



**AUDIT OF THE  
HARBOR REGIONAL CENTER  
FOR FISCAL YEARS 2003-04, 2004-05, and 2005-06**

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**Department of Developmental Services**

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## EXECUTIVE SUMMARY

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The fiscal compliance audit of Harbor Regional Center (HRC) revealed that HRC was in substantial compliance with the requirements set forth in California Code of Regulations Title 17, the California Welfare and Institutions (W&I) Code, the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services. Overall, the audit indicated that 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.

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

- I. The following findings need to be addressed, but do not significantly impair the financial integrity of HRC or seriously compromise its ability to account for or manage State funds.

**Finding 1: Over/Under-Stated Claims (Repeat)**

A detailed review of HRC's Operational Indicator reports, Day Programs, and Consultant contracts revealed 102 instances in which HRC over or under claimed expenses to the State. These payments were due to attendance documentation not matching the invoices, duplicate payments, overlapping authorizations, payments to incorrect authorizations, or incorrect contract amounts. The total overpayment was \$90,237.47, and the total underpayment was \$51.18. This is not in compliance with Title 17, Section 54326 (a)(10).

**Finding 2: Wellness Grant Not Encumbered**

The review of HRC's Wellness program revealed that a project contract totaling \$40,000 was not signed and dated by HRC and a contractor, Sandra Hammersmark, prior to the end of fiscal year 2001-02, as required in DDS' award letter and HRC's contract.

**Finding 3: Deceased Consumer Files**

**A. Services Claimed for Deceased Consumers**

The review of the deceased consumer files revealed two instances where HRC paid two vendors for services after the date of death of the consumers. A residential vendor, PH0892, received payment for two months after the date of death, and a residential vendor, H66930, received full board and care for a partial month stay. The total amount of overpayments was \$845.76. This is not in compliance with Title 17,

Section 54326 (a)(10). HRC has collect \$120 of the \$845.77 identified and provided additional information to support the reasons the remaining payments were made after the dates of death of the consumers.

**B. Multiple Dates of Death**

The review of the Uniform Fiscal System (UFS) Death Report identified four consumers with multiple dates of death recorded. For good internal controls and accounting practices, HRC should ensure the actual date of each death is properly recorded in UFS.

**Finding 4: Consumer Trust Balances Over \$2,000**

A sample review of the Client Trust accounts revealed 13 Client Trust balances exceeded the \$2,000 resource limit. This is not in compliance with the Social Security Handbook, Section 2153.2.

**Finding 5: Equipment**

**A. Equipment Inventory**

The review of HRC's equipment inventory revealed that the inventory worksheets were not signed and dated by the individual who performed the inventory. This is not in compliance with the State's Equipment Management System Guidelines issued by DDS.

**B. State Tagging of Equipment**

The sample review of 50 equipment items revealed two copy machines that were not State tagged. This is not in compliance with Article IV, Section 4, of the contract with DDS and the State's Equipment Management System Guidelines issued by DDS.

**Finding 6: Missing Contracts (Repeat)**

The review of HRC's Transportation vendor files revealed three vendors that did not have a contract on file. This is not in compliance with Title 17, Sections 58524 (a). This issue was also identified in the prior audit report.

**Finding 7: Missing Invoices and Attendance Documentation**

The review of the Residential, Transportation, and Day Program vendor files revealed that HRC reimbursed nine vendors for services provided to consumers without monthly invoices or attendance documentation. This is not in compliance with Title 17, Section 50604 (d)(3)(B) which requires vendors to maintain support for billing/invoicing.

**Finding 8: Bank Reconciliations**

**A. Late Monthly Bank Reconciliations**

The review of the bank reconciliations revealed that HRC is not completing the reconciliations in a timely manner. The HRC did not reconcile bank accounts on receipt of bank statements to ensure resolution of outstanding items and ensure safeguarding of State funds.

**B. Stale Dated Checks**

The review of the bank reconciliation reports from City National Bank revealed stale dated checks longer than six months. As of February 2007, HRC had stale dated checks totaling \$54,791.47.

**Finding 9: Lack of Signatory Authority (Repeat)**

The review of bank signature cards revealed that HRC has one bank account, the Client Trust Account, which lacked the required DDS signatory authority. This is not in compliance with the State Contract, Article III, Section 3 (f). This issue was also identified in the prior audit report.

**Finding 10: Vacation and Sick Time Recorded Incorrectly on the Targeted Case Management Time Study Forms (DS 1916)**

The review of the Targeted Case Management Time Study revealed that seven of the 15 sampled employees' vacation and sick hours recorded on the employee timesheets did not properly reflect what was recorded on the Case Management Time Study Forms (DS 1916).

**Finding 11: Missing Hold Harmless Clause (Repeat)**

A review of HRC's lease agreements revealed two leases that did not include the "Hold Harmless" clause as required by Article VII, section 1 of DDS's contract with HRC. This issue was also identified in the prior audit report.

**Finding 12: Medi-Cal Provider Agreement Forms**

The file review of 39 Transportation and Residential vendor files revealed that Medi-Cal Provider Agreement forms for four vendors were not properly completed by HRC. The forms were either missing or had multiple vendor numbers and/or multiple service codes. This is not in compliance with Title 17, Section 54326 (a).

II. The following findings were identified during the audit, but have since been addressed and corrected by HRC.

**Finding 13: Equipment – Missing Property Survey Report Form**

The sample review of HRC's equipment inventory revealed that HRC has not been completing the required form, Property Survey Report (Std. 152), for the surveying of equipment.

HRC took corrective action to resolve this issue by completing and providing the std. 152 forms for equipment items that were surveyed.

**Finding 14: Uniform Fiscal System (UFS) Reconciliations – Lack of Signatures and Dates**

The review of UFS reconciliations revealed that there were no signatures of the preparer and reviewer and dates on the monthly reconciliations.

For good internal controls and accounting practices the reconciliations should be signed and dated by both the preparer and reviewer to ensure the reconciliations are completed and reviewed in a timely manner.

HRC corrected this issue by providing its latest monthly UFS reconciliation with revisions to the form which now provides space for the signature of the preparer and reviewer and the date signed.

## BACKGROUND

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The Department of Developmental Services (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 Home and Community-Based Services (HCBS) Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS's 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 reviewed by DDS Federal Programs Operations Section staff to assess overall programmatic compliance with HCBS Waiver requirements. HCBS Waiver compliance monitoring review will have 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 center fiscal, administrative, and program operations.

DDS and Harbor Developmental Disabilities Foundation, Inc., entered into contracts, HD999007, effective July 1, 1999, through June 30, 2004, and HD049008, effective July 1, 2004, through June 30, 2009. These contracts specify 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 Counties. The contracts are 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 April 9, 2007, through May 11, 2007, and was conducted by DDS's Audit Branch.



## **AUTHORITY**

The audit was conducted under the authority of the Welfare and Institutions (W&I) Code, Section 4780.5, and Article IV, Provision Number 3 of HRC's contract.

## **CRITERIA**

The following criteria were used for this audit:

- California Welfare and Institutions Code
- "Approved Application for the Home and Community-Based Services Waiver for the Developmentally Disabled"
- California Code of Regulations Title 17
- Federal Office of Management Budget (OMB) Circular A-133
- HRC's contract with DDS

## **AUDIT PERIOD**

The audit period was from July 1, 2003, through June 30, 2006, with follow-up as needed into prior and subsequent periods.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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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 to Title 17, California Code of Regulations (Title 17),
- To determine compliance to the provisions of HCBS Waiver for the developmentally disabled, and
- To determine that costs claimed were in compliance to the provisions of HRC's contract with DDS.

The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of HRC's financial statements. We limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that HRC was in compliance with the objectives identified above. Accordingly, we examined transactions, on a test basis, to determine whether HRC was in compliance with Title 17, HCBS Waiver for the developmentally disabled, and the contract with DDS.'

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

We reviewed the annual audit reports that were conducted by an independent accounting firm for these fiscal years:

- 2003-04, issued on September 24, 2004
- 2004-05, issued on September 22, 2005
- 2005-06, issued on September 22, 2006

No management letters were issued by the independent accounting firm. This review was performed to determine the impact if any upon our audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

**I. Purchase of Service**

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

- We tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- We 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 individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of Title 17.
- We selected a sample of individual trust accounts to determine if there were any unusual activities, and if any individual account balances were not above \$2,000 for over six months, as required by the Social Security Administration (SSA). We 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 proper documentation for expenditures were maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, is not used by HRC. 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 SSA (or other source) in a timely manner.
- We selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding reconciling items.
- We analyzed all of HRC's bank accounts to determine if DDS had signatory authority as required by the contract with DDS.
- We selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations are properly completed on a monthly basis.

## **II. Regional Center Operations**

We audited HRC's operations and conducted tests to determine compliance to the contract with DDS. The tests included various expenditures claimed for administration to ensure that the accounting staff was properly inputting data, the transactions were being recorded on a timely basis, and the 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, was 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, was tested to determine compliance to Title 17 and the contract with DDS.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the contract with DDS.
- We reviewed HRC's policies and procedures for compliance to the Title 17 Conflict of Interest requirements, and 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 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. We examined the month of May 2004 and traced the reported information to source documents.
- Reviewed HRC's Case Management Time Study. We selected a sample of payroll time sheets for this review and compared to the DS1916 forms to ensure that the DS1916 forms were properly completed and supported.

