State of California—Health and Human Services Agency
Department of Developmental Services
1215 O Street, Sacramento, CA 95814
www.dds.ca.gov

PETE CERVINKA
DIRECTOR

GAVIN NEWSOM
GOVERNOR

January 17, 2025

Chris Patay, Board President
Harbor Regional Center
21231 Hawthorne Boulevard
Torrance, CA 90503

Dear Chris Patay:

The Department of Developmental Services' (DDS) Audit Section has completed the audit of the Harbor Regional Center (HRC). The period of review was from July 1, 2021 through June 30, 2023, 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 B and DDS' reply on page 7.

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.

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

Sincerely,

Ann Nakamura

ANN NAKAMURA
Branch Chief, Research, Audit, and Evaluation Branch

Attachments(s)

cc: Patrick Ruppe, HRC
Judy Wada, HRC
Carla Castañeda, DDS
Dr. Michi A. Gates, DDS
Hiren Patel, DDS
Jim Knight, DDS
Ernie Cruz, DDS
Aaron Christian, DDS
Jacqueline Gaytan, DDS
Jonathan Hill, DDS
Edward Yan, DDS
Luciah Ellen Nzima, DDS
Staci Yasui, DDS

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.

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AUDIT OF THE HARBOR REGIONAL CENTER FOR FISCAL YEARS 2021-22 AND 2022-23

January 17, 2025

DDS TEAM
Ann Nakamura, Branch Chief, Research, Audit, and Evaluation Branch
Edward Yan, Manager, Audit Section
Luciah Ellen Nzima, Chief, Regional Center Audit Unit
Staci Yasui, Supervisor, Regional Center Audit Unit
Audit Staff: Diosdado Agustin, Wilson Chau and Andrew Quok

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RESTRICTED USE

This audit report is solely for the information and use of DDS, CMS, 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 of Developmental Services (DDS) 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 (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 the regional center maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2021, through June 30, 2023, 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 DDS audit report. The results of the follow-up can be found in the Conclusions section.

Findings that have been addressed and corrected.

Finding 1: Incorrect Rate Reform Model Implementation – HRC's Behavior Management Consultant, Service Code 620 vendor, received incorrect rate increases when the 25 percent incremental rate adjustments were implemented in April 2022 and January 2023.

Finding 2: Overpayments Due to Duplicate Payments and Overlapping Authorizations – HRC overstated claims for 26 vendors, totaling $19,969.98.

Finding 3: Over/Understated Claims – HRC overstated a claim for one vendor totaling $1,300 and understated claims for one vendor totaling $93,484.82.

BACKGROUND

DDS and Harbor Developmental Disabilities Foundation, Inc. entered into State Contract HD199007, effective July 1, 2019, through June 30, 2026. This contract specifies that Harbor Developmental Disabilities Foundation, Inc. will operate an agency known as the HRC to provide services to individuals with intellectual and developmental disabilities (IDD) and their families. The contract is funded by state and federal funds that are dependent upon the regional center performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted from October 16, 2023, through November 22, 2023, by the Audit Section of DDS.

AUTHORITY

The audit was conducted under the authority of the W&I Code, Section 4780.5 and the State Contract between DDS and the regional center.

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 the regional center, effective July 1, 2019.

VIEWS OF RESPONSIBLE OFFICIALS

The findings in this audit report will be discussed with the regional center during the formal exit conference after issuance of the draft audit report. After the formal exit conference, DDS will incorporate the views and responses of responsible officials into the final audit report.

CONCLUSIONS

Based upon the audit procedures performed, DDS 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 four prior DDS audit findings, it has been determined that the regional center has taken appropriate corrective action to resolve all findings.

FINDINGS AND RECOMMENDATIONS

Findings that have been addressed and corrected.

Finding 1: **Incorrect Rate Reform Model Implementation**

The review of the Rate Reform Model Implementation revealed one HRC Behavior Management Consultant, Service Code 620 vendor, received incorrect rate increases when the 25 percent incremental rate adjustments were implemented in April 2022 and January 2023.

[redacted] Vendor Number PH1899, Service Code 620 was paid $78.03 and $99.96 per hour, instead of $63.13 and $70.15 per hour, respectively. This occurred due to incorrect data being entered in the worksheets used to calculate the rate. HRC has since adjusted the rates accordingly.

