North Bay Regional Center

AUDITED FINANCIAL STATEMENTS, OTHER
FINANCIAL INFORMATION AND REPORTS REQUIRED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
AND OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133

Years Ended June 30, 2013 and 2012

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LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center
Napa, California

Report on the Financial Statements

We have audited the accompanying financial statements of *North Bay Developmental Disabilities Services, Inc. dba North Bay Regional Center* (the Center), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary and Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying *Schedule of Expenditures of Federal Awards,* as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2014 on our consideration of the Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control over financial reporting and compliance.

Lautze & Lautze

San Francisco, California
August 4, 2014

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENTS OF FINANCIAL POSITION

	June 30, 2013	June 30, 2012
ASSETS		
Cash and cash equivalents	$ 1,999,358	$ 847,956
Cash - client trust funds	1,471,700	2,195,900
Contract receivable	33,434,281	37,151,534
Receivable from intermediate care facilities	11,162,550	9,294,360
Client trust funds receivable	256	-
Prepaid expenses	302,732	55,144
Deferred costs for accrued vacation and other leave benefits	728,075	682,873
Deposits	32,000	32,000
Total assets	$ 49,130,952	$ 50,259,767
LIABILITIES AND NET ASSETS (ACCUMULATED DEFICIT)		
Liabilities:		
Line of credit	$ 1,000,000	$ -
Accounts payable and accrued expenses	14,195,186	11,780,141
Contract advance	22,522,101	26,308,299
Payable to Department of Developmental Services	9,485,793	9,157,005
Accrued vacation and other leave benefits	728,075	682,873
Deferred income fee earned	162,738	137,355
Unexpended client trust funds	1,363,442	2,127,800
Total liabilities	49,457,335	50,193,473
Commitments and contingencies		
Unrestricted net assets (accumulated deficit)	(326,383)	66,294
Total liabilities and net assets	$ 49,130,952	$ 50,259,767

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENTS OF ACTIVITIES

	Years Ended June 30, 2013	2012
Revenue and support:		
Federal awards	$ 91,684,123	$ 82,188,902
Grants	57,551,431	58,157,762
Interest	53,190	63,193
Contributions	-	15,085
Other income	130,540	134,461
Total revenue and support	149,419,284	140,559,402
Expenses:		
Program services:		
Direct client services	144,719,098	136,298,081
Supporting services		
General and administrative	5,092,863	4,252,282
Total expenses	149,811,961	140,550,363
Change in net assets	(392,677)	9,039
Unrestricted net assets (accumulated deficit):		
Beginning of year	66,294	57,255
End of year	$ (326,383)	$ 66,294

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2013

	Program Services	Supporting Services	
	Direct Client Services	General and Administrative	Total Expenses
Salaries and related expenses:			
Salaries	$ 8,160,480	$ 1,254,404	$ 9,414,884
Employee health and other benefits	3,179,208	475,039	3,654,247
Total salaries and related expenses	11,339,688	1,729,443	13,069,131
Purchase of services:			
Other purchased services	70,840,747	-	70,840,747
Residential care facilities	31,192,974	-	31,192,974
Day programs	31,157,228	-	31,157,228
Occupancy	-	1,539,420	1,539,420
Professional fees	-	410,703	410,703
Misappropriation	-	385,000	385,000
Communication	-	233,506	233,506
Equipment rental	-	217,504	217,504
Travel	188,461	15,806	204,267
General office expenses	-	204,116	204,116
Insurance	-	90,404	90,404
Equipment maintenance	-	90,162	90,162
Bank service fees	-	52,202	52,202
Equipment purchases	-	34,526	34,526
Data processing	-	27,013	27,013
Security	-	19,993	19,993
Contract and consultant fees	-	19,105	19,105
Board expenses	-	14,695	14,695
Printing	-	6,376	6,376
Interest	-	2,889	2,889
	$ 144,719,098	$ 5,092,863	$ 149,811,961
	97%	3%	100%

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENTS OF FUNCTIONAL EXPENSES
Year Ended June 30, 2012

	Program Services	Supporting Services	
	Direct Client Services	General and Administrative	Total Expenses
Salaries and related expenses:			
Salaries	$ 8,354,780	$ 1,249,067	$ 9,603,847
Employee health and other benefits	3,251,610	451,581	3,703,191
Total salaries and related expenses	11,606,390	1,700,648	13,307,038
Purchase of services:			
Other purchased services	63,577,179	-	63,577,179
Residential care facilities	30,293,150	-	30,293,150
Day programs	30,618,866	-	30,618,866
Occupancy	-	1,472,357	1,472,357
Professional fees	-	147,853	147,853
Communication	-	183,316	183,316
Equipment rental	-	210,154	210,154
Travel	202,496	14,388	216,884
General office expenses	-	171,796	171,796
Insurance	-	83,967	83,967
Equipment maintenance	-	88,091	88,091
Bank service fees	-	58,980	58,980
Equipment purchases	-	35,676	35,676
Data processing	-	19,345	19,345
Security	-	19,421	19,421
Contract and consultant fees	-	1,958	1,958
Board expenses	-	36,870	36,870
Printing	-	7,462	7,462
	$ 136,298,081	$ 4,252,282	$ 140,550,363
	97%	3%	100%