## **IV. Service Coordinator Caseload Survey**

Under the W&I code Section 4640.6, regional centers are required to provide service coordinator caseload data to DDS annually. Prior to January 1, 2004, the survey required regional centers to have a service coordinator-to-consumer ratio of 1:62 for all consumers who had not moved from developmental centers to the community since April 14, 1993, and a ratio of 1:45 for all consumers who had moved from developmental centers to the community since April 14, 1993.

However, for the period commencing January 1, 2004, to June 30, 2007, inclusive, the following service coordinator-to-consumer ratios apply:

- A. For all consumers that are three years of age and younger and for consumers enrolled on HCBS 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 in the community continuously for at least 12 months, the required average ratio shall be 1:62.
- 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.

We performed the following procedure upon HRC's caseload survey.

We 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

**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, the following procedure was followed.

We reviewed the Early Intervention Program, including 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 Family Cost Participation Program (FCPP) was created for the purpose of assessing cost participation to parents based on income level and dependents. The Family Cost Participation assessments are only applied to respite, day care, and camping services that are included in the child's individual program plan. To determine whether the regional center is in compliance with Title 17 and the W&I Code, we performed the following procedures during our audit review.

- Reviewed the parents' income documentation to verify their level of participation based on the Family Cost Participation schedule.
- Reviewed copies of the notification letters to verify the parents were notified within 10 working days of their assessed cost participation.

- Reviewed vendor payments to verify the regional center is paying for only its assessed share of cost.

## **VII. Other Sources of Funding**

Regional centers may receive many other sources of funding. For the other sources of funding identified for HRC, we performed sample tests to ensure that the accounting staff was inputting data properly and transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The other sources of funding identified for this audit are:

- Family Resource Center Program
- Start Up Programs
- Wellness Program
- Medicare Moderation Act (Part D Funding)

## **VIII. Follow-up Review on Prior DDS's Audit Findings**

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. We 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

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Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations section, HRC was in substantial compliance to applicable sections of Title 17, HCBS waiver, and the terms of HRC's contract with DDS for the audit period July 1, 2003, through June 30, 2006.

Except for those items described in the Findings and Recommendations section, 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 all prior audit issues, except for findings four, nine, and eleven which are contained in the Findings and Recommendations section and listed as repeat findings.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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We issued a draft report on June 6, 2008. The findings in the report were discussed at an exit conference with HRC on June 24, 2008. At the exit conference, we stated that the final report will incorporate the views of responsible officials.



## **RESTRICTED USE**

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This report is solely for the information and use of the Department of Developmental Services, Department of Health Care Services, the Centers for Medicare and Medicaid Services, and the Harbor Regional Center. It is not intended and should not be used by anyone other than these specified parties. This restriction does not limit distribution of this report, which is a matter of public record.

ARTHUR J. LEE, CPA, Manager  
Audit Branch

## **FINDINGS AND RECOMMENDATIONS**

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

- I. The following findings need to be addressed, but do not significantly impair the financial integrity of HRC or seriously compromise its ability to account for or manage State funds.

**Finding 1: Over/Under-Stated Claims (Repeat)**

A review of the HRC's Operational Indicator reports, Day Programs, and Consultant contracts revealed 102 instances in which HRC over or under claimed expenses to the State. There were 52 instances of overpayments totaling \$40,084.45 due to duplicate payments; 11 instances of overpayments totaling \$25,495.45 due to overlapping authorizations; four instances in which payments totaling \$2,000.40 were applied to incorrect authorizations; 12 instances of overpayments totaling \$1,975.17 due to attendance documentation not matching to the invoices; and 22 instances of payments over the contracted amount to a vendor totaling \$20,682.00. The remaining one instance is an underpayment totaling \$51.18 due to incorrect billed amounts for service days. The total overpayment was \$90,237.47 and total underpayment was \$51.18. (See Attachment A.)

Title 17, Section 54326 (a)(10) states:

“All vendors shall...

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

In addition, for good business and internal control practices, HRC should generate and monitor the Operational Indicator reports periodically to detect and correct any overpayments that may have occurred in the course of doing business with its vendors.

**Recommendation:**

HRC should recover the improper overpayments from the respective vendors and reimburse DDS for the amount of \$90,237.47 overpaid to the vendors and make a payment of \$51.18 for the underpayment owed to the vendor. In addition, HRC should develop and implement procedures to ensure the staff is efficiently monitoring the operational indicator reports, attendance documentation, rate letters, and consultant contracts to detect duplicate payments and correct any over/under payments that may have occurred in the course of doing business with the vendors.

**Finding 2: Wellness Grant Not Encumbered**

The review of the Wellness Program revealed that HRC received a total of \$40,000 of Wellness funding for a project in FY 2001-02. The project was to conduct a minimum of seven Train-the-Trainer sessions provided by a contractor, Sandra Hammersmark, for direct care instructors and supervisors of supported living service providers within the HRC service area. However, the contract with Sandra Hammersmark was not signed and dated by HRC and the Contractor prior to June 30, 2002, but rather on January 2004. In order to properly encumber funds for a contract, the contract must be final and signed by the contracting parties. Since the contract was not signed by June 30, 2002, no obligation existed to encumber the funds in FY 2001-02. As a result, the funds for this contract were not properly encumbered.

The State Contract, Article III, Section 4 states:

“Any funds which have not been encumbered for services provided or purchased during the term of the contract shall revert to the State.”

In addition, the DDS award letter for this contract dated September 17, 2001, states:

“..., funding for all Wellness Initiative Projects is approved, with the following stipulations:

- Funds must be encumbered or subcontracted by June 30, 2002, and expended by May 15, 2004.”

**Recommendation:**

HRC should revert to DDS the \$40,000 of Wellness funds because the contract was not signed and dated prior to the close of the fiscal year. HRC should also establish policies and procedures to ensure that contracts are properly signed and funds encumbered prior to the close of the fiscal year.

**Finding 3: Deceased Consumers Files**

**A. Services Claimed for Deceased Consumers**

The review of the deceased consumer files identified two consumers where HRC paid for services after the date of death. One vendor, PH0892 received payment for two months after the date of death while the other vendor, H66930 received full board and care for a partial month stay in the facility. As a result, the vendors were overpaid \$845.76 for services that were not provided. HRC has collect \$120 of the \$845.77 identified and

provided additional information to support the reasons the remaining payments were made after the dates of death of the consumers. (See Attachment B.)

Title 17, Section 54326 (a) states:

“All vendors shall...

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

**Recommendation:**

HRC should develop policies and procedures to ensure that vendors are reimbursed only for services rendered.

**B. Multiple Dates of Death**

The review of the Uniform Fiscal System (UFS) Death Report identified four consumers with multiple dates of death recorded. In all of the instances there were two different dates of death. Payments were found to have been made beyond the actual dates of death for two consumers. Refer to Finding 2 A for the two consumers identified with payments after the dates of their deaths. (See Attachment C.)

Article IV, 1(C) of the contract between DDS and HRC states in part:

“Contractor shall make available accurate and complete UFS and/or CADDIS information to the state. Accordingly Contractor shall:

Update changes to all mandatory items of the Client Master File at least annually except for the following elements, which must be updated within thirty (30) days of Contractor being aware of an of the following events:

- a) The death of a consumer;
- b) The change of address of a consumer; or
- c) The change of residence type of a consumer.”

In addition, for good internal controls and accounting practices, HRC should ensure the actual dates of deaths are accurately recorded in UFS to avoid any potential payments after the date of a consumer’s death.

**Recommendation:**

HRC should provide its staff with written procedures and training on the recording of deceased consumers in UFS. In addition, HRC should review

all current deceased consumer files to ensure that only the actual date of each death are recorded in UFS.

**Finding 4: Consumer Trust Balances Over \$2,000**

The review of 45 Client Trust accounts revealed 13 trust balances exceeded the \$2,000 resource limit, a violation of Social Security guidelines. By exceeding the asset limit, consumers are at risk of losing Supplemental Security Income (SSI) benefits that are used to offset the costs of residential services. Any residential costs not offset by SSI benefits are charged in full to the State. Consequently, not managing the consumer's trust balances within the asset limit exposes the State to an increased share of residential service costs. (See Attachment D.)

Social Security Regulations, Section 2153.2 states:

“As of January 2003, the applicable limits are:  
A. \$2,000 for an individual without a spouse...”

**Recommendation:**

HRC should develop and implement procedures to monitor consumer trust accounts to ensure that the balances remain within the limits established by the Social Security Administration.

**Finding 5: Equipment**

**A. Equipment Inventory**

HRC conducted a physical inventory. However, the individuals that performed the inventory count did not sign and date the worksheets used to take the physical inventory. The State Equipment Management System Guidelines require that inventory worksheets be signed, dated and retained for audit.

Article IV, Section 4a of the contract between DDS and HRC 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 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.”

State Administrative Manual (SAM) section 8652 states in part:

“Departments will make a physical count of all property and reconcile 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 the inventory and the name of the inventory taker.”

**Recommendation:**

HRC should develop policies and procedures to ensure compliance with the State’s Equipment Management System Guidelines as required by its contract with DDS. The policies and procedures should include requirements to maintain documentation of the physical inventory with the date and name of the inventory taker.

**B. State Tagging of Equipment**

The sample review of the 50 equipment items revealed two copier machines that were not State tagged. (See Attachment E.)

Article IV, Section 4a of the contract between DDS and HRC 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 State of California property.”

The State’s Equipment Management System Guidelines, revised February 1, 2003, issued by DDS, Section III (C) states:

“All state-owned equipment must be promptly and clearly tagged as State of California, DDS’s property.”

