AUDIT OF THE HARBOR REGIONAL CENTER FOR FISCAL YEARS 2011-12 AND 2012-13

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of the Harbor Regional Center (HRC) was conducted to ensure HRC's compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. The audit indicated that, overall, HRC maintains accounting records and supporting documentation for transactions in an organized manner. 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 findings identified in the prior DDS audit report.

The findings of this report have been separated into the two categories below:

I. Findings that need to be addressed.

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

The review of the Uniform Fiscal Systems (UFS) Indicator reports revealed 59 instances where HRC overpaid vendors $19,128.81 due to duplicate payments and/or overlapping authorizations. This is not in compliance with CCR, title 17, section 54326(a)(10). HRC has since corrected 19 instances of overpayments by collecting $5,382.32, resulting in an outstanding balance of $13,746.49.

HRC reimbursed DDS six instances of overpayments totaling $1,495.36. For the remaining 34 instances, HRC provided additional supporting documentation with its response which indicated that the payments totaling $12,225.10 paid to the vendors did not exceed the total authorized units for the authorized time period.

Finding 2: **<u>Unsupported Credit Card Expenditures</u>**

The review of HRC's operational expenditures revealed six credit card transactions totaling $623.23 that had insufficient documentation to support the claims to the State. HRC employees did not provide itemized transaction receipts as supporting documentation for the items purchased. This is not in compliance with HRC's Procedures for Credit Card Purchases, Section III.

Finding 3: **<u>Incorrect Allocation of Waiver Billable Services</u>**

The review of 28 sampled vendor files revealed that HRC incorrectly billed DDS for services provided by the vendor, Birth and Family Services, vendor number H73559, service code 896. HRC billed DDS using an average rate rather than the authorized monthly rate as stated in HRC's rate agreement with the vendor.

Though there were no overpayments made to the vendor, this resulted in inaccurate consumer billings to the HCBS Waiver. This is not in compliance with the rate agreement between HRC and Birth and Family Services.

Finding 4: **Family Cost Participation Program - Late Assessments**

The review of 24 Family Cost Participation Program (FCPP) consumer files revealed six instances in which HRC did not assess the parents' share of cost participation timely after completion of the consumer's Individual Program Plan (IPP) review. The assessments were completed more than a month after the signing of the IPP. This is not in compliance with W&I Code, section 4783(g)(1).

Finding 5: **In-kind Service Agreement**

The review of HRC's Foundation revealed that one employee performs administrative services for the Del Harbor Foundation (DHF) without an In-kind service agreement. This is not in compliance with the State Contract, Article III, section 13(b).

Finding 6: **Physical Inventory**

The review of HRC's physical inventory revealed that the individuals who conducted the inventory did not sign and date the inventory worksheets. This is not in compliance with Article IV, section 4(a) of the HRC contract with DDS, section III (F) of the State's Equipment Management System Guidelines, dated February 1, 2003, and the State Administrative Manual (SAM), section 8652.

II. Findings that have been addressed and corrected by HRC.

Finding 7: **Home and Community-Based Services Provider Agreement Forms**

The review of 98 sampled vendor files revealed that 13 HCBS Provider Agreement forms were either missing or incomplete. The incomplete HCBS Provider Agreement forms were either missing the service code, vendor number or had multiple vendor numbers and/or service codes. This is not in compliance with CCR, title 17, section 54326(a)(16).

HRC has taken corrective action by providing DDS with copies of the HCBS Provider Agreement forms for the 13 vendors.

Finding 8: **Improper Allocation of Community Placement Plan Funds**

The review of HRC's Community Placement Plan (CPP) claims revealed that HRC continued to provide CPP funding for one consumer after the initial fiscal year of placement. HRC's CPP claims also included three consumers that did not move from Developmental Centers to the community. This resulted in an improper allocation of CPP funds totaling $25,372.49. This is not in compliance with the DDS Guidelines for Regional Center Community Placement Plan (III)(A).

HRC has corrected this issue by providing documentation which shows it has corrected the CPP claims by reallocating $25,372.49 from the CPP fund to regular POS.

BACKGROUND

DDS is responsible, under the Lanterman Developmental Disabilities Services Act (Lanterman Act), for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive and normal 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. 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 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 Branch conducts fiscal compliance audits of each regional center no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires regional centers to contract with independent Certified Public Accountants (CPA) 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, each regional center 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 regional centers' fiscal, administrative and program operations.

DDS and Harbor Developmental Disabilities Foundation, Inc., entered into a contract, HD099007, effective July 1, 2009, through June 30, 2016. This contract specifies that Harbor Developmental Disabilities Foundation, Inc. will operate an agency known as the Harbor Regional Center (HRC) to provide services to persons 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 at HRC from October 7, 2013, through November 8, 2013, and was conducted by the DDS Audit Branch.

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.