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
STATEMENTS OF CASH FLOWS

	Years Ended June 30, 2013	2012
Cash flows from operating activities:		
Change in net assets	$ (392,677)	$ 9,039
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Misappropriation	385,000	-
(Increase) decrease in assets:		
Contract receivable	3,717,253	(12,959,422)
Receivable from intermediate care facilities	(1,868,190)	(9,294,360)
Client trust funds receivable	(256)	-
Prepaid expenses	(247,588)	10,251
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	2,030,045	808,535
Payable to Department of Developmental Services	328,788	9,157,005
Deferred income fee earned	25,383	137,355
Unexpended client trust funds	(764,358)	872,117
Net cash provided (used) by operating activities	3,213,400	(11,259,480)
Cash flows from financing activities:		
Proceeds on line of credit	4,500,000	-
Payment on line of credit	(3,500,000)	-
Proceeds from contract advance	31,809,199	25,279,890
Payment of contract advance	(35,595,397)	(21,334,127)
Net cash provided (used) by financing activities	(2,786,198)	3,945,763
Net increase (decrease) in cash and cash equivalents	427,202	(7,313,717)
Cash and cash equivalents:		
Beginning of year	3,043,856	10,357,573
End of year	$ 3,471,058	$ 3,043,856
Cash and cash equivalents	$ 1,999,358	$ 847,956
Cash - client trust funds	1,471,700	2,195,900
	$ 3,471,058	$ 3,043,856
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 2,889	$ -

See notes to financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose and Organization

North Bay Developmental Disabilities Services, Inc. dba North Bay Regional Center (the Center), was incorporated on April 16, 1970 as a California nonprofit corporation. The Center was organized in accordance with the provisions of the Lanterman Developmental Disabilities Services Act (the Act) of the Welfare and Institutions Code of the State of California. In accordance with the Act, the Center provides diagnostic evaluations, client program management and lifelong planning services for persons with developmental disabilities and their families. The Center is one of 21 regional centers within the State of California system and serves the counties of Napa, Solano, and Sonoma.

The Act includes governance provisions regarding the composition of the Center's Board of Directors (the Board). The Act states that the Board shall be comprised of individuals with demonstrated interest in, or knowledge of, developmental disabilities, and other relevant characteristics, and requires that a minimum of 50 percent of the governing board be persons with developmental disabilities or their parents or legal guardians; and that no less than 25 percent of the members of the governing board shall be persons with developmental disabilities. In addition, a member of a required advisory committee composed of persons representing the various categories of providers from which the Center purchases client services, shall serve as a member of the Center's Board. To comply with the Act, the Center's Board includes persons with developmental disabilities, or their parents or legal guardians, who receive services from the Center and a client service provider of the Center.

The Center's mission statement is as follows:

> The purpose of North Bay Regional Center is to assist people with developmental disabilities or at risk for developmental disabilities in the North Bay Area to obtain services and supports they need to live as other people live in the community.

The significant accounting policies which follow are presented to enhance the usefulness of the financial statements to the reader.

State of California Contract

The Center operates under an annual cost-reimbursement contract with the State of California Department of Developmental Services (the DDS) pursuant to the provisions of the Act. Maximum expenditures under the contract are limited to the contract amount plus interest earned. The Center is required to have the DDS approval for certain expenses. The Center is required to maintain accounting records in accordance with the Regional Center Fiscal Manual issued by the DDS. In the event of termination or nonrenewal of the contact, the State of California maintains the right to assume control of the Center's operation and the obligation of its liabilities.

Under the terms of these contracts, funded expenditures are not to exceed $144,515,309, $140,289,104 and $134,598,385 for the 2012/13, 2011/12 and 2010/11 contract years, respectively, and are subject to budget amendments. As of June 30, 2013, actual net expenditures under the 2012/13, 2011/12 and 2010/11 contracts were $130,525,517, $140,212,768 and $133,464,620, respectively.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The Center prepares its financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP), which involves the application of accrual accounting; consequently, revenues and gains are recognized when earned, and expenses and losses are recognized when incurred.

Classification of Net Assets

U.S. GAAP requires that the Center report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Accordingly, the net assets of the Center are classified and reported as described below:

Unrestricted: Those net assets and activities which represent expendable funds for operations related to the DDS contract.

Temporarily Restricted: Those net assets and activities which are donor-restricted for (a) support of specific operating activities; or (b) use in a specified future period.

Permanently Restricted: Those net assets and activities which are permanently donor-restricted for holdings of (a) assets donated with stipulations that they be used for a specified purpose, be preserved, and not be sold; or (b) assets donated with stipulations that they be invested to provide a permanent source of income.

As of June 30, 2013 and 2012 and for the years then ended, the Center did not have any temporarily or permanently restricted net assets or activities.

Unrestricted Net Assets

The unrestricted net