**Recommendation:**

HRC should follow the State Equipment Management Systems Guidelines, Section III (C) and ensure that all State-owned equipment is tagged as property of the State of California, prior to the distribution for use.

**Finding 6: Missing Contracts (Repeat)**

The review of HRC’s Transportation vendor files revealed three vendors that did not have a contract on file. This issue was also identified in the prior audit report. (See Attachment F.)

Title 17, Section 58524 (a) states:

“A contract for transportation service between a regional center and a vendor shall be writing...”

In addition, for good internal control practices, supporting documentation such as written contracts should be in place and with signatures of both parties. The written contracts should include the scope of services to be provided and the compensation that will be paid for the services. This is to ensure that there will be no misunderstanding regarding the agreement between the two parties.

**Recommendation:**

HRC should develop and implement procedures to ensure all its Transportation vendors have written contracts on file to support amounts paid.

**Finding 7: Missing Invoices and Attendance Documentation**

A total sample of 64 Residential, Transportation and Day Program vendor files were reviewed to ensure invoices were submitted and supported with attendance documentation. The review showed that HRC reimbursed nine vendors for services provided to consumers without either a turnaround invoice or attendance documentation attached to the turnaround invoices. (See Attachment G.)

Title 17, Section 50604 (d) states:

“All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but not be limited to:

(2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.

(3) A record of services provided to each consumer. The record shall include:

(C) For community-based day programs, the dates of service, place where service was provided, the start and end times of service provided to the consumer and the daily or hourly units of service provided.”

**Recommendation:**

HRC should develop and implement procedures to ensure turnaround invoices and attendance documentation are available for review before reimbursing vendors for services provided to the consumer. This will ensure HRC’s compliance with Title 17, Section 50604 (d).

**Finding 8: Bank Reconciliations**

**A. Late Monthly Bank Reconciliations**

The review of bank reconciliations revealed that HRC does not complete the reconciliations in a timely manner. The reconciliation of the bank accounts was up to six months late. HRC stated this was due to the lack of personnel in performing this function.

Due to the lack of timely bank reconciliations, this also affected the accuracy of the monthly UFS reconciliations since there was no assurance that the General Ledger was in balance with the ending bank statements.

For good accounting and internal control practices, all monthly reconciliations should be completed in a timely manner. This will ensure that any errors or reconciling items are identified, researched, and corrected.

**Recommendation:**

HRC should ensure all bank reconciliations be reconciled in a timely manner to ensure that any errors or reconciling items are identified, researched, and corrected. In addition, the position responsible for performing the monthly bank reconciliations is an integral part of the accounting function of HRC, and cross-training of other employees within the unit should be done to ensure that monthly bank reconciliations are completed on a timely basis.

**B. Stale Dated Checks**

The review of HRC's bank reconciliation reports from City National Bank revealed outstanding stale dated checks longer than six months. As of February 2007, HRC had outstanding stale dated checks totaling \$54,791.47.

Uniform Commercial Code, Article 4, Section 404 states:

“A bank is under no obligation to a customer having a checking account to pay a check other than a certified check, which is presented more than six months after its date, but it may charge its customer's account for a payment made thereafter in good faith.”

In addition, for good accounting and internal control practices, all stale dated checks should be reviewed and identified. This will ensure that the



state dated checks are researched and the appropriate action taken to resolve the issue.

**Recommendation:**

HRC should develop and implement written policy and procedures for identifying and clearing outstanding checks that are greater six months.

**Finding 9: Lack of Signatory Authority (Repeat)**

The review of the bank signature cards revealed that HRC's Client Trust Account lacked the required DDS signatory authority. This issue was also identified in the prior audit report.

State Contract, Article III, Section 3, (f) states in part:

“All bank accounts and any investment vehicles containing funds from this contract and used for regional center operations, employee salaries and benefits or for consumers' services and supports, shall be in the name of the State and Contractor.”

Also, State Contract, Article III, Section 3 (g) states in part:

“For the bank accounts above referenced, there shall be prepared three (3) alternative signature cards with riders attached to each indicating their use.”

**Recommendation:**

HRC should implement procedures to ensure that authorization is given to both DDS and HRC signatories for all bank accounts that are identified as having State funds as required by the State Contract.

**Finding 10: Vacation and Sick Time Recorded Incorrectly on the Targeted Case Management Time Study Forms (DS 1916)**

The review of the Targeted Case Management Time (TCM) study revealed that for seven of the 15 sampled employees' vacation and sick hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM study forms (DS1916). The difference between the employee timesheets and the TCM study forms was 27.5 hours. Though the difference did not have a significant impact on the TCM rate, hours recorded incorrectly in the TCM study can affect the TCM rate billed to the Federal government.

For good business and internal control practices, vacation and sick time should be recorded correctly on the TCM study forms (DS1916). Time recorded incorrectly

may result in an incorrect calculation of the TCM rate, which could result in the requirement to return overpayments on the TCM rate to the Federal Government.

**Recommendation:**

HRC should implement policies and procedures to include a review of the employees' vacation and sick hours on the TCM study forms (DS1916). This would ensure that the hours reported for the TCM Time study are accurate.

**Finding 11: Missing Hold Harmless Clause (Repeat)**

The review of HRC's facility lease agreements with The Realty Associates Fund V of the Torrance office and Robert D. Harvey of the Long Beach office revealed that the two lease agreements did not include a "Hold Harmless Clause" as required by the State contract. The terms of the lease agreements are from January 1, 2001, through December 31, 2015. This issue was also identified in the prior audit report.

State Contract Article VII, (1) states:

"The contract shall include in all new leases or rental agreements for real property a clause that holds the State harmless for such leases."

**Recommendation:**

HRC should amend its current lease agreement to include the "Hold Harmless Clause" as required by the state contract.

**Finding 12: Medi-Cal Provider Agreement Forms**

The review of 39 vendor files from the Transportation and Residential programs revealed four files with either a missing or an improperly completed Medi-Cal Provider Agreement form. One Transportation file had a missing Medi-Cal Provider Agreement form and 3 Residential files had a Medi-Cal Provider Agreement form with multiple vendor numbers and/or service codes. (See Attachment H.)

Title 17, Section 54326(a) states:

"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)."

In addition, all required forms shall be properly completed and filed in the vendor file.

**Recommendation:**

HRC should establish procedures to ensure there is a complete Medi-Cal Provider Agreement form on file for every vendor providing services to the consumer. HRC should establish a verification procedure to ensure that forms are complete and in compliance with the Title 17 requirement.

II. The following findings were identified during the audit, but have since been addressed and corrected by HRC.

**Finding 13: Equipment – Missing Property Survey Report Form**

The review of a sample of 50 items which comprise of equipment valued \$5000 or more, and sensitive equipment from the list provided by HRC revealed six disposed items that could not be supported. Two printers, two desktop computers, one laptop computer, and a television were disposed. However, HRC could not provide the form Property Survey Report (Std. 152) to support the disposition of the equipment.

Article IV, Section 4a of the contract between DDS and HRC states:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. 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 State of California property.”

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

RCs shall work directly with their regional Department of General Services’ (DGS) office to properly dispose of state-owned equipment. RCs will complete a Property Survey Report (Std. 152) for all state-owned equipment subject to disposal.”

HRC has taken corrective action to resolve this issue by completing and providing the Std.152 forms for equipment items that were surveyed.

**Recommendation:**

HRC should develop policies and procedures to ensure compliance to the State’s Equipment Management System Guidelines as required by HRC’s contract with DDS. The policies and procedures should include the completion and filing of all required forms with DDS.

**Finding 14: Uniform Fiscal System (UFS) Reconciliations – Lack of Signatures and Dates**

The review of UFS reconciliations revealed that the reconciliations did not have signatures and dates by the preparer and reviewer. HRC was unaware that completed UFS reconciliations need to be signed and dated by both the preparer and reviewer.

For good accounting and internal control practices, all reconciliations should contain the identification of the preparer, the date prepared, and the signature and date of the reviewer. This will document that the reconciliations were prepared and reviewed on a timely basis.

HRC corrected this issue by providing its latest monthly UFS reconciliation with revisions to the form that provide space for the signature and date.

**Recommendation:**

HRC should continue to monitor the preparation of the UFS reconciliations to ensure that there are signatures and dates from the preparer and reviewer.

## EVALUATION OF RESPONSE

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As part of the audit report process, HRC is provided with a draft report and is requested to provide a response to each finding. HRC's response dated September 15, 2008, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section and a summary of the findings in the Executive Summary section.

DDS's 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's Audit Branch will confirm HRC's corrective actions identified in the response during the follow-up review of the next scheduled audit.

### **Finding 1: Over/Under-Stated Claims (Repeat)**

HRC has submitted some supporting documentation with its response to show that progress is being made to correct the over and underpayments identified in the audit. Based on the information provided by HRC, DDS Audits has reviewed the documentation in detail to determine if each of the identified amounts in Attachment A of the DDS draft report has been corrected and/or resolved by HRC. (See Attachment I.)

It was found that HRC disagreed with 14 instances of overpayments totaling \$3,960.71 made to some vendors. HRC stated that these payments were made to wrong authorizations and would need to be reclassified. Though these payments were found to have been applied to wrong authorizations, HRC has yet to take corrective action and reclassify the amounts to the appropriate authorizations to ensure the vendor payment history correctly reflects the service dates.