CRITERIA

The following criteria were used for this audit:

- California's W&I Code
- "Approved Application for the HCBS Waiver for the Developmentally Disabled"
- CCR, title 17
- Federal Office of Management Budget (OMB) Circular A-133
- State Contract between DDS and HRC, effective July 1, 2009

AUDIT PERIOD

The audit period was July 1, 2011, through June 30, 2013, 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 regional centers' fiscal, administrative, and program operations. The objectives of this audit are:

- To determine compliance with the W&I Code (or the Lanterman Act),
- To determine compliance with CCR, title 17 regulations,
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled, and
- To determine that costs claimed were in compliance with the provisions of the State Contract.

The audit was conducted in accordance with 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 Lanterman Act, CCR, title 17, HCBS Waiver for the Developmentally Disabled, and the State Contract.

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 report that was conducted by an independent accounting firm for fiscal year 2011-12, issued on November 13, 2012. It was noted that a 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 Purchase of Service (POS) claims billed to DDS. The sample included consumer services, vendor rates, and consumer trust accounts. 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 that the rates paid were set in accordance with the provisions of CCR, title 17 and the W&I Code.

- 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 tenth of each month, and that proper documentation for expenditures was maintained.

- 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 HRC staff revealed that HRC 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 source) in a timely manner.

- DDS selected a sample of 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 of HRC's bank accounts to determine whether DDS had signatory authority as required by the contract with DDS.

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

II. Regional Center Operations

DDS audited HRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that HRC accounting staff is properly inputting data, transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas were valid and reasonable. These tests included the following:

- A sample of the personnel files, time sheets, 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 operating 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 and Regional Center Rate Study

The Targeted Case Management (TCM) Rate Study is the study that 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 May 2012 and June 2013, and traced the reported information to source documents.

- Reviewed HRC's TCM Time Study. DDS selected a sample of payroll time sheets for this review and compared it to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under 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)(3):

A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.

B. For 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, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.

C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent operations reduction to regional centers as required per W&I Code, section 4640.6(i) and (j). The ratio continued to be suspended from July 2010 until July 2013 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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 (Part C Funding)

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

For this program, DDS reviewed the Early Intervention Program, including the Early Start Plan and Federal Part C funding to determine if the funds were properly accounted for in the regional center's accounting records.

VI. Family Cost Participation Program

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 IPP. To determine whether HRC is in compliance with CCR, title 17 and the W&I Code, 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 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' complete income documentation.

- Reviewed vendor payments to verify that HRC is paying for only its assessed share of cost.

VII. Annual Family Program Fee

The Annual Family Program Fee (AFPF) was created for the purpose of assessing an annual fee of up to $200 based on income level of families of children between the ages of 0 through 17 years of age receiving qualifying services through a regional center. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the regional center, and a cost for participation is assessed to the parents under FCPP. To determine whether HRC is in compliance with the W&I Code, 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 developmental disability 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 regional center to support reduced assessments.

VIII. Procurement

The Request for Proposal (RFP) process was implemented to ensure 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 as amended.

To determine whether HRC implemented the required RFP process by January 1, 2011, DDS performed the following procedures during the audit review:

- Reviewed the HRC 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, 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, there is written documentation retained as justification for such a selection.

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

- Selected a sample of Operational, Start-Up 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, written justification for final vendor selection decisions, and 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 new contracts in place as of March 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 POS, Start-Up and Operational vendor contracts over $250,000 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 and that the usage of funds are of direct benefit to consumers, and that 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 of contracts over $250,000 as well as to determine whether the process in place satisfies the W&I Code and HRC's State Contract requirements as amended.

IX. Statewide/Regional Center Median Rates

The Statewide and Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure regional centers 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 regional centers 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, has correct service codes, and that HRC is paying authorized contract rates and complying with the medium rate requirements of the W&I Code, section 4691.9.

- Reviewed vendor contracts to verify that HRC 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 health and safety exemptions were granted by DDS.

X. 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 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:

- Start-Up Funds, Community and Placement Program.
- Prevention Program.
- Family Resource Center (FRC).

XI. 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 and 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 CCR, title 17, the HCBS waiver, and the State Contracts with DDS for the audit period, July 1, 2011, through June 30, 2013.

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

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

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on July 17, 2014. The findings in the report were discussed at a formal exit conference with HRC on July 21, 2014. At the exit conference, DDS stated it would incorporate the views of the responsible officials in the final report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

The findings of this report have been separated into the two categories below:

I. Findings that need to be addressed.

Finding 1: Overstated Claims

The review of the UFS Indicator reports revealed 59 instances where HRC overpaid vendors $19,128.81 due to duplicate payments and/or overlapping authorizations. HRC indicated that this occurred due to an oversight on its part. HRC has taken corrective action to resolve 19 instances of overpayments by collecting $5,382.32. The remaining outstanding balance is $13,746.49. (See Attachment A.)

CCR, title 17, section 54326(a)(10) states in part:

> "(a) All vendors shall:
>
> (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center..."

HRC reimbursed DDS six instances of overpayments totaling $1,495.36. For the remaining 34 instances, HRC provided additional supporting documentation with its response which indicated that the payments totaling $12,225.10 paid to the vendors did not exceed the total authorized units for the authorized time period.

Recommendation:

HRC must ensure its staff is monitoring the UFS Indicator reports to efficiently detect duplicate payments and/or overlapping authorizations and correct any payment errors that may have occurred in the course of doing business with its vendors.

