

**AUDIT OF THE
NORTH BAY REGIONAL CENTER
FOR FISCAL YEARS 2016-17 AND 2017-18**

Department of Developmental Services

December 6, 2019

This audit report was prepared by the
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TABLE OF CONTENTS

	Page
EXECUTIVE SUMMARY	1
BACKGROUND	3
AUTHORITY	4
CRITERIA	4
AUDIT PERIOD.....	4
OBJECTIVES, SCOPE, AND METHODOLOGY	5
I. Purchase of Service	6
II. Regional Center Operations.....	6
III. TCM and Regional Center Rate Study.....	7
IV. Service Coordinator Caseload Survey	7
V. Early Intervention Program (EIP; Part C Funding)	8
VI. Family Cost Participation Program (FCPP).....	8
VII. Annual Family Program Fee (AFPF).....	9
VIII. Parental Fee Program (PFP)	9
IX. Procurement	10
X. Statewide/Regional Center Median Rates	11
XI. Other Sources of Funding from DDS	12
XII. Follow-up Review on Prior DDS Audit Findings	12
CONCLUSIONS	14
VIEWS OF RESPONSIBLE OFFICIALS.....	15
RESTRICTED USE.....	16
FINDINGS AND RECOMMENDATIONS	17
EVALUATION OF RESPONSE	20
REGIONAL CENTER'S RESPONSE.....	Appendix A

EXECUTIVE SUMMARY

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

The audit period was July 1, 2016, through June 30, 2018, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where NBRC'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 NBRC's operations. A follow-up review was performed to ensure NBRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: Equipment Inventory

The review of the inventory process revealed that NBRC has not followed the State's Equipment Management System Guidelines issued by DDS. It was found that NBRC has not performed the required physical inventory in the last three years. In addition, NBRC has not been updating its current inventory listing when items were either purchased or surveyed.

Furthermore, the purchase dates, prices and descriptions for six items on the inventory listing were either missing or did not match the items listed. This is not in compliance with the State Contract, Article IV, Section 4(a); the State Equipment Management System Guidelines, section III (C), (D), (E) and (F); and the State Administrative Manual (SAM), Section 8652.

Finding 2: Duplicate Payments and Overlapping Authorizations

The review of the Operational Indicator Reports revealed 80 instances where NBRC over-claimed expenses to the State totaling \$221,041.38. These overpayments were due to duplicate payments and/or overlapping authorizations. This is not in compliance with CCR, Title 17, Section 54326(a)(10). However, NBRC recovered \$220,591.38 after the audit, leaving \$450.00 still outstanding.

Finding 3: Independent Audit Reports – Late Submission

NBRC did not submit to DDS the annual independent audit reports by the April 1st deadline for the past two fiscal years (FYs). This is not in compliance with W&I Code, Section 4639(a).

BACKGROUND

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

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

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

DDS and North Bay Developmental Disability Services, Inc., entered into contract HD149011, effective July 1, 2014, through June 30, 2021. This contract specifies that North Bay Developmental Disability Services, Inc. will operate an agency known as NBRC to provide services to individuals with DD and their families in Napa, Sonoma, and Solano Counties. The contract is funded by state and federal funds that are dependent upon NBRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at NBRC from August 27, 2018, through September 21, 2018, by the Audit Section of DDS.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was July 1, 2016, through June 30, 2018, with follow-up, as needed, into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

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

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

At the time of the audit, DDS could not review the annual CPA audit reports for Fiscal Years (FY) 2016-17 and 2017-18 because the reports had not been issued.

The audit procedures performed included the following:

I. Purchase of Service

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

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by NBRC. The rates charged for the services provided to individual consumers were reviewed to ensure compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and NBRC.
- DDS selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out of balance or if there were any outstanding items that were not reconciled.
- DDS analyzed all of NBRC's bank accounts to determine whether DDS had signatory authority, as required by the State Contract with DDS.
- DDS selected a sample of bank reconciliations for Operations (OPS) accounts and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

DDS selected a sample of OPS claims billed to DDS to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to ensure NBRC's accounting staff properly input data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, payroll ledgers, and other support documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.

- A sample of OPS expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17, and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed NBRC's policies and procedures for compliance with the DDS Conflict of Interest regulations, and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. TCM and Regional Center Rate Study

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

- Reviewed applicable TCM records and NBRC's Rate Study. DDS examined the months of April 2018 and traced the reported information to source documents.

IV. Service Coordinator Caseload Survey

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

- “(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:
- (1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.
 - (2) An average service coordinator-to-consumer ratio of 1 to 45 for all consumers who have moved from a developmental center to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 59 consumers for more than 60 days.
 - (3) Commencing January 1, 2004, the following coordinator-to-consumer ratios shall apply:
 - (A) All consumers three years of age and younger and for

consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, an average service coordinator-to-consumer ratio of 1 to 62.