For 49 instances of overpayments totaling \$60,729.63, HRC agrees in its response that these payments were due to either duplicates payments and/or overlapping authorizations. HRC also states in its response that the amounts would not be collected from the vendors due to the fiscal years in which these payments were made are now closed. However, HRC has not provided evidence to support that overpayments in closed fiscal years cannot be collected. Therefore, HRC should request a total of \$60,729.63 overpaid from the vendors or deduct an equivalent of the amount from their current year budget and reimburse DDS for the over payment to the vendors.

For 12 instances of overpayments totaling \$3,249.06, HRC states in its response that these overpayments were due to rate increases. However, HRC did not provide any supporting documentation to show that these increases were authorized by DDS. Therefore, HRC should reimburse to DDS, the \$3,249.06 paid to the vendors as rate increases. In addition, it was noted that HRC had not

reimbursed one vendor a total of \$51.18 for services that were provided, but was under billed to HRC.

For three instances of overpayments totaling \$1,490.05, DDS Audits has identified that HRC has corrected these instances of overpayments. In addition, it was found that an overpayment totaling \$126.02 was listed twice on the attachment. Therefore, this item has been resolved and HRC would not be required to take any corrective action.

For 22 overpayments to a consultant totaling \$20,682, no amendment was provided to support the additional hours paid by HRC. However HRC has provided an explanation as to the reasons the additional hours were needed and that policies have now been implemented to ensure proper tracking and authorization of contract hours. Therefore, based on the additional information, DDS's Audits considers this issue resolved and has revised the recommendation on the requirement of HRC to repay the overpayment.

A follow-up review will be performed in the next scheduled audit to determine if the over/underpayments have been resolved.

**Finding 2: Wellness Grant Not Encumbered**

HRC disagrees with DDS' recommendation that the amount of \$40,000 be reverted to DDS. HRC states in its response that the original vendor was unable to submit the project plan as expected which resulted in another vendor stepping in to complete the project under the terms of the grant, and that it also informed DDS's Wellness Section of the new vendor. However, though the project was completed under terms of the grant with the new vendor, HRC did not provide additional information to support this sequence of events. DDS' Wellness Section was not able to locate a request from HRC, or an approval that was granted from DDS allowing HRC to extend its deadline for encumbering the Wellness funds by June 30, 2002. Therefore, because the contract with HRC and Sandra Hammersmark was signed 18 months after June 30, 2002, the funds were not encumbered as per the contract requirements. This finding will remain unchanged and HRC should revert to DDS the \$40,000 of Wellness funds identified in this audit. A follow-up will be performed in the next scheduled audit to determine if the issue has been resolved.

**Finding 3: Deceased Consumers Files**

**A. Services Claimed for Deceased Consumers**

HRC has stated that it has collected \$120 of the \$845.77 identified in the audit report. For the remaining \$725.77, HRC has provided additional

information to support the reasons the identified payments were made after the dates of death of the consumers. DDS's Audits agrees with HRC on the explanations of the payments after the dates of death of the consumers. Therefore, based on the additional information provided in HRC's response, repayment of the \$725.77 would not be required from HRC. The recommendation in the final report was revised to reflect the additional information provided by HRC in resolving the payments after death.

**Finding 4: Consumer Trust Balances Over \$2,000**

HRC provided procedures to address and monitor the consumers' trust balances which, states that Counselors should prepare a spending plan when consumer trust balances are over \$1,000. However, HRC doesn't agree that the entire consumer trust balance be counted towards the resource limit set forth by the Social Security Administration (SSA). HRC states that "committed" funds should not be considered because these dollars are already accrued to be paid out as their share of cost to their residential provider and that no disagreements have arisen through SSA's audit review of HRC's consumer trust accounts. No documentation was provided by HRC in its response from SSA stating that this was an acceptable accounting of the consumers' trust dollars. In addition, based on Social Security Regulations, Section 2153.2, "...the applicable limits are: \$2,000 for an individual..." and which makes no mention of committed funds not being counted as part of the Supplemental Security Income benefit. Therefore, HRC should comply with its consumer trust procedures and continue to ensure that consumer trust account balances remain within the limits established by SSA. This finding is not resolved and will be reviewed in the next DDS audit.

**Finding 9: Lack of Signatory Authority (Repeat)**

HRC states that it has asked for guidance from the Social Security Office to confirm whether HRC has the authority to "assign representative payeeship" to DDS. However, this response to the issue was stated by HRC in the prior DDS audit report and with no resolution as of this current audit. Therefore, as stated in the prior DDS evaluation of HRC's response on this issue, HRC should comply with the DDS contract provisions for consumer trust accounts that are contained under Article III, Section 3. This requires the account to be in the name of the State and Contractor. This finding continues to be unresolved and will be reviewed in the next DDS audit.

**Finding 11: Missing "Hold Harmless" Clause (Repeat)**

HRC states in its response that its two leases were negotiated prior to the State contract requirements for a "Hold Harmless" clause. However, as stated in the prior DDS' audit report evaluation of HRC's response on this issue, the two leases

were signed in 2000 which is after the requirement to include this clause in the State contract. The requirement for a “Hold Harmless” clause is contained in the State contract with DDS that was entered into on July 1, 1999. Therefore, the requirement for the clause was in effect at the time the leases were negotiated by HRC. HRC should continue to pursue an amendment to its leases as required under Article VII (1) of the State contract. This finding continues to be unresolved and will be followed-up in the next DDS audit.



**Harbor Regional Center  
Over/Under-Stated Claims  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments
<b>Overpayment due to duplicate payments</b>							
1		H26168	Arroyo Developmental Serv	515	6283742	8/06	\$313.01
2		H17063	██████████	510	5246697	12/04	\$720.40
3		H07918	Employ America -SVS	510	6300141	5/06	\$1,012.60
4		H17291	Archway I	915	5291538	5/05	\$3,392.00
5		H26168	Arroyo Developmental Serv	515	6273998	11/06	\$313.01
6		H17260	██████████	915	6300242	1/06	\$1,904.00
7		H26168	Arroyo Developmental Serv	515	6261375	1/06	\$313.01
8		H17063	██████████	510	6301820	7/04	\$612.34
9		ZA8845	██████████	875	5271340	10/04	\$85.00
10		H06972	United Cerbral Palsy	505	5298486	10/06	\$581.13
11		H26168	Arroyo Developmental Serv	515	6288234	3/05	\$242.70
12		H26168	Arroyo Developmental Serv	515	6297358	5/06	\$313.01
13		H17068	Therapeutic Arts Program	510	5282765	4/05	\$229.75
14		HH0028	██████████	915	6308682	11/05	\$1,904.00
15		H32729	All People Access Communi	880	7318788	7/06	\$128.50
16		H26168	Arroyo Developmental Serv	515	6260870	5/05	\$242.70
17		H26168	Arroyo Developmental Serv	515	6265256	10/05	\$313.01
18		H26168	Arroyo Developmental Serv	515	6204510	4/05	\$172.39
19		H26168	Arroyo Developmental Serv	515	6295253	12/04	\$313.01
20		H17125	SVS CWAP2 Transportation	880	5281711	9/05	\$62.50
21		HH0911	██████████	915	6303200	6/06	\$4,132.00
22		H17125	SVS CWAP2 Transportation	880	6315924	7/04	\$240.00

**Harbor Regional Center  
Over/Under-Stated Claims  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments
23		H32729	All People Access Communi	880	7318798	10/04	\$128.50
24		H26168	Arroyo Developmental Serv	515	6285280	3/05	\$454.06
25		HH0076		915	6301130	3/06	\$5,009.00
26		H26168	Arroyo Developmental Serv	515	6299616	11/04	\$313.01
27		H32729	All People Access Communi	880	7226440	7/04	\$128.50
28		H32729	All People Access Communi	880	7259089	10/04	\$129.00
29		H32729	All People Access Communi	880	7226443	10/04	\$128.50
30		H17270		915	6315900	6/05	\$1,006.00
31		HX0025	Social Vocational Service	510	6302814	12/04	\$265.05
32		H66989		910	5281071	10/06	\$334.05
33		H17332		915	7258361	3/06	\$1,771.00
34		H26168	Arroyo Developmental Serv	515	6264605	3/05	\$172.39
35		H66860		915	7198442	6/05	\$519.60
36		H22945		880	7269152	6/05	\$112.20
37		HH0955		915	7604906	1/06	\$2,900.18
38		HH1038	Behavior Resources, Inc.	880	7320546	4/05	\$240.00
39		H32729	All People Access Communi	880	7207260	6/05	\$128.80
40		H26168	Arroyo Developmental Serv	515	6266744	1/06	\$172.39
41		H26168	Arroyo Developmental Serv	515	6258842	11/06	\$313.01
42		HH0987	Quality Residential Care	915	7320628	10/04	\$898.00
43		H32729	All People Access Communi	880	7302239	12/05	\$129.30
44		H17125	SVS CWAP2 Transportation	880	6315953	12/04	\$180.00