Finding 2: Unsupported Credit Card Expenditures

The review of HRC's operational expenditures revealed six credit card transactions totaling $623.23 had insufficient documentation to support the claims to the State. HRC employees did not provide itemized transaction receipts as supporting documentation for the items purchased. HRC indicated that this occurred due to an oversight on its part as it did not enforce its credit card procedures. (See Attachment B.)

HRC's Procedures for Credit Card Purchases, Section III states in part:

> "It is the cardholder's responsibility to obtain itemized transaction receipts from the vendor each time the credit card is used. Each month [City National Bank] will mail each cardholder a billing statement. It is the cardholder's responsibility to ensure that the charges are valid by attaching individual transaction receipts for each charge. The cardholder will obtain approval of the billing statement and receipts from his/her supervisor or the CFO."

Recommendation:

HRC must reimburse to DDS a total of $623.23 for the unsupported expenditures. In addition, HRC must enforce its credit card procedures by suspending credit card privileges for those employees who fail to provide itemized transaction receipts for any purchases made using credit cards.

Finding 3: **Incorrect Allocation of Waiver Billable Services**

The review of 28 sampled vendor files revealed that HRC incorrectly billed DDS for services provided by the vendor, Birth and Family Services, vendor number H73559, service code 896. HRC billed DDS using an average rate rather than the authorized monthly Supported Living Services (SLS) rates stated in its rate agreement set by HRC. HRC indicated that it utilized this methodology to internally track the level and amount of services the consumers received each month instead of using the monthly SLS rates. Though there were no overpayments made to the vendor using this billing method, this resulted in inaccurate billing to the HCBS Waiver. (See Attachment C.)

The rate agreement between HRC and Birth and Family Services states in part:

> "Effective 7/1/06, these are the following rates for SLS

$515/m **SLS**	Individualized supported living services; minimum to moderate level of contact expected (not less than one contact/week)
$1236/m **SLS2**	Individualized supported living services; daily contact expected; duration on each contact may vary from limited to substantial. (not less than one hour per day)
$618/month **FAM**	Family life training (parenting skill development) for a parent with a developmental disability whose child is under three years of age; minimum to

		moderate contact is expected (not less than two contacts per week).
$1236/month	**FAM1**	Family life training (parent skill development) for a parent with a developmental disability whose child is under three years of age; moderate to intensive contact is expected. (Not less than one hour per day)
$1854/month	**FAM2**	Family life training (parent skill development) for a parent with a developmental disability whose child is under three years of age; intensive (daily) contact is expected. (Not less than four hours per day)."

Recommendation:

HRC must reallocate the POS claims for the consumers of Birth and Family Services to reflect the rate stated in its rate agreement. This will ensure that billings submitted to the HCBS Waiver are accurately billed.

Finding 4: **Family Cost Participation Program - Late Assessments**

The review of 24 FCPP consumer files revealed six instances in which HRC did not assess the parents' share of cost participation timely after completion of the consumers IPP. The FCPP assessments were completed more than a month after the signing of the IPP. HRC indicated this occurred due to the Service Coordinators' delay in notifying the FCPP Coordinator that a FCPP assessment was required based on the consumer's IPP. (See Attachment D.)

W&I Code, section 4783(g)(1) states in relevant part:

"(g) Family cost participation assessments or reassessments shall be conducted as follows:

(1) (A) A regional center shall assess the cost participation for all parents of current consumers who meet the criteria specified in this section. A regional center shall use the most recent individual program plan or individualized family service plan for this purpose.

(B) A regional center shall assess the cost participation of newly identified consumers at the time of the initial individual program plan or the individualized family service plan.

(C) Reassessments for cost participation shall be conducted as part of the individual program plan or the individualized family service plan review…"

Recommendation:

HRC must reinforce its FCPP procedures and require Service Coordinators notify the FCPP Coordinator when FCPP assessment is required as part of the consumer's IPP. In addition, HRC must ensure that completed IPPs are submitted to the FCPP Coordinator timely for the processing of the FCPP assessments.

Finding 5: <u>In-kind Service Agreement</u>

The review of HRC's Foundation revealed that one employee performs administrative services for DHF without an In-kind service agreement. HRC indicated that it was not aware an In-kind service agreement was required, since the employee voluntarily provides less than half an hour of services per week for DHF. Since the services are being provided by an HRC employee, HRC must require an In-kind service agreement which documents the cost of services provided by the HRC employee and the In-kind services received from DHF.

State Contract, Article III, section 13 (b) states:

> "Through a written agreement between the Contractor and a foundation, or similar entity, Contractor may provide in-kind administrative services to a foundation, or similar entity, provided such agreement requires reimbursement from the foundation to the Contractor for any services performed by the Contractor or its employees on behalf of the foundation or similar entity. In-kind reimbursement shall be in the form of specifically identifiable, non-monetary benefits for persons with developmental disabilities."

Recommendation:

HRC must provide to DDS an In-kind service agreement with DHF which includes a breakdown of the percentages of time and salary spent by the HRC employee providing services to DHF. In addition, the written agreement should identify the In-kind services that DHF will provide to HRC as In-kind reimbursement, along with documentation requirements to demonstrate the In-kind reimbursement from DHF is equivalent to the cost of the services provided by HRC.

