claims</u>

Harbor does not dispute the finding. However, to date Harbor has collected $2,000.00, and, therefore, the current total of overstated claims is $9,573.28. One service provider (PH2135) is no longer active and has been sent a demand letter. The remaining four (4) service providers have been sent collection letters. If in the future the providers bill for services, Harbor will offset payments.

Finding 2: <u>Equipment Inventory</u>

Harbor does not dispute the finding. The items listed as missing equipment were all disposed, because, as you can see from the attached printouts from our inventory system, the items were all over ten (10) years old. However, the items were not removed from inventory nor were the disposal forms submitted in a timely manner.

Harbor is in the process of updating our procedures related to inventory and will perform a complete physical inventory.

Finding 3: <u>Overstated Administrative Expenses</u>

In January 2026, DDS Audit staff assisted in finding out how Harbor would submit a revised Administrative Survey Attachment C for Fiscal Year (FY) 2022-23. We did not hear back from the DDS Waiver and Rates Division. On February 18, 2026, Harbor submitted the corrected Attachment C to DDS Audit staff. On March 24, 2026, DDS Audit staff forwarded the corrected Attachment C to Alisha Breese in the Waiver and Rates Division. Ms. Breese responded, accepting the revised report, and at the same time requested revisions to the FY 2023-24 report. Although the Administrative Survey for FY 2023-24 was outside of the audit period, the updated Attachment C for that fiscal year was sent on May 15, 2026.

Harbor requests that DDS move Finding 3 to the section "Findings that have been addressed and corrected."