**Harbor Regional Center  
Over/Under-Stated Claims  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments
45		HX0025	Social Vocational Service	510	5282347	4/05	\$1,007.19
46		H17068	Therapeutic Arts Program	510	5146013	4/05	\$137.85
47		H32729	All People Access Communi	880	7142177	10/05	\$129.30
48		H66976	SVS - Long Beach	510	5281682	12/06	\$252.45
49		H17125	SVS CWAP2 Transportation	880	5281713	12/06	\$98.75
50		HH0911		915	7320622	5/06	\$5,159.00
51		H17259		915	5282732	1/06	\$198.00
52		H32729	All People Access Communi	880	7231026	1/05	\$129.30
<b>Total for duplicate payments</b>							<b>\$40,084.45</b>
<b>Overpayment due to overlapping authorizations</b>							
1		ZA8848		875	5285822	7/04-8/04	\$260.00
2		H73574	Quality Learning	515	5267253	7/04-8/04	\$252.04
3		H17470		915	6302652	8/05-12/05	\$10,640.80
4		H66917		915	5183186	4/05	\$2,129.00
5		ZA8857		875	5283581	7/04	\$44.00
6		H17410		915	6317864	6/06	\$1,389.00
7		HH0208		915	6284325	2/06-3/06	\$5,009.00
8		HH0166		915	7319580	7/06-6/07	\$4,574.00
9		H18844		515	5281212	7/04-9/04	\$378.48
10		H73574	Quality of Learning	515	5267253	7/04-8/04	\$126.02
11		HW0125	Westview Services, Inc	515	5283296	7/04-1/05	\$693.11
<b>Total for overlapping authorizations</b>							<b>\$25,495.45</b>

**Harbor Regional Center  
Over/Under-Stated Claims  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments
<b>Payments due to incorrect authorizations</b>							
1		H73566	California Behavior Ctr	880	6227840	4/05	\$349.60
2		H17341	Canyon Verde	505	7213379	10/06	\$685.36
3		HW0174		880	7324298	10/04	\$49.44
4		HH1102		915	7327607	12/06-6/07	\$916.00
<b>Total for incorrect authorizations</b>							<b>\$2,000.40</b>
<b>Overpayment due to attendance documentation not matching to days reported on invoice</b>							
1		H17341	Canyon Verde	505	07213379	12/06	\$1,054.40
2		H17341	Canyon Verde	505	04216518	1/04	\$51.18
3		H17341	Canyon Verde	505	04220108	1/04	\$102.36
4		H17341	Canyon Verde	505	04266396	1/04	\$51.18
5		H17341	Canyon Verde	505	04220109	1/04	\$51.18
6		H17341	Canyon Verde	505	05275487	9/04	\$153.54
7		H17341	Canyon Verde	505	05266396	6/05	\$51.18
8		H17341	Canyon Verde	505	05217953	6/05	\$51.18
9		H17341	Canyon Verde	505	04225126	10/03	\$102.36
10		H17341	Canyon Verde	505	05206687	9/04	\$51.18
11		H17341	Canyon Verde	505	06220499	8/05	\$51.18
12		HW0015	Morning Sky	515	04264596	8/03	\$204.25
<b>Total for attendance documentation not matching to days reported on invoice</b>							<b>\$1,975.17</b>

**Harbor Regional Center  
Over/Under-Stated Claims  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments
<b>Payments to consultant over the monthly contract amount</b>							
1		47335		097		6/03	\$342.00
2		47335		097		7/03	\$252.00
3		47335		097		8/03	\$306.00
4		47335		097		9/03	\$216.00
5		47335		097		10/03	\$684.00
6		47335		097		12/03	\$630.00
7		47335		097		2/04	\$792.00
8		47335		097		3/04	\$1,944.00
9		47335		097		4/04	\$1,656.00
10		47335		097		5/04	\$504.00
11		47335		097		6/04	\$1,656.00
12		47335		097		7/04	\$1,368.00
13		47335		097		8/04	\$1,656.00
14		47335		097		9/04	\$1,368.00
15		47335		097		10/04	\$792.00
16		47335		097		11/04	\$936.00
17		47335		097		1/05	\$1,260.00
18		47335		097		2/05	\$792.00
19		47335		097		3/05	\$216.00
20		47335		097		4/05	\$1,008.00
21		47335		097		6/05	\$1,080.00

**Harbor Regional Center  
Over/Under-Stated Claims  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments
22		47335		097		8/05	\$1,224.00
<b>Total for payments over the monthly contract amount</b>							<b>\$20,682.00</b>
<b>Grand Total for Overpayments to Day Program, Audit Indicators, and Consultant Contract</b>							<b>\$90,237.47</b>
<b>Underpayment to the day program</b>							
1		H17341	Canyon Verde	505	06222312	6/06	(\$51.18)
<b>Grand Total for Underpayment to the Day Program</b>							<b>(\$51.18)</b>

**Harbor Regional Center  
Services Claimed for Deceased Consumer  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	<b>Unique Client Identification Number</b>	<b>Vendor Number</b>	<b>Service Code</b>	<b>Date of Death</b>	<b>Service Month</b>	<b>Overpayment Amount</b>
1	██████████	PH0892	940	10/22/2006	11/06	\$120.00
					12/06	\$120.00
2	██████████	H66930	765	4/3/2006	8/06	\$605.76
<b>Total</b>						<u><u>\$845.76</u></u>

**Harbor Regional Center  
Multiple Dates of Death  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	<b>Unique Client Identification Number</b>	<b>Date of Death</b>
1	[REDACTED]	4/2/2006
		4/3/2006
2	[REDACTED]	5/14/2005
		5/17/2005
3	[REDACTED]	3/11/2004
		10/5/2004
4	[REDACTED]	3/22/2006
		2/18/2006



**Harbor Regional Center  
Consumer Trust Balances Over \$2,000  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		

**Harbor Regional Center  
Equipment Not State Tagged  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	<b>Item Description</b>	<b>Serial Number</b>
1	Xerox 21001 Black and White	RDT581852
2	Xerox Work Centre Pro 55	MRU16638

**Harbor Regional Center  
Transportation Vendors without Contracts  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	<b>Vendor Name</b>	<b>Vendor Number</b>	<b>Service Code</b>	<b>Fiscal Years</b>
1	Behavior Resources	HH1038	880	2006-07
2	South Bay-Trans	HH0039	880	2005-06
3	Westview Services	H66921	880	2003-04, 2004-05, 2005-06, 2006-07

**Harbor Regional Center  
Missing Attendance Documentation and Invoices  
Fiscal Years 2003-04, 2004-05, and 2005-06**

<b>Vendors Without Attendance Documentation</b>				
	<b>Vendor Name</b>	<b>Vendor Number</b>	<b>Service Months</b>	<b>Service Code</b>
1	ARC Long Beach	H00936	Sep-04, Mar-05, Jun-05, Jul-05, Aug-05	505
2	Art & Services	H19348	Sep-05	510
3	UCP -N Cnty Networks	H27265	Sep-05	510

<b>Vendors with Missing Invoices</b>				
	<b>Vendor Name</b>	<b>Vendor Number</b>	<b>Service Months</b>	<b>Service Code</b>
1		HH0662	Mar-05	910
2	Alliance Human Service	HH0884	Jun-06	910
3	Archway	H17292	Sep-05	920
4		HH0004	Sep-05, Jun-06	920
5	South Bay - Transporation	HH0039	Dec-05	880

<b>Vendor Missing Attendance Documentation and Invoices</b>				
	<b>Vendor Name</b>	<b>Vendor Number</b>	<b>Service Months</b>	<b>Service Code</b>
1	Cypress College	H13563	Jul-03, Aug-03, Jan-04	505

**Harbor Regional Center  
Medi-Cal Provider Agreement Forms  
Fiscal Years 2003-04, 2004-05, and 2005-06**

	Vendor Name	Vendor Number	Service Code	Comment
1		HH0117	915	1
2		HH0129	915	1
3		HH0237	915	1
4	Westview Services	H66921	880	2

**Legend:**

- 1 = Medi-Cal Provider Agreement form with multiple vendor numbers and/or service codes
- 2 = Missing Medi-Cal Provider Agreement form

**Harbor Regional Center**  
**Evaluation of the Over/Under-Statement Claims Response from HRC**  
**Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Comment
<b>Reclassify to Different Authorization</b>								
1		H26168	Arroyo Developmental Serv	515	6283742	7/05-8/05	\$313.01	1
2		H26168	Arroyo Developmental Serv	515	6273998	7/05-8/05	\$313.01	1
3		H26168	Arroyo Developmental Serv	515	6261375	7/05-8/05	\$313.01	1
4		H26168	Arroyo Developmental Serv	515	6288234	7/05-8/05	\$242.70	1
5		H26168	Arroyo Developmental Serv	515	6297358	7/05-8/05	\$313.01	1
6		H26168	Arroyo Developmental Serv	515	6260870	7/05-8/05	\$242.70	1
7		H26168	Arroyo Developmental Serv	515	6265256	7/05-8/05	\$313.01	1
8		H26168	Arroyo Developmental Serv	515	6241510	7/05-8/05	\$172.39	1
9		H26168	Arroyo Developmental Serv	515	6295253	7/05-8/05	\$313.01	1
10		H26168	Arroyo Developmental Serv	515	6285280	7/05-8/05	\$454.06	1
11		H26168	Arroyo Developmental Serv	515	6299616	7/05-8/05	\$313.01	1
12		H26168	Arroyo Developmental Serv	515	6264605	7/05-8/05	\$172.39	1
13		H26168	Arroyo Developmental Serv	515	6266744	7/05-8/05	\$172.39	1
14		H26168	Arroyo Developmental Serv	515	6258842	7/05-8/05	\$313.01	1
<b>Total Reclassified Amount</b>							<b>\$3,960.71</b>	