Finding 6: <u>Physical Inventory</u>

The review of HRC's inventory worksheets revealed that staff did not sign and date the physical inventory worksheets as verification that an inventory was conducted within three years. HRC stated that staff responsible for conducting the inventory was not aware that inventory worksheets needs to be signed and dated as part of the review, since its inventory was conducted electronically.

State Contract, Article IV, section 4(a) states in part:

> "Contractor shall comply with the State's Equipment Management System Guidelines for regional center equipment and appropriate directions and instructions which the State may prescribe as reasonably necessary for the protection of the State of California property."

Section III (F) of the State's Equipment Management System Guidelines, dated February 1, 2003, states in part:

> "The inventory will be conducted per State Administrative Manual (SAM) Section 8652."

SAM, section 8652 states in part:

> "Departments will make a physical count of all property and reconcile the count with accounting records at least once every three years…
>
> Departments are responsible for developing and carrying out an inventory plan which will include:
>
> 2(b) Worksheets used to take inventory will be retained for audit and will show the date of inventory and the name of the inventory taker."

Recommendation:

HRC should ensure the inventory worksheets are signed and dated by the staff that conducted the physical inventory as defined in the State Contract and the State's Equipment Management System Guidelines.

II. Findings that have been addressed and corrected by HRC.

Finding 7: **Home and Community-Based Services Provider Agreement Forms**

The review of 98 sampled vendor files revealed that 13 HCBS Provider Agreement forms were either missing or incomplete. The incomplete HCBS Provider Agreement forms were either missing the service code, vendor number or had multiple vendor numbers and/or service codes.

CCR, title 17, section 54326(a)(16) states, in part:

> "(a) All vendors shall…

(16) Sign the Home and Community Based Service provider Agreement (6/99), if applicable pursuant to Section 54310(a)(10)(I)(d)…"

HRC has taken corrective action by providing DDS with copies of the HCBS Provider Agreement forms for the 13 vendors.

Recommendation:

HRC must ensure there is a properly completed HCBS Provider Agreement form on file for every vendor providing services to consumers.

Finding 8: <u>Improper Allocation of Community Placement Plan Funds</u>

The review of HRC's CPP expenditures revealed that HRC continued to provide CPP services for a consumer after the end of the initial fiscal year of placement. HRC's CPP claims also included funding for three consumers that did not move from Developmental Centers to the community. This resulted in overstated CPP funding totaling $25,372.49. HRC indicated it was not aware that CPP claims included consumers that were not eligible for CPP.

Guidelines for Regional Center Community Placement Plan (III)(A) states in part:

> "Placement funding will be allocated based on claims associated with reconciled CPP placements that occur during each FY. As part of the POS claims review process, the Department may periodically request verification of consumers who have transitioned to the community and their associated costs."

HRC has corrected this issue by providing documentation which shows it has corrected the CPP claims by reallocating $25,372.49 from the CPP fund to regular POS.

Recommendation:

HRC must continue to review its CPP claims to ensure all CPP expenditures are allocated to consumers that are eligible to receive CPP funding.

EVALUATION OF RESPONSE

As part of the audit report process, HRC has been provided with a draft audit report and was requested to provide a response to each finding. HRC's response dated August 25, 2014, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section, as well as a summary of the findings in the Executive Summary section.

DDS' Audit Branch has evaluated HRC's response. Except as noted below, HRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. DDS' Audit Branch will confirm HRC's corrective actions identified in the response during the follow-up review of the next scheduled audit.

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

HRC agrees with six out of the 40 instances of overpayments totaling $1,495.36, and provided documentation indicating that these overpayments were reimbursed to DDS. However, HRC disagrees with the remaining 34 instances of overpayments totaling $12,251.10. HRC provided supporting documentation with its response which indicates that payments on the authorizations did not exceed the total authorized units for the authorized time period. DDS reviewed the supporting documentation provided and agrees that the 34 instances of overpayments were erroneously identified. Therefore, DDS considers this issue resolved.

Finding 2: <u>Unsupported Credit Card Expenditures</u>

HRC agrees with the finding and stated that it will reimburse DDS $623.23 for the six credit card expenditures that had insufficient documentation to support the claims to the State. Within 30 days of receiving this report, HRC must provide DDS with a check for the unsupported expenditures.

Finding 3: <u>Incorrect Allocation of Waiver Billable Services</u>

HRC agrees with the finding and stated that it has reallocated the POS claims for Birth and Family Services for Fiscal Year 2012-13 to reflect the flat monthly rates as stated in it rate agreements with the vendors. HRC stated that it was unable to reallocate the POS claims for Fiscal Year 2011-12 since the fiscal year was closed. DDS will conduct a follow-up review during the next scheduled audit to ensure services are accurately billed to the waiver.

Finding 4: <u>Family Cost Participation Program - Late Assessments</u>

HRC agrees with the finding, and stated that it has modified its procedures to ensure FCPP completed timely. HRC stated that the new procedures now require the FCPP Coordinator to be notified immediately when IPP/IFSP has been completed so assessments can be completed timely. DDS will conduct a follow- up review during the next scheduled audit to determine if HRC is in compliance with the FCPP requirements.