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."

W&I Code, Section 4519.10 (c)(1)(A) and (B) states:

> "(A) Commencing April 1, 2022, the department shall implement a rate increase for service providers that equals one-quarter of the difference between current rates and the fully funded rate model for each provider.
>
> (B) Commencing January 1, 2023, and continuing through the 2023-24 fiscal year, the department shall adjust rates to equal one-half of the difference between rates in effect March 31,2022, and the fully funded rate model for each provider, and additional funding shall be available for the quality incentive program described in subdivision (e)."

W&I Code, Section 4519.10 (d)(3) states:

> "Notwithstanding paragraphs (1) and (2), the department may adjust rates as a result of reviews or audits."

Regional Center Executive Directors Subject: Rate Adjustment Effective April 1, 2022 – Rate Review Process Directives, Paragraph 2 states:

> "In preparation for the first rate adjustment effective April 1, 2022, regional centers worked with providers and Burns & Associates to collect service level data such as unit type and staffing ratio, to calculate the rate adjustments."

Recommendation:

HRC should review the Rate Reform vendor worksheets used to establish the rate increases for accuracy.

Finding 2: Overpayments Due to Duplicate Payments and Overlapping Authorizations

The review of the Operational Indicator Reports revealed 29 instances where HRC overpaid 26 vendors a total of $19,969.98 due to duplicate payments and overlapping authorizations. HRC has since recovered the overpayments totaling $19,969.98. (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 ensure its staff monitor the Operational Indicator Reports for errors that may have occurred while doing business with its vendors.

Finding 3: Over/Understated Claims

The sampled review of 89 POS vendor files revealed two vendors with over and understated claims. HRC overstated a claim for one vendor, [redacted] Vendor Number PP6635, Service Code 114 for specialized residential services totaling $1,300 and understated claims for one vendor, [redacted] Vendor Number HH1371, Service Code 862 for in-home respite services totaling $93,484.82. The overstated claim occurred when HRC paid for an extra day of service and the understated claim occurred when HRC did not apply the State minimum wage increase in January 2021. (See Attachment B)

HRC provided additional documentation showing it has collected the one overpayment for $1,300 and made a payment to the one vendor totaling $93,484.82.

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."

DDS Rate Letter issued on June 2, 2021, to 24 Hour Home Care states in part:

> "Based on the information submitted, the Department has determined that the current rate of reimbursement will increase $0.82, establishing the temporary payment rate at $30.65 per consumer, per hour, effective January 1, 2021."

Recommendation:

HRC must ensure its staff only pays for the correct number of service days and that minimum wage increases get applied accordingly.

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. DDS' Audit Section has evaluated the response and confirmed the appropriate corrective actions have been taken.

Harbor Regional Center
Overpayments Due to Duplicate Payments and Overlapping Authorizations
Fiscal Years 2021-22 and 2022-23

No.	Unique Client Indentification Number	Vendor Number	Service Code	Authorization Number	Service Month	POS	Correct Amount	Over/ Under Payment
1	[redacted]	PH1612	620	22680562	10/21	$630.00	$375.00	$255.00
2		ZH2470	28	23722724	08/22	$1,200.00	$600.00	$600.00
3		ZH2606	28	23731624	09/22	$1,200.00	$600.00	$600.00
4		PH1943	116	23723700	10/22	$651.72	$325.86	$325.86
5		ZH2504	28	23745993	10/22	$320.00	$160.00	$160.00
6		P66819	62	22688245	09/21	$11,886.84	$11,708.76	$178.08
7		ZH2800	28	23741095	09/22	$200.00	$150.00	$50.00
8		ZH2213	28	22706071	04/22	$300.00	$150.00	$50.00
9		P66819	62	22695984	09/21	$1,780.00	$890.00	$890.00
10		ZH1184	65	22707892	06/22	$113.76	$56.88	$56.88
11		ZH1270	28	23724574	12/22	$518.00	$259.00	$259.00
12		PH1710	400	22691676	11/21	$316.00	$154.00	$162.00
13		ZH0297	65	22554192	04/22	$113.76	$56.88	$56.88
14		ZH2355	28	23716106	07/22	$308.00	$154.00	$154.00
15		P56985	642	22705118	05/22	$4,708.00	$4,280.00	$428.00
16		PH1380	620	22704456	05/22	$1,204.92	$944.50	$260.42
17		ZH2519	28	23724377	11/22	$142.00	$71.00	$71.00
18		ZH2440	28	23736358	12/22	$200.00	$100.00	$100.00
19		HJ0324	850	23713267	07/22	$2,496.00	$1,248.00	$1,248.00
20		HH1872	862	22685008	11/21	$20,555.37	$13,097.70	$7,457.67
21		HP6411	875	22706513	06/22	$980.70	$490.35	$490.35
22		PH2204	116	23719692	08/24	$567.00	$0.00	$567.00
23		H17125	880	23734439	12/22	$393.30	$0.00	$393.30
24		PH1689	896	22685693	09/21	$9,834.24	$9,834.24	$2,427.04
				22689409		$2,427.04		
25		PL1121	62	22601754	07/21	$4,764.00	$3,573.00	$1,191.00
		PL1121	62	22601754	09/21	$1,191.00	$0.00	$1,191.00
26		ZH2219	28	22707118	06/22	$100.00	$155.00	$100.00
				22709800		$155.00		
27		Z86349	895	22683659	08/21	$137.50	$137.50	$137.50
		Z86349	895	22685493	09/21	$110.00	$110.00	$110.00
							Total Overpayment	**$19,969.98**
							Amount Resolved	**($19,969.98)**
							Balance	**$0.00**