**Harbor Regional Center**  
**Evaluation of the Over/Under-Statement Claims Response from HRC**  
**Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Comment
<b>Overpayments to Closed Fiscal Years</b>								
1		H17063		510	5246697	5/05	\$720.40	2
2		H07918	Employ America -SVS	510	6300141	7/05	\$1,012.60	2
3		H17291	Archway I	915	5291538	1/05	\$3,392.00	2
4		H17260		915	6300242	7/05	\$1,904.00	2
5		H17063		510	6301820	7/05	\$612.34	2
6		ZA8845		875	5271340	1/05	\$85.00	2
7		H06972	United Cerbral Palsy	505	5298486	6/05	\$581.13	2
8		H17068	Therapeutic Arts Program	510	5282765	7/04	\$229.75	2
9		HH0028		915	6308682	12/05	\$1,904.00	2
10		H17125	SVS CWAP2 Transportation	880	5281711	7/04	\$62.50	2
11		HH0911		915	6303200	10/05	\$4,132.00	2
12		H17125	SVS CWAP2 Transportation	880	6315924	5/06	\$240.00	2
13		HH0076		915	6301130	7/05	\$5,009.00	2
14		H17270		915	6315900	5/06	\$1,006.00	2
15		HX0025	Social Vocational Service	510	6302814	8/05	\$265.05	2

**Harbor Regional Center**  
**Evaluation of the Over/Under-Statement Claims Response from HRC**  
**Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Comment
16		H17332		915	7258361	9/06	\$1,771.00	2
17		H66860		915	7198442	7/06	\$519.60	2
18		H22945		880	7269152	9/06	\$112.20	2
19		HH0955		915	6306817	10/05	\$2,900.18	2
20		HH0987	Quality Residential Care	915	7320628	7/06	\$898.00	2
21		H17125	SVS CWAP2 Transportation	880	6315953	5/06	\$180.00	2
22		HX0025	Social Vocational Service	510	5282347	7/04	\$1,007.19	2
23		H17068	Therapeutic Arts Program	510	5146013	12/04	\$137.85	2
24		H66976	SVS - Long Beach	510	5281682	7/04	\$252.45	2
25		H17125	SVS CWAP2 Transportation	880	5281713	7/04	\$98.75	2
26		HH0911		915	7320622	7/06	\$5,159.00	2
27		H17259		915	5282732	7/04	\$198.00	2
28		ZA8848		875	5285822	7/04-8/04	\$260.00	2
29		H73574	Quality Learning	515	5267253	7/04-8/04	\$252.04	2
30		H17470		915	6302652	8/05-9/05	\$10,640.80	2
31		H66917		915	5183186	4/05	\$2,129.00	2



**Harbor Regional Center**  
**Evaluation of the Over/Under-Statement Claims Response from HRC**  
**Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Comment
32		ZA8857		875	5283581	7/04	\$44.00	2
33		H17410		915	6317864	6/06	\$1,389.00	2
34		HH0208		915	6284325	2/06-3/06	\$5,009.00	2
35		HH0166		915	7319580	7/06-6/07	\$4,574.00	2
36		HW0125	Westview Services, Inc	515	5283296	7/04-8/05	\$693.11	2
37		HW0174		880	7324298	9/06	\$49.44	2
38		H17341	Canyon Verde	505	04216518	1/04	\$51.18	2
39		H17341	Canyon Verde	505	04220108	1/04	\$102.36	2
40		H17341	Canyon Verde	505	04266396	1/04	\$51.18	2
41		H17341	Canyon Verde	505	04220109	1/04	\$51.18	2
42		H17341	Canyon Verde	505	05275487	9/04	\$153.54	2
43		H17341	Canyon Verde	505	05266396	6/05	\$51.18	2
44		H17341	Canyon Verde	505	05217953	6/05	\$51.18	2
45		H17341	Canyon Verde	505	04225126	10/03	\$102.36	2
46		H17341	Canyon Verde	505	05206687	9/04	\$51.18	2
47		H18844		515	5281212	7/04-9/04	\$378.48	2

**Harbor Regional Center**  
**Evaluation of the Over/Under-Statement Claims Response from HRC**  
**Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Comment
48		H17341	Canyon Verde	505	06220499	8/05	\$51.18	2
49		HW0015		515	04264596	8/03	\$204.25	2
<b>Total Overpayment to Closed Fiscal Years</b>							<b>\$60,729.63</b>	
<b>Overpayments Due Rate Changes with No Documentation</b>								
1		H32729	All People Access Communi	880	7318788	7/06	\$128.50	3
2		H32729	All People Access Communi	880	7318789	7/06	\$128.50	3
3		H32729	All People Access Communi	880	7226440	7/06	\$128.50	3
4		H32729	All People Access Communi	880	7259089	7/06	\$129.00	3
5		H32729	All People Access Communi	880	7226443	7/06	\$128.50	3
6		H32729	All People Access Communi	880	7207260	7/06	\$128.80	3
7		H32729	All People Access Communi	880	7302239	7/06	\$129.30	3
8		H32729	All People Access Communi	880	7142177	7/06	\$129.30	3
9		H32729	All People Access Communi	880	7231026	7/06	\$129.30	3
10		H73566	California Behavior Ctr	880	6227840	9/05	\$349.60	3
11		H17341	Canyon Verde	505	7213379	12/06	\$685.36	3
12		H17341	Canyon Verde	505	07213379	12/06	\$1,054.40	3

**Harbor Regional Center  
 Evaluation of the Over/Under-Stated Claims Response from HRC  
 Fiscal Years 2003-04, 2004-05, and 2005-06**

Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Comment
<b>Total Overpayments Due to Rate Changes with No Documentation</b>							<b>\$3,249.06</b>
<b>Underpayment to Vendor</b>							
1		H17341	Canyon Verde	505	06222312	6/06	(\$51.18) 4
<b>Total Underpayment to Vendor</b>							<b>(\$51.18)</b>
<b>Grand Total of Unresolved Items</b>							<b>\$67,939.40</b>
<b>Duplicate Payments to Vendors</b>							
1		HH1102		915	7327607	12/06-6/07	\$916.00 5
2		HH1038	Behavior Resources, Inc.	880	7320546	7/06	\$240.00 5
3		H66989		910	5281071	7/04	\$334.05 5
<b>Total Duplicate Payments to Vendors</b>							<b>\$1,490.05</b>
<b>Duplicate Item</b>							
1		H73574	Quality of Learning	515	5267253	7/04-8/04	\$126.02 6
<b>Total Duplicate Item</b>							<b>\$126.02</b>
<b>Payments to Consultant Over the Contract Amount</b>							
1		47335		097		6/03	\$342.00 7
2		47335		097		7/03	\$252.00 7

**Harbor Regional Center**  
**Evaluation of the Over/Under-Stated Claims Response from HRC**  
**Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Comment
3		47335		097		8/03	\$306.00	7
4		47335		097		9/03	\$216.00	7
5		47335		097		10/03	\$684.00	7
6		47335		097		12/03	\$630.00	7
7		47335		097		2/04	\$792.00	7
8		47335		097		3/04	\$1,944.00	7
9		47335		097		4/04	\$1,656.00	7
10		47335		097		5/04	\$504.00	7
11		47335		097		6/04	\$1,656.00	7
12		47335		097		7/04	\$1,368.00	7
13		47335		097		8/04	\$1,656.00	7
14		47335		097		9/04	\$1,368.00	7
15		47335		097		10/04	\$792.00	7
16		47335		097		11/04	\$936.00	7
17		47335		097		1/05	\$1,260.00	7
18		47335		097		2/05	\$792.00	7

**Harbor Regional Center**  
**Evaluation of the Over/Under-Stated Claims Response from HRC**  
**Fiscal Years 2003-04, 2004-05, and 2005-06**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Comment
19		47335		097		3/05	\$216.00	7
20		47335		097		4/05	\$1,008.00	7
21		47335		097		6/05	\$1,080.00	7
22		47335		097		8/05	\$1,224.00	7
<b>Total Payments Over the Contract Amount</b>							\$20,682.00	
<b>Grand Total of Resolved Items</b>							<b>\$22,298.07</b>	
<b>Total of Over/Under Stated Claims from Attachment A of the DDS Audit Report</b>							<b>\$90,237.47</b>	

**Legend:**

- 1 Reclass to Different Authorizations - Issue Not Resolved
- 2 Overpayments to Closed Fiscal Year - Issue Not Resolved
- 3 Overpayments Due to Rate Increases with No Documentation - Issue Not Resolved
- 4 Underpayment to Vendor - Issue Not Resolved
- 5 Duplicate Payments - Issue Resolved
- 6 Item Recorded Twice - Issue Resolved
- 7 Payment Over the Contract Amount - Issue Resolved

**APPENDIX A**

**HARBOR REGIONAL CENTER**

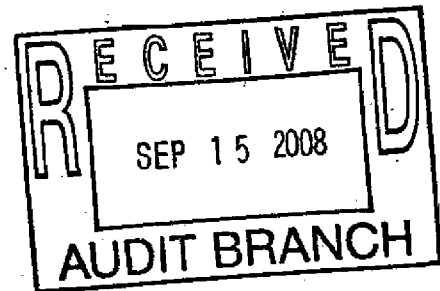
**RESPONSE**

**TO AUDIT FINDINGS**

**Certain documents provided by HRC as attachments to their response are not included in this report due to the detailed and sometimes confidential nature of the information.**



HARBOR  
REGIONAL  
CENTER



Department of Developmental Services

Draft Report of the  
Audit of the Harbor Regional Center

For Fiscal Years 2003-04, 2004-05, and 2005-06

Harbor Regional Center Response

**Harbor Regional Center  
Response to Findings and Recommendations  
September 2008**

1. The following findings need to be addressed, but not significantly impair the financial integrity of HRC or seriously compromise its ability to account for or manage State funds.