Finding 5: **<u>In-kind Service Agreement</u>**

HRC agrees with the finding, and stated it will enter into an In-kind service agreement with DHF. HRC stated that its agreement will specify the In-kind administrative support HRC staff will provide and the amount of time spent. HRC must ensure that the In-kind agreement specifies the non-monetary services that DHF will provide to HRC consumers. In addition, HRC must ensure it maintains documentation to demonstrate the In-kind reimbursement from DHF is equivalent to the cost of the services provided by HRC. Within 30 days of receiving this report, HRC must provide DDS with its In-Kind Service Agreement with DHF.

Finding 6: **<u>Physical Inventory</u>**

HRC disagrees with the finding and stated in its response that it considers the date and time the items were scanned, and minutes of the inventory planning meeting sufficient to satisfying the date and signature requirement of the State's Equipment Management System Guidelines. However, DDS does not believe that dates and times when each item was scanned and minutes taken during a planning meeting should be substituted for staff signatures. HRC must follow State's Equipment Management System Guidelines and ensure worksheets used to take inventory will be retained and show the date of inventory and the name of the inventory taker. DDS will conduct a follow-up review during the next scheduled audit to determine if HRC is in compliance with the State's Equipment Management System Guidelines.

Harbor Regional Center
Overstated Claims
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Month	Over Payment	Corrected	Outstanding Balance
1	[redacted]	PH0343	Cambrian Homecare	110	[redacted]	Aug-11	$336.15	$336.15	$0.00
2	[redacted]	P24123	Sally Kitter	773	[redacted]	Aug-11	$197.25	$197.25	$0.00
3	[redacted]	H07278	Bethany Manor Foundation	805	[redacted]	Oct-11	$888.24	$888.24	$0.00
4	[redacted]	H18795	Junior Blind of America	805	[redacted]	Oct-11	$138.26	$138.26	$0.00
5	[redacted]	PH1078	Laura Miller	773	[redacted]	Oct-11	$120.02	$120.02	$0.00
6	[redacted]	H07278	Bethany Manor Foundation	805	[redacted]	Nov-11	$333.09	$333.09	$0.00
7	[redacted]	PM1425	Twila Berget Clark	785	[redacted]	Dec-11	$100.64	$100.64	$0.00
8	[redacted]	PM1425	Twila Berget Clark	785	[redacted]	Dec-11	$291.12	$291.12	$0.00
9	[redacted]	PM1425	Twila Berget Clark	785	[redacted]	Dec-11	$145.56	$145.56	$0.00
10	[redacted]	Z89447	Lamar Clark	895	[redacted]	Dec-11	$35.00	$35.00	$0.00
11	[redacted]	ZH0117	Boaz Walker	895	[redacted]	Feb-12	$35.00	$35.00	$0.00
12	[redacted]	PH0290	Staci Ascencio	773	[redacted]	Mar-12	$60.01	$60.01	$0.00
13	[redacted]	P24123	Sally Kitter	773	[redacted]	Mar-12	$197.25	$197.25	$0.00
14	[redacted]	HH0434	Miller Children's Hospital	805	[redacted]	Apr-12	$444.84	$444.84	$0.00
15	[redacted]	PH0978	Miller Children's Hospital	773	[redacted]	Jun-12	$18.67	$18.67	$0.00
16	[redacted]	PH1329	Life Steps Foundation	896	[redacted]	Jun-12	$525.50	$525.50	$0.00
17	[redacted]	HP3650	Round Trip Transportation	875	[redacted]	Jul-12	$188.64	$188.64	$0.00
18	[redacted]	PH0345	Austism Spectrum Therapies	102	[redacted]	Aug-12	$148.12	$148.12	$0.00
19	[redacted]	PT0714	Star-Support and Treatment	620	[redacted]	Aug-12	$172.79	$172.79	$0.00
20	[redacted]	ZH0093	Jose Canseco	895	[redacted]	Sep-12	$38.00	$38.00	$0.00
21	[redacted]	PH0876	Bonnie Freeman	773	[redacted]	Sep-12	$123.78	$123.78	$0.00
22	[redacted]	P24123	Sally Kitter	773	[redacted]	Oct-12	$309.45	$309.45	$0.00
23	[redacted]	PH0830	Aces Inc.	102	[redacted]	Feb-13	$959.85	$959.85	$0.00
24	[redacted]	PH0830	Aces Inc.	102	[redacted]	Feb-13	$675.45	$675.45	$0.00
25	[redacted]	PH1220	Carol Ciccirillo Ph.D	785	[redacted]	Mar-13	$395.00	$395.00	$0.00
Total Overpayments Due to Duplicate Payments/Overlapping Authorizations							**$6,877.68**	**$6,877.68**	**$0.00**

Harbor Regional Center
Unsupported Credit Card Expenditures
Fiscal Years 2011-12 and 2012-13