- (B) All consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, an average service coordinator-to-consumer ratio of 1 to 62.
- (C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in subparagraph (A), an average service coordinator-to-consumer ratio of 1 to 66.”

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

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

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

VI. Family Cost Participation Program (FCPP)

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

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

EVALUATION OF RESPONSE

As part of the audit report process, NBRC was provided with a draft audit report and requested to provide a response to the findings. NBRC's response dated June 5, 2019, is provided as Appendix A.

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

Finding 1: Equipment Inventory

NBRC stated it has reviewed and modified its inventory tracking procedures to avoid repeat findings. In addition, NBRC indicated that it now follows the State Administrative Manual and conducted a comprehensive inventory in November 2018. NBRC stated that it reconciled its comprehensive inventory to the inventory asset listing in December 2018 and will have its employees submit a self-reporting inventory check list annually. Further, NBRC noted that it would conduct a comprehensive biennial inventory to ensure all inventory is accounted for and reconciled to the inventory asset listing. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 2: Duplicate Payments and Overlapping Authorizations

NBRC stated that it will reimburse the overpayment totaling \$450 upon receipt of the final report and invoice from DDS. It also indicated that it implemented procedures to prevent duplication of payments and overlapping authorizations. In addition, NBRC noted it now reviews the Operational Indicator Reports on a quarterly basis and maintains a copy of these reports for future audit purposes. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 3: Independent Audit Reports – Late Submission

NBRC stated that it has implemented procedures to ensure the independent audit reports are completed and submitted no later than October following the end of the fiscal year. NBRC indicated that since the audit fieldwork, it has scheduled, completed and submitted its FY 2017-18 independent audit report to DDS. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

APPENDIX A

NORTH BAY REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**



North Bay Regional Center

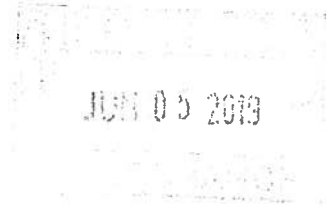
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June 5, 2019

Edward Yan, Manager, Audit Section
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Dear Mr. Yan:

This is in response to your letter dated May 24, 2019 regarding North Bay Regional Center's (NBRC) Fiscal Year 2016-2017 and 2017-2018 audit. We want to thank you and your staff for taking the opportunity to review the draft audit report and findings with our team this afternoon.

We have reviewed the draft audit report and accept the three (3) audit findings outlined in the report. In addition, we would like to provide some information on the steps and processes that have since been implemented to prevent these findings in future audits.

Finding 1: Equipment Inventory

NBRC acknowledges and accepts the finding. NBRC has reviewed and modified our inventory and tracking procedure to ensure this finding is not repeated. NBRC has implemented the recommendations provided by DDS, including following the State Administrative Manual (SAM). NBRC has completed the following:

- A comprehensive inventory review in November 2018.
- A reconciliation of the comprehensive inventory to the inventory asset program in December 2018.
- On an annual basis, NBRC staff submit a self-reporting inventory checklist to ensure that all inventory is accounted for.
- NBRC has scheduled a biennial comprehensive inventory to ensure all inventory is accounted for and reconciled to the inventory asset program.

Finding 2: Duplicate Payment and Overlapping Authorizations

NBRC acknowledges and accepts the finding. NBRC has implemented the following process to prevent the duplication of payment and/or overlapping authorizations:

- NBRC is reviewing the DDS Indicator reports on a quarterly basis to review for duplication of authorizations and duplication of payments.
- NBRC is also maintaining a copy of these reports for future audit purposes.
- NBRC accepts the \$450 overpayment and will reimburse DDS upon receipt of the invoice form.

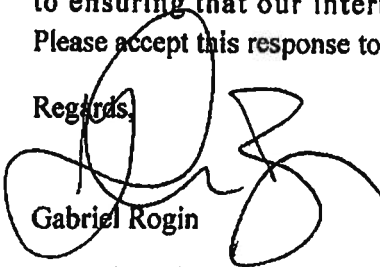
Finding 3: Independent Audit Report – Late Submission

NBRC acknowledges this finding. To ensure that NBRC has its reports submitted in a timely manner, the following has been implemented:

- NBRC scheduled, completed, and submitted its Fiscal Year 17/18 independent audit report by March 31, 2019.
- NBRC has also calendared future independent audits to be conducted no later than October following the end its fiscal year to prevent any delays.

These audit findings were reviewed carefully with our staff. Our internal policies and procedures were reviewed and modified to address all areas of concern noted in the audit findings. NBRC is committed to ensuring that our internal processes and procedures remain compliant with regulations. Please accept this response to the audit findings. Feel free to contact me if you have any questions.

Regards,



Gabriel Rogin

Executive Director, NBRC

Cc: Executive Team