**Finding 1: Over/Under-Stated Claims (Repeat)**

A review of the HRC's Operational Indicator reports, Day Programs, and Consultant contracts revealed 102 instances in which HRC over or under claimed expenses to the State. There were 52 instances of overpayments totaling \$40,084.45 due to duplicate payments; 11 instances of overpayments totaling \$25,495.45 due to overlapping authorizations; four instances in which payments totaling \$2,000.40 were applied to incorrect authorizations; four instances which payments totaling \$1,975.17 due to attendance documentation not matching to the invoices; and 22 instances of payments over the contracted amount to a vendor totaling \$20,682.00. The remaining one instance is an underpayment totaling \$51.18 due to incorrect billed amounts for service days. The total overpayment was \$90,237.47 and total underpayment was \$51.18.

Title 17, Section 54326 (a) (10) states:

"All vendors shall...

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

In addition, for good business and internal control practices, HRC should generate and monitor the Operational Indicator reports periodically to detect and correct any overpayments that may have occurred in the course of doing business with its vendors.

**Recommendation:**

HRC should recover the improper overpayments from the respective vendors and reimburse DDS for the amount of \$90,237.47 overpaid to the vendors and make a payment of \$51.18 for the underpayment owed to the vendor. In addition, HRC should develop and implement procedures to ensure the staff is monitoring the operational indicator reports, attendance documentation, rate letter, and consultant contracts to more efficiently detect duplicate payments and correct any over/under payments that may have occurred in the course of doing business with the vendors.



**HRC Response:**

DDS Finding 1

Per DDS	Per HRC Agreed	HRC- Disagree/unless changed	Do not agree	Total HRC
40,084.45	22,490.00	12,139.99	5,454.46	40,084.45
25495.45	7007	17983.95	504.5	25495.45
2000.4	115.36	1885.04		2000.4
1975.17	920.77		1054.4	1975.17
20682			20682	20682
<b>90,237.47</b>	<b>30,533.13</b>	<b>32,008.98</b>	<b>27,695.36</b>	<b>90,237.47</b>

(51.18)

(51.18)

(51.18)

Collection/Payment in process	14463.8
FY Closed	43611.01
	<u>58074.81</u>

Item by item explanations have been provided, along with support in the binder provider along with this response. Our Fiscal Review Specialist is reviewing the indicator reports on a monthly basis to consider duplicate payments and to correct any over/under payments that may occur.

**Finding 2: Wellness Grant Not Encumbered**

The review of the Wellness Program revealed that HRC received a total of \$40,000.00 of Wellness funding for a project in FY 2001-02. The project was to conduct a minimum of seven train-the-trainer sessions for direct care instructors and supervisors of supported living service providers within the HRC service area provided by a contractor, Sandra Hammersmark. However, the contract with Sandra Hammersmark was not signed and dated by HRC and the Contractor prior to June 30, 2002, but rather on January 2004. In order to properly encumber funds for a contract, the contract must be final and signed by the contracting parties. Since the contract was not signed by June 30, 2002, no obligation existed to encumber the funds in FY 2001-02. As a result, the funds for this contact were not properly encumbered.

The State Contract, Article III, Section 4 states:

“Any funds which have been encumbered for services provided or purchased during the term of the contract shall revert to the State.”

In addition, the DDS award letter for this contract dated September 17, 2001 state:

“..., funding for all Wellness Initiative Project is approved, with the following stipulations:

- Funds must be encumbered or subcontracted by June 30, 2002 and expended by May 15, 2004.”

**Recommendation:**

HRC should revert to DDS the \$40,000 of Wellness funds because the contract was not signed and dated prior to the close of the fiscal year. HRC should also establish policies and procedures to ensure that contracts are properly signed and funds encumbered prior to the close of the fiscal year.

**HRC Response:**

HRC disagrees with this recommendation. We identified a provider on a timely basis who did not submit the project plan expected. We spoke to Eileen McCauley of DDS about identifying a new provider. Sandra Hammersmark agreed to step into the project, and she signed a contract in January of 2004. The Wellness Project, as approved by DDS, to provide “Wellness Medications Training for clients residing in supported living arrangement and service providers,” was completed under the terms of the grant, and expended within the time requirements.

**Finding 3: Deceased Consumers Files**

**A. Services Claimed for Deceased Consumers**

The review of the deceased consumer files identified two consumers where HRC paid for services after the death. One vendor PH0892 received payment for two months after the date of death while the other vendor H66930 received full board and care for a partial month stay in the facility. As a result, the vendors were overpaid \$845.76 for services that were not provided.

**Recommendation:**

Title 17, Section 54326 (a) states:

“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 should recover the improper payments from the vendors and reimburse to DDS the amount of \$845.77 that was paid for services not provided. In addition, HRC should develop policies and procedures to ensure that vendors are reimbursed only for services rendered.

**B. Multiple Dates of Death**

The review of the Uniform Fiscal System (UFS) Death Report identified four consumers with multiple dates of death recorded. In all of the instances there were two different dates of death. Payments were found to have been made beyond the actual date of death for two consumers. Refer to Finding 2 A for the two consumers identified with payment after the date of death. (See Attachment C.)

Article IV, 1(C) of the contract between DDS and HRC states in part:

“Contract shall make available accurate and complete UFS and/or CADDIS information to the state. Accordingly Contractor shall:

**Recommendation:**

Update changes to all mandatory items of the Client Master File at least annually except for the following elements, which must be updated within thirty (30) days of Contractor being aware of any of the following events:

- c) The death of a consumer;
- d) The change of address of a consumer; or
- e) The change of residence type of a consumer.”

In addition, for good internal controls and accounting practices, HRC should ensure the actual date of death is accurately recorded in UFS to avoid any potential payments after the death.

HRC should provide its staff with written procedures and training on the recording of deceased consumers in UFS. In addition, HRC should review all current deceased consumer files to ensure that only the actual date of death is recorded in UFS.

**HRC Response:**

Item A: We disagree with \$725.77 of the overpayment, and collected the remaining \$120. We included support showing collection, and why we disagree with the amount, in the binder we provided to DDS along with this response.

Item B: It should be noted we have Procedure 2437, which addresses Client Death, including closure of the client record, in place. We included a copy of this procedure in the binder we provided to DDS along with this response. This procedure includes recording the date of death in Sandis, which we believe is what DDS meant when referring to recording the date of death in UFS.

**Finding 4**

**Consumer Trust Balances over \$2,000**

The review of 45 Client Trust accounts revealed 13 trust balances exceeded the \$2,000 resource limit, a violation of Social Security guidelines. By exceeding the asset limit, consumers are at risk of losing Supplemental Security Income (SSI) benefits that are used to offset the costs of residential services. Any residential costs not offset by SSI benefits are charged in full to the State. Consequently, not managing the consumer's trust balances within the asset limit exposes the State to an increased share of residential service costs.

Social Security Regulations, Section 2153.2 states:

“As of January 2003, the applicable limits are:

A. \$2,000 for an individual with a spouse...”

**Recommendation:**

HRC should develop and implement procedures to monitor consumer trust accounts to ensure that the balances remain within the limits established by the Social Security Administration.

**HRC Response:**

We do have a procedure 1029, Monitoring of Personal and Incidental Funds for Clients for Whom HRC is Representative Payee, to address this process, which we included in our binder along with this response. We also included the explanations for the 13 exceptions as noted during fieldwork.

When looking at a client fund balance, HRC feels “committed” funds can't be considered. We treat these dollars as already “accrued” to be paid out as their share of cost to their residential provider. Accordingly, we can't spend that money on their behalf.

Social Security has not indicated in their audits they disagree with HRC's treatment of committed funds.

**Finding 5:**

**Equipment**

**A. Equipment Inventory**

HRC conducted a physical inventory. However, the individuals that performed the inventory count did not sign and date the worksheets used to take the physical inventory. The State Equipment management System Guidelines required that inventory worksheets be signed, dated and retained for audit.

Article IV, Section 4a of the contract between DDS and HRC 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 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.”

State Administrative Manual (SAM) section 8652 states in part:

“Departments will make a physical count of all property and reconcile with accounting records at least once every three years.”

**Recommendation:**

Departments are responsible for developing and carrying out an inventory plan which will include:

2(b) Worksheets use to take inventory will retained for audit and will show the date of the inventory and the name of the inventory taker.”

HRC should develop policies and procedures to ensure compliance with the State’s Equipment Management System Guidelines as required by its contract with DDS. The policies and procedures should include requirements to maintain documentation of the physical inventory with the date and name of the inventory taker.

**B. State Tagging of Equipment**

The sample review of the 50 equipment items revealed two copier machines that were not State tagged. (See Attachment E.)

Article IV, Section 4a of the contract between DDS and HRC 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 State of California property.”

The State’s Equipment Management System Guidelines, revised February 1, 2003 issued by DDS, Section III (C) states:

“All state-owned equipment must be promptly and clearly tagged as State of California, DDS’s property.”

**Recommendation:**

HRC should follow the State Equipment management Systems Guidelines, Section III (C) and ensure that all State-owned equipment is tagged as property of the State of California, prior to the distribution of use.

**HRC Response:**

Item A: We will review our equipment procedures and consider DDS’ recommendation.