	Merchant	Transaction Date	Transaction Amount
1	El Torito Grill	11/6/2011	$177.62
2	The Counter	11/6/2011	$137.98
3	Elephant Bar	11/6/2011	$130.06
4	Elephant Bar	2/6/2012	$45.46
5	Elephant Bar	2/6/2012	$64.92
6	The Counter	11/6/2012	$67.19
Total Unsupported Credit Card Expenditures			**$623.23**

Harbor Regional Center
Incorrect Allocation of Waiver Billable Services
Fiscal Years 2011-12 and 2012-13

Unique Client Identification Number	Vendor Number	Service Month	Service Code	Sub Code	Authorization Number	Incorrect POS Allocation	Authorized Rate
[redacted]	H73559	Jul-11	896	SLS2	[redacted]	$977.08	$1,183.47
[redacted]				SLS2	[redacted]	$1,332.38	$1,183.47
[redacted]				FAM2	[redacted]	$1,190.26	$1,775.21
[redacted]				FAM	[redacted]	$977.08	$591.74
[redacted]				SLS	[redacted]	$532.95	$493.11
[redacted]				SLS	[redacted]	$710.36	$493.11
[redacted]		Aug-11		SLS2	[redacted]	$847.32	$1,183.47
[redacted]				SLS2	[redacted]	$1,188.09	$1,183.47
[redacted]				FAM2	[redacted]	$1,970.94	$1,775.21
[redacted]				FAM	[redacted]	$847.32	$591.74
[redacted]				SLS	[redacted]	$165.78	$493.11
[redacted]				SLS	[redacted]	$700.66	$493.11
[redacted]		Sep-11		SLS2	[redacted]	$1,220.77	$1,183.47
[redacted]				SLS2	[redacted]	$1,264.68	$1,183.47
[redacted]				FAM2	[redacted]	$1,422.77	$1,775.21
[redacted]				FAM	[redacted]	$667.47	$591.74
[redacted]				SLS	[redacted]	$333.74	$493.11
[redacted]				SLS	[redacted]	$281.21	$493.11
[redacted]		Oct-11		SLS	[redacted]	$274.05	$493.11
[redacted]				SLS	[redacted]	$208.80	$493.11
[redacted]		Nov-11		SLS	[redacted]	$313.20	$493.11
[redacted]				SLS	[redacted]	$234.90	$493.11
[redacted]		Dec-11		SLS2	[redacted]	$736.80	$1,183.47
[redacted]				SLS2	[redacted]	$1,547.28	$1,183.47
[redacted]				FAM2	[redacted]	$1,473.60	$1,775.21
[redacted]				FAM	[redacted]	$976.21	$591.74
[redacted]				SLS	[redacted]	$313.20	$493.11

Harbor Regional Center
Incorrect Allocation of Waiver Billable Services
Fiscal Years 2011-12 and 2012-13

Unique Client Identification Number	Vendor Number	Service Month	Service Code	Sub Code	Authorization Number	Incorrect POS Allocation	Authorized Rate
[redacted]	H73559 (Continued)	Dec-11	896	SLS	[redacted]	$208.80	$493.11
[redacted]		Jan-12		SLS2	[redacted]	$1,048.20	$1,183.47
[redacted]				SLS2	[redacted]	$1,100.61	$1,183.47
[redacted]				FAM2	[redacted]	$1,921.70	$1,775.21
[redacted]				FAM	[redacted]	$663.38	$591.74
[redacted]				SLS	[redacted]	$208.80	$493.11
[redacted]				SLS	[redacted]	$208.80	$493.11
[redacted]		Feb-12		SLS2	[redacted]	$982.91	$1,183.47
[redacted]				SLS2	[redacted]	$1,154.24	$1,183.47
[redacted]				FAM2	[redacted]	$1,875.64	$1,775.21
[redacted]				FAM	[redacted]	$721.10	$591.74
[redacted]				SLS	[redacted]	$208.80	$493.11
[redacted]		Mar-12		SLS2	[redacted]	$1,038.28	$1,183.47
[redacted]				SLS2	[redacted]	$1,186.60	$1,183.47
[redacted]				FAM2	[redacted]	$1,579.23	$1,775.21
[redacted]				FAM	[redacted]	$785.25	$591.74
[redacted]				SLS	[redacted]	$366.45	$493.11
[redacted]				SLS	[redacted]	$208.73	$493.11
[redacted]		Apr-12		SLS2	[redacted]	$1,120.16	$1,183.47
[redacted]				SLS2	[redacted]	$1,352.64	$1,183.47
[redacted]				FAM2	[redacted]	$1,416.05	$1,775.21
[redacted]				FAM	[redacted]	$845.04	$591.74
[redacted]				SLS	[redacted]	$313.20	$493.11
[redacted]				SLS	[redacted]	$208.80	$493.11
[redacted]		May-12		SLS2	[redacted]	$1,042.31	$1,183.47
[redacted]				SLS2	[redacted]	$1,482.19	$1,183.47
[redacted]				FAM2	[redacted]	$1,443.94	$1,775.21

Harbor Regional Center
Incorrect Allocation of Waiver Billable Services
Fiscal Years 2011-12 and 2012-13