Harbor Regional Center
Over/Understated Claims
Fiscal Years 2021-22 and 2022-23

No.	Vendor Number	Vendor Name	Service Code	Sub Code	Service Month	Amount Paid	Units	Correct Amount	Underpayment
1	HH1371	24 HR Homecare	862	AGCY	8/2021	$784.00	25	$30.65	$17.75
2	HH1371	24 HR Homecare	862	AGCY	9/2021	$784.00	25	$30.65	$17.75
3	HH1371	24 HR Homecare	862	AGCY	10/2021	$784.00	25	$30.65	$17.75
4	HH1371	24 HR Homecare	862	AGCY	11/2021	$2,163.84	69	$30.65	$48.99
5	HH1371	24 HR Homecare	862	AGCY	12/2021	$2,539.53	81	$30.65	$57.49
6	HH1371	24 HR Homecare	862	AGCY	1/2022	$9,651.35	308	$31.59	($70.79)
7	HH1371	24 HR Homecare	862	AGCY	2/2022	$1,881.60	60	$31.59	($13.80)
8	HH1371	24 HR Homecare	862	AGCY	3/2022	$4,123.84	132	$31.59	($30.25)
9	HH1371	24 HR Homecare	862	AGCY	4/2022	$51,112.41	1630	$32.07	($1,157.20)
10	HH1371	24 HR Homecare	862	AGCY	5/2022	$37,047.14	1181	$32.07	($838.75)
11	HH1371	24 HR Homecare	862	AGCY	6/2022	$27,203.85	867	$32.07	($615.91)
12	HH1371	24 HR Homecare	862	AGCY	7/2022	$57,625.23	1838	$32.07	($1,304.68)
13	HH1371	24 HR Homecare	862	AGCY	8/2022	$43,960.12	1402	$32.07	($995.29)
14	HH1371	24 HR Homecare	862	AGCY	9/2022	$39,126.94	1248	$32.07	($885.84)
15	HH1371	24 HR Homecare	862	AGCY	10/2022	$55,806.69	1780	$32.07	($1,263.48)
16	HH1371	24 HR Homecare	862	AGCY	11/2022	$44,510.19	1419	$32.07	($1,007.72)
17	HH1371	24 HR Homecare	862	AGCY	12/2022	$42,237.83	1347	$32.07	($956.29)
18	HH1371	24 HR Homecare	862	AGCY	1/2023	$121,781.50	3883	$33.05	($6,562.89)
19	HH1371	24 HR Homecare	862	AGCY	2/2023	$80,227.64	2558	$33.05	($4,323.51)
20	HH1371	24 HR Homecare	862	AGCY	3/2023	$65,000.86	2073	$33.05	($3,502.87)
21	HH1371	24 HR Homecare	862	AGCY	4/2023	$120,710.30	3849	$33.05	($6,505.10)
22	HH1371	24 HR Homecare	862	AGCY	5/2023	$48,155.16	1536	$33.05	($2,595.10)
23	HH1371	24 HR Homecare	862	AGCY	6/2023	$52,573.18	1676	$33.05	($2,833.16)
24	HH1371	24 HR Homecare	862	AGCY	7/2023	$61,384.99	1957	$33.05	($3,308.07)
25	HH1371	24 HR Homecare	862	AGCY	8/2023	$4,275.75	131	$33.05	($67.02)
26	HH1371	24 HR Homecare	862	AGCYD	1/2022	$2,696.96	86	$31.59	($19.78)
27	HH1371	24 HR Homecare	862	AGCYD	4/2022	$8,572.26	273	$32.07	($194.07)
28	HH1371	24 HR Homecare	862	AGCYD	5/2022	$8,391.31	268	$32.07	($189.98)
29	HH1371	24 HR Homecare	862	AGCYD	6/2022	$7,975.48	254	$32.07	($180.56)

Harbor Regional Center
Over/Understated Claims
Fiscal Years 2021-22 and 2022-23

No.	Vendor Number	Vendor Name	Service Code	Sub Code	Service Month	Amount Paid	Units	Correct Amount	Underpayment
30	HH1371	24 HR Homecare	862	AGCYD	7/2022	$10,250.01	327	$32.07	($232.07)
31	HH1371	24 HR Homecare	862	AGCYD	8/2022	$10,290.79	328	$32.07	($232.98)
32	HH1371	24 HR Homecare	862	AGCYD	9/2022	$8,608.32	275	$32.07	($194.90)
33	HH1371	24 HR Homecare	862	AGCYD	10/2022	$10,027.99	320	$32.07	($227.03)
34	HH1371	24 HR Homecare	862	AGCYD	11/2022	$10,335.63	330	$32.07	($234.00)
35	HH1371	24 HR Homecare	862	AGCYD	12/2022	$10,149.97	324	$32.07	($229.81)
36	HH1371	24 HR Homecare	862	AGCYD	1/2023	$25,436.08	811	$32.54	($1,370.78)
37	HH1371	24 HR Homecare	862	AGCYD	2/2023	$23,454.78	748	$32.54	($1,263.98)
38	HH1371	24 HR Homecare	862	AGCYD	3/2023	$12,145.39	387	$32.54	($654.54)
39	HH1371	24 HR Homecare	862	AGCYD	4/2023	$27,807.54	887	$32.54	($1,498.56)
40	HH1371	24 HR Homecare	862	AGCYD	5/2023	$9,978.75	318	$32.54	($537.76)
41	HH1371	24 HR Homecare	862	AGCYD	6/2023	$9,004.40	287	$32.54	($485.25)
42	HH1371	24 HR Homecare	862	AGCYD	7/2023	$18,910.71	603	$32.54	($1,019.10)
43	HH1371	24 HR Homecare	862	AGCYD	8/2023	$325.40	10	$33.05	($5.10)
44	HH1371	24 HR Homecare	862	AGCYQ	1/2022	$470.40	15	$31.59	($3.45)
45	HH1371	24 HR Homecare	862	AGCYQ	4/2022	$3,988.67	127	$32.07	($90.31)
46	HH1371	24 HR Homecare	862	AGCYQ	5/2022	$3,763.20	120	$32.07	($85.20)
47	HH1371	24 HR Homecare	862	AGCYQ	6/2022	$3,785.78	121	$32.07	($85.71)
48	HH1371	24 HR Homecare	862	AGCYQ	7/2022	$2,259.49	72	$32.07	($51.15)
49	HH1371	24 HR Homecare	862	AGCYQ	8/2022	$3,763.20	120	$32.07	($85.20)
50	HH1371	24 HR Homecare	862	AGCYQ	9/2022	$3,763.20	120	$32.07	($85.20)
51	HH1371	24 HR Homecare	862	AGCYQ	10/2022	$5,080.32	162	$32.07	($115.02)
52	HH1371	24 HR Homecare	862	AGCYQ	11/2022	$5,080.32	162	$32.07	($115.02)
53	HH1371	24 HR Homecare	862	AGCYQ	12/2022	$5,080.32	162	$32.07	($115.02)
54	HH1371	24 HR Homecare	862	AGCYQ	1/2023	$10,160.64	324	$32.54	($547.56)
55	HH1371	24 HR Homecare	862	AGCYQ	2/2023	$10,014.50	319	$32.54	($539.69)
56	HH1371	24 HR Homecare	862	AGCYQ	3/2023	$3,668.49	117	$32.54	($197.70)
57	HH1371	24 HR Homecare	862	AGCYQ	4/2023	$4,518.34	144	$32.54	($243.50)
58	HH1371	24 HR Homecare	862	AGCYQ	5/2023	$5,094.12	162	$32.54	($274.52)

Harbor Regional Center
Over/Understated Claims
Fiscal Years 2021-22 and 2022-23

No.	Vendor Number	Vendor Name	Service Code	Sub Code	Service Month	Amount Paid	Units	Correct Amount	Underpayment
59	HH1371	24 HR Homecare	862	AGCYQ	6/2023	$2,457.06	78	$32.54	($132.41)
60	HH1371	24 HR Homecare	862	AGCYQ	7/2023	$4,230.15	135	$32.54	($227.96)
61	HH1371	24 HR Homecare	862	AGCYQ	8/2023	$1,366.68	42	$33.05	($21.42)
62	HH1371	24 HR Homecare	862	CARE	1/2022	$5,488.00	175	$31.59	($40.25)
63	HH1371	24 HR Homecare	862	CARE	2/2022	$4,135.12	132	$31.59	($30.34)
64	HH1371	24 HR Homecare	862	CARE	3/2022	$1,407.12	45	$31.59	($10.32)
65	HH1371	24 HR Homecare	862	CARE	4/2022	$38,204.32	1218	$32.07	($864.96)
66	HH1371	24 HR Homecare	862	CARE	5/2022	$39,469.38	1259	$32.07	($893.60)
67	HH1371	24 HR Homecare	862	CARE	6/2022	$48,242.04	1538	$32.07	($1,092.20)
68	HH1371	24 HR Homecare	862	CARE	7/2022	$45,914.49	1464	$32.07	($1,039.52)
69	HH1371	24 HR Homecare	862	CARE	8/2022	$55,422.52	1767	$32.07	($1,254.79)
70	HH1371	24 HR Homecare	862	CARE	9/2022	$45,960.58	1466	$32.07	($1,040.57)
71	HH1371	24 HR Homecare	862	CARE	10/2022	$39,037.56	1245	$32.07	($883.82)
72	HH1371	24 HR Homecare	862	CARE	11/2022	$47,814.59	1525	$32.07	($1,082.54)
73	HH1371	24 HR Homecare	862	CARE	12/2022	$57,184.65	1823	$32.07	($1,294.67)
74	HH1371	24 HR Homecare	862	CARE	1/2023	$105,332.58	3359	$32.54	($5,676.42)
75	HH1371	24 HR Homecare	862	CARE	2/2023	$101,025.62	3221	$32.54	($5,444.29)
76	HH1371	24 HR Homecare	862	CARE	3/2023	$87,408.14	2787	$32.54	($4,710.47)
77	HH1371	24 HR Homecare	862	CARE	4/2023	$113,504.38	3619	$32.54	($6,116.79)
78	HH1371	24 HR Homecare	862	CARE	5/2023	$64,970.39	2072	$32.54	($3,501.28)
79	HH1371	24 HR Homecare	862	CARE	6/2023	$71,032.28	2265	$32.54	($3,827.95)
80	HH1371	24 HR Homecare	862	CARE	7/2023	$62,202.25	1983	$32.54	($3,352.09)
81	HH1371	24 HR Homecare	862	CARE	8/2023	$55,104.86	1693	$33.05	($863.66)
								Total Underpayment	**($93,484.82)**
								Amount Resolved	**$93,484.82**
								Balance	**$0.00**

APPENDIX A

SCOPE, OBJECTIVES, AND METHODOLOGY

DDS is responsible, under the W&I Code, 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, DDS 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.

DDS also is responsible for providing assurance to the federal 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 providing this assurance, the Audit 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 also is 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 the regional centers' fiscal, administrative, and program operations.

This audit was conducted as part of the overall DDS 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 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 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. DDS 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.

DDS' 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.

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

The audit procedures performed included the following:

I. Purchase of Service

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

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

- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by the regional center. 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 the regional center.

- If applicable to this audit, 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.

- If applicable to this audit, the Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with the regional center staff revealed that the regional center has procedures in place to determine the correct recipient of unidentified consumer trust

funds. If the correct recipient cannot be determined, the funds are returned to the Social Security Administration or other sources in a timely manner.

- If applicable to this audit, 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 bank accounts to determine whether DDS had signatory authority, as required by the State Contract with DDS.

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

II. Regional Center Operations

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

- DDS reviewed the regional center'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:

- DDS examined the two TCM Rate Studies submitted to DDS 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. DDS 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 W&I Code, Section 4640.6(e), regional centers 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) The following coordinator-to-consumer ratios shall apply:

(A) All 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.

(4) Notwithstanding paragraphs (1) to (3), inclusive, an average service coordinator-to-consumer ratio of 1 to 40 for all consumers five years of age and younger.

(5) (A) Notwithstanding paragraphs (1) to (3), inclusive, enhanced service coordination, including a service coordinator-to-consumer ratio of 1 to 40, shall be available to consumers identified as having low or no purchase-of-service expenditures, as identified in the annual Budget Act.

(6) (A) Notwithstanding paragraphs (1) to (3), inclusive, an average service coordinator-to-consumer ratio of 1 to 25 for all consumers with complex needs.

(7) For purposes of paragraph (3), service coordinators may have a mixed caseload of consumers three years of age and younger, consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, and other consumers if the overall average caseload is weighted proportionately to ensure that overall regional center average service coordinator-to-consumer ratios as specified in paragraph (3) are met. For purposes of paragraph (3), in no case shall a service coordinator have an assigned caseload in excess of 84 for more than 60 days."

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. 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 DDS, or (2) the cost of services provided, whichever is less. To determine compliance with the W&I Code Section 4784, 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 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 DDS 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 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.

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 consumer service needs. As of January 1, 2011, DDS requires regional centers to document their contracting practices, as well as how particular vendors are selected to provide consumer 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, DDS 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, 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 the State Contract:

- Selected a sample of Operations, Community Placement Plan (CPP), 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, DDS performed the following procedures:

- To determine compliance with the W&I Code, 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 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 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 W&I Code 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 DDS under health and safety exemptions where regional centers demonstrate the exemption is necessary for the health and safety of the consumers.

To determine compliance with the Lanterman Act, DDS 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 W&I Code 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, 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 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. DDS 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 DDS

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS 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 DDS identified in this audit may include:

- CPP;
- Part C – Early Start Program;
- Family Resource Center;
- Foster Grandparent (FGP);
- Senior Companion (SC);
- Self Determination;
- Mental Health Services Act;
- HCBS Compliance;
- Language Access and Cultural Competency (LACC) Program; and
- Enhanced Community Integration for Children and Adolescents.

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

As an essential part of the overall DDS monitoring system, a follow-up review of prior DDS audit finding(s) was conducted, if applicable. DDS 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 REPORT

HARBOR
REGIONAL CENTER

November 13, 2024

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

Re: Draft Audit of Harbor Regional Center for Fiscal Years 2021-22 and 2022-23

Dear Mr. Yan:

This letter is in response to the Department of Developmental Services (DDS) Draft Audit of Harbor Regional Center (Harbor) for Fiscal Years 2021-22-and 2022-23 dated October 11, 2024 and the exit conference held on October 15, 2024. Attached please find Harbor's response to the draft findings.

If you have any questions, please contact me at (310)543-0630 /patrick.ruppe@harborrc.org or Judy Wada at (310) 543-0625/judy.wada@harborrc.org.

Thank you.

Sincerely,

Patrick Ruppe
Executive Director

Cc: Pete Cervinka, DDS
Michi Gates, DDS
Jim Knight, DDS
Ernie Cruz, DDS
Aaron Christian, DDS
Luciah Ellen Nzima, DDS
Staci Yasui, DDS
Christopher Patay, HRC
Patrick Ruppe, HRC
Elizabeth Garcia-Moya, HRC
Bing Tayag, HRC

Harbor Regional Center Response to Draft Audit Findings and Recommendations

Findings that have been addressed and corrected.

Finding 1: Incorrect Rate Reform Model Implementation

HRC does not dispute the finding.

Finding 2. Overpayments Due to Duplicate Payments and Overlapping Authorizations

HRC does not dispute the finding.

Finding 3. Over/Understated Claims

HRC does not dispute the finding.