Item B: The items were properly tagged. Please see support in the binder provided, under tab #5

**Finding 6: Missing Contracts (Repeat)**

The review of HRC’s Transportation vendor files revealed three vendors that did not have a contract on file. This issue also identified in the prior audit report. (See Attachment F.)

Title 17, Section 58524 (a) states:

“A contract for transportation service between a regional center and vendor shall be writing...” In addition, for good internal control practices, supporting documentation such as written contracts should be in place and with signatures of both parties. The written contracts should include the scope of services to be provided and the compensation that will be paid for the services. This is to ensure that there will be no misunderstanding regarding the agreement between the two parties.”

**Recommendation:**

HRC should develop and implement procedures to ensure all its Transportation vendors have written contracts on file to support amounts paid.

**HRC Response:**

We will review our procedures concerning transportation contract file maintenance. The missing contracts have been located and are in the binder to DDS along with this response.

**Finding 7: Missing Invoices and Attendance Documentation**

A total of 64 Residential, Transportation and Day Program vendor files were reviewed to ensure invoices were submitted and supported with attendance documentation. The review showed that HRC reimbursed nine vendors for services provided to consumers without either a turnaround invoice or attendance documentation attached to the turnaround invoices. (See Attachment G.)

Title 17, Section 50604 (d) states:

“All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include, but not be limited to:

(2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.

(3) A record of services provided to each consumer. The record shall include:

(C) For community-based day programs, the dates of service, place where service was provided, the start and end times of service provided to the consumer and the daily or hourly units of service provided.”

**Recommendation:**

HRC should develop and implement procedures to ensure turnaround invoices and attendance documentation are available for review before reimbursing vendors for services provided to the consumer. This will ensure HRC’s compliance with Title 17, Section 50604 (d).

**HRC Response:**

We have procedure 1052, Processing Provider of Care Claim Forms for Payment, in place and will review the procedure with our fiscal staff to improve future compliance.

**Finding 8: Bank Reconciliations**

**A. Late Monthly Bank Reconciliations**

The review of bank reconciliations revealed that HRC does not complete the reconciliations in a timely manner. The reconciliation of the bank accounts was up to six months late. HRC stated this was due to lack of personnel in performing this function. Due to the lack of timely bank reconciliations, this also affected the accuracy of the monthly UFS

reconciliations since there was no assurance that the General Ledger was in balance with the ending bank statements.

For good accounting and internal control practices, all monthly reconciliations should be completed in a timely manner. This will ensure that any errors or reconciling items are identified and researched.

**Recommendation:**

HRC should ensure all bank reconciliations be reconciled in a timely manner to ensure that any errors or reconciling items are identified, researched, and corrected. In addition, the position responsible for performing the monthly bank reconciliations is an integral part of the accounting function of HRC and cross-training of other employees within the unit should be done to ensure that monthly bank reconciliations are completed on a timely basis.

**B. Stale Dated Checks**

The review of HRC's bank reconciliation reports from City National Bank revealed outstanding stale dated check longer than six months. As of February 2007, HRC had outstanding stale dated checks totaling \$54,791.47.

Uniform Commercial Code, Article 4, Section 404 states:

"A bank is under no obligation to a customer having a checking account to pay a check other than a certified check, which is presented more than six months after its date, but may charge its customer's account for a payment made thereafter in good faith."

In addition, for good accounting and internal control practices, all stale dated checks should be reviewed. This will ensure that the stale dated checks are researched and the appropriate action taken to resolve this issue.

**Recommendation:**

HRC should develop and implement written policy and procedures for identifying and clearing outstanding checks that are greater than six months.

**HRC Response:**

Currently, HRC is reconciling all accounts on a timely basis. We have also created a procedure which will be used to cross train other employees within the department. The procedure also addresses stale dated checks.

While the formal bank reconciliations may have been delinquent in the past, it should be noted that HRC had many controls in place to protect against errors and fraud, short of collusion. We used a positive pay



banking control system and completed all the sub-schedules where errors would be caught, on a timely basis.

**Finding 9: Lack of Signatory Authority (Repeat)**

The review of the bank signature cards revealed that HRC's Client Trust Account lacked the required DDS signatory authority. This issue was also identified in the prior audit report.

State Contract, Article III, Section 3, (f) states in part:

"All bank accounts and any investment vehicles containing funds from this contract and used for regional center operations, employee salaries and benefits or for consumers' services and supports, shall be in the name of the State and Contractor."

Also, State Contract, Article III, Section 3 (g) states in part:

"For the bank accounts above referenced, there shall be prepared three (3) alternative signature cards with riders attached to each indicating their user."

**Recommendation:**

HRC should implement procedures to ensure that signatory authorization is given to both DDS and HRC signatories for all bank accounts that are identified as having State funds as required by the State Contract.

**HRC Response:**

We have asked our Social Security office for guidance to confirm we have the authority to "assign" our Representative Payeeship to the Department of Developmental Services. Once we have something in writing which supports this effective assignment, we will execute the bank cards for the Consumer Trust (Client Funds) bank account to include DDS on the appropriate level of cards.

**Finding 10: Vacation and Sick Time Recorded Incorrectly on Targeted Case Management Time Study Forms (DS 1916)**

The review of the Targeted Case Management Time (TCM) study revealed that for seven of the 15 sampled employees' vacation and sick hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM study forms (DS 1916). The difference between the employee timesheets and the TCM study forms were 27.5 hours. Though the difference did not have a significant impact on the TCM rate, hours recorded incorrectly in the TCM study can affect the TCM rate billed to the Federal government.

**Recommendation:**

HRC should implement policies and procedures to include a review of the employees' vacation and sick hours on the TCM study forms (DS1916). This would ensure that the hours reported for the TCM Time study is accurate.

**HRC Response:**

HRC will include a review of the employees' vacation and sick hours on the TCM study forms in the future.

**Finding 11: Missing Hold Harmless Clause (Repeat)**

The review of HRC's facility lease agreements with The Realty Associates Fund V of the Torrance office and Robert D. Harvey of the Long Beach office revealed that the two lease agreements did not include a "Hold Harmless Clause" as required by the State contract. The terms of the lease agreements are from January 1, 2001 through December 31, 2015. This issue was also identified in the prior audit report.

State Contract Article VII, (1) states:

"The contract shall include in all new leases or rental agreements for real property a clause that holds the State harmless for such leases."

**Recommendation:**

HRC should amend its current lease agreement to include the "Hold Harmless Clause" as required by the state contract.

**HRC Response:**

Our leases were negotiated before this requirement was added to the contract. Our landlords have been reluctant to renegotiate to add the additional clause. We will negotiate to include the hold harmless clause in the future.

**Finding 12: Medi-Cal Provider Agreement Forms**

The review of 39 vendor files from the Transportation and Residential programs revealed four files with either a missing or an improperly completed Medi-Cal Provider Agreement form. One Transportation file had a missing Medi-Cal Provider Agreement form and 3 Residential files had a Medi-Cal Provider Agreement form with multiple vendor numbers and/or service codes. (See Attachment H.)

Title 17, Section 54326(a) states:

"All vendors shall...

(16) Sign the Home and Community Based Service Provider Agreement (6/99), if applicable pursuant to Section 543 1, o(a) (10) (1), (d)

In addition, all required forms shall be properly completed and filed in the vendor file.

**Recommendation:**

HRC should establish procedures to ensure there is a complete Medi-Cal Provider Agreement form on file for every vendor providing services to the consumer. HRC should establish a verification procedure to ensure that forms are complete and in compliance with the Title 17 requirement.

**HRC Response:**

We will review our procedures concerning maintenance of Medi-Cal provider Agreements. For the forms noted, these were properly completed and available. The copies are included in the binder we provided to DDS along with this response.

**II. The following findings were identified during the audit, but have since been addressed and corrected by HRC.**

**Finding 13: Equipment—Missing Property Survey Report Form**

The review of a sample of 50 items which comprise of equipment valued \$5000 or over and sensitive equipment from the list provided by HRC revealed six disposed items that could not be supported. Two printers, two desktop computers, one laptop computer, and a television were disposed; however HRC could not provide the form Property Survey Report (Std. 152) to support the disposition of the equipment.

Article IV, Section 4a of the contract between DDS and HRC states:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. 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 State of California property.”

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

RCs shall work directly with their regional Department of General Services’ (DGS) office to properly dispose of state-owned equipment.

RCs will complete a Property Survey Report (Std. 152) for all state-owned equipment subject to disposal.”

**HRC has taken corrective action to resolve this issue by completing and providing the Std. 152 forms equipment items that were surveyed.**

**Recommendation:**

HRC should develop policies and procedures to ensure compliance to the State’s Equipment Management System Guidelines as required by HRC’s contract with DDS. The policies and procedures should include the completion and filing of all required forms with DDS.

**Finding 14: Uniform Fiscal System (UFS) Reconciliations—Lack of Signatures and Dates**

The review of UFS reconciliations revealed that the reconciliations did not have signatures and dates of the preparer and reviewer. HRC was unaware that completed UFS reconciliations need to be signed and dated by both the preparer and reviewer.

For good accounting and internal control practices, all reconciliations should contain the identification of the preparer; the date prepared the signature and date of the reviewer. This will document that their conciliations were prepared and reviewed on a timely basis.

**HRC corrected this issue by providing its latest monthly UFS reconciliation with revisions to the form that provides space for the signature and date of the preparer and reviewer.**

**Recommendation:**

HRC should continue to monitor the preparation of the UFS reconciliations to ensure that there are signatures and dates from the preparer and reviewer.