Unique Client Identification Number	Vendor Number	Service Month	Service Code	Sub Code	Authorization Number	Incorrect POS Allocation	Authorized Rate
[redacted]	H73559 (Continued)	May-12	896	FAM	[redacted]	$765.00	$591.74
				SLS		$313.20	$493.11
				SLS		$209.25	$493.11
		Jun-12		SLS2		$1,254.51	$1,183.47
				SLS2		$1,301.85	$1,183.47
				FAM2		$1,254.51	$1,775.21
				FAM		$923.02	$591.74
				SLS		$143.55	$493.11
				SLS		$208.80	$493.11
		Jul-12		SLS		$215.36	$508.56
				SLS		$215.36	$508.56
		Aug-12		SLS		$215.36	$508.56
				SLS		$215.36	$508.56
		Sep-12		SLS2		$1,335.00	$1,220.55
				SLS2		$1,335.00	$1,220.55
				SLS2		$1,335.00	$1,220.55
				FAM2		$1,335.00	$1,830.83
				FAM		$1,335.00	$610.28
				SLS		$133.50	$508.56
				SLS		$311.50	$508.56
		Oct-12		SLS2		$1,486.14	$1,220.55
				SLS2		$1,486.14	$1,220.55
				SLS2		$1,486.14	$1,220.55
				FAM2		$95.88	$1,830.83
				FAM		$1,486.14	$610.28
				SLS		$383.52	$508.56
				SLS		$431.46	$508.56

Harbor Regional Center
Incorrect Allocation of Waiver Billable Services
Fiscal Years 2011-12 and 2012-13

Unique Client Identification Number	Vendor Number	Service Month	Service Code	Sub Code	Authorization Number	Incorrect POS Allocation	Authorized Rate
[redacted]	H73559 (Continued)	Oct-12	896	SLS2	[redacted]	$1,484.99	$1,220.55
		Nov-12		SLS2		$783.75	$1,220.55
				FAM		$2,137.50	$610.28
				FAM1		$997.50	$1,220.55
				SLS2		$926.25	$1,220.55
				SLS2		$1,140.00	$1,220.55
				SLS		$320.63	$508.56
				SLS		$712.50	$508.56
				SLS2		$712.01	$1,220.55
		Dec-12		SLS2		$575.27	$1,220.55
				FAM		$822.40	$610.28
				FAM1		$1,151.36	$1,220.55
				SLS2		$1,398.08	$1,220.55
				SLS2		$1,398.08	$1,220.55
				SLS		$575.68	$508.56
				SLS		$657.92	$508.56
				SLS2		$1,151.36	$1,220.55
		Jan-13		SLS2		$710.19	$1,220.55
				FAM		$789.10	$610.28
				FAM1		$1,104.74	$1,220.55
				SLS2		$1,262.56	$1,220.55
				SLS		$434.01	$508.56
				SLS		$710.19	$508.56
				SLS2		$1,498.81	$1,220.55
		Feb-13		SLS2		$947.80	$1,220.55
				SLS2		$1,706.04	$1,220.55
				SLS		$189.56	$508.56

Harbor Regional Center
Incorrect Allocation of Waiver Billable Services
Fiscal Years 2011-12 and 2012-13

Unique Client Identification Number	Vendor Number	Service Month	Service Code	Sub Code	Authorization Number	Incorrect POS Allocation	Authorized Rate
[redacted]	H73559 (Continued)	Feb-13	896	SLS	[redacted]	$215.36	$508.56
				SLS2		$1,326.81	$1,220.55
		Mar-13		FAM		$503.88	$610.28
				SLS2		$1,511.64	$1,220.55
				SLS		$625.65	$508.56
				SLS		$671.84	$508.56
				SLS2		$755.49	$1,220.55
		Apr-13		SLS2		$1,007.40	$1,220.55
				FAM		$251.85	$610.28
				SLS2		$1,511.10	$1,220.55
				SLS		$671.60	$508.56
				SLS		$671.60	$508.56
				SLS2		$1,175.50	$1,220.55
		May-13		SLS2		$1,307.46	$1,220.55
				FAM		$118.86	$610.28
				SLS2		$1,426.32	$1,220.55
				SLS		$891.45	$508.56
				SLS		$1,188.60	$508.56
				SLS2		$356.36	$1,220.55
		Jun-13		SLS2		$805.59	$1,220.55
				SLS		$895.02	$508.56
				SLS		$537.06	$508.56

Harbor Regional Center
Family Cost Participation Program - Late Assessments
Fiscal Years 2011-12 and 2012-13

	Unique Client Identification Number	IPP Date	Assessment Date
1	[redacted]	7/24/12	10/5/12
2	[redacted]	3/15/13	4/25/13
3	[redacted]	1/9/12	2/28/12
4	[redacted]	10/3/11	1/4/12
5	[redacted]	2/17/12	4/26/12
6	[redacted]	6/20/12	9/19/12

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).

HARBOR
REGIONAL
CENTER

August 25, 2014

RECEIVED
AUG 28 2014
AUDIT BRANCH

Edward Yan, Manager
Audit Branch
Department of Developmental Services
1600 Ninth Street, Room 230, MS 2-10
Sacramento, CA 95814

Re: Draft Audit of the Harbor Regional Center for Fiscal Years 2011-12 and 2012-13

Dear Mr. Yan:

This letter is in response to the Department of Developmental Services (DDS) Draft Audit of the Harbor Regional Center (HRC) for Fiscal Years 2011-12 and 2012-13 dated July XX, 2014 and the exit conference held on July 21, 2014. Attached please find additional information regarding the draft findings.

We believe this letter provides additional information which addresses all of the findings in the Draft Audit and corrects Findings 1, 3 and 6. If you have any questions, please contact Judy Wada, Chief Financial Officer, at (310) 543-0625 or judy.wada@harborrc.org.

Thank you.

Sincerely,

Patricia Del Monico
Executive Director

Cc: Jean Johnson, DDS
Nancy Bargmann, DDS
Brian Winfield, DDS
Luciah Ellen Nzima, DDS
Oscar Perez, DDS
Judy Wada, HRC
Kaye Quintero, HRC
Tes Castillo, HRC

Harbor Regional Center Response to Draft Audit Findings and Recommendations

I. Findings that need to be addressed.

Finding 1: Overstated Claims

As stated in the Draft Report, DDS originally identified 59 instances of overpayments, of which HRC corrected 19 instances by collecting $5,382.32—leaving 40 instances remaining with the remaining outstanding balance totaling $13,746.49. Of the remaining 40 items, 34 were not overpayments but instead were payments applied to authorizations set up to limit a total authorized amount over a period of multiple months, not a monthly authorized amount. We reviewed the amounts paid on each of these authorizations and there were no payments that exceeded the total authorized amounts. The value of the 34 instances that were misidentified as overpayments totals $12,251.13. The remaining 6 instances were in fact overpayments totaling $1,495.36, which have all been recovered. HRC submitted documentation to DDS by April 2014 supporting the 34 instances that were not overpayments and the 6 overpayments that were recovered (Attachment A). In the Draft Report dated July 17, 2014 DDS did not recognize that all remaining instances were resolved and addressed.

Finding 2: Unsupported Credit Card Expenditures

HRC will reimburse DDS a total of $623.23 for credit card expenditures where HRC employees did not provide itemized transaction receipts.

Finding 3: Incorrect Allocation of Waiver Billable Services

HRC Accounting staff has reallocated the POS claims for Birth and Family Services for Fiscal Year 2012-13 to reflect the flat monthly rates as stated in the rate agreement (Attachment B). As discussed during the DDS Audit exit conference on July 21, 2014, it is not possible to reallocate the POS claims for Fiscal Year 2011-12 as the period is past two prior fiscal years and therefore closed.

Finding 4: Family Cost Participation Program – Late Assessments

HRC acknowledges the six instances of late assessments. As stated in the Draft Report, this occurred because of a delay in notifying the FCPP Coordinator of the completion of the IFSP process. HRC's current procedure requires the FCPP Coordinator be immediately notified of the completion of the IFSP.

21231 Hawthorne Blvd., Torrance, California 90503 • (310) 540-1711 • Fax (310) 540-9538 • www.harborrc.org

Finding 5: In-kind Service Agreement

The purpose of the Del Harbor Foundation (DHF) is to facilitate and augment the coordination of services and programs of Harbor Regional Center or which benefit clients of Harbor Regional Center, and which aid and assist people with developmental disabilities. HRC and DHF will enter into an In Kind Services Agreement that specifies the in kind administrative support HRC staff will provide and the amount of time spent, to be calculated annually. In lieu of payment, DHF will distribute funds through grant awards that further its mission. DHF has awarded grants far exceeding the value of in kind services and will continue to do so as is their mission.

Finding 6: Physical Inventory

In 2011 HRC invested in fixed asset management software and hired consultants to set up the system and to conduct a physical inventory. The asset management system utilizes barcode readers to scan the barcodes that are printed on the State tags supplied by DDS. The inventory is conducted electronically and therefore there are no paper inventory worksheets to sign. HRC Administration staff conducted a subsequent physical inventory in March 2013 using the asset management system. The inventory was accurate and there were no errors or discrepancies. HRC provided the DDS auditors with an electronic document produced from the asset management system which indicated the date and time each item was scanned. HRC also provided DDS with the minutes for a planning meeting held on March 18, 2013, which identified the staff assigned to conduct the inventory. HRC considered this sufficient for purposes of satisfying the State's Equipment Management System Guidelines.

II. Findings that have been addresses and corrected by HRC.

HRC objects to the inclusion of the following findings because they were addressed and corrected while the DDS Audit Branch was at HRC conducting the audit.

Finding 7: Home and Community-Based Services Provider Agreement Forms

HRC has reviewed its procedure for HCBS Provider Agreement Forms and will ensure that it is enforced going forward.

Finding 8: Improper Allocation of Community Placement Plan Funds

The expenditures charged to CPP for one client after his/her initial fiscal year of placement were charges for a nurse evaluation. This authorization was mistakenly charged to CPP in the year following placement and was corrected during the audit. The expenditures charged to CPP for the three clients who did not move from the Developmental Centers were initially on the CPP plan, but it was later determined that placement was not possible. Adjustments for these clients were also completed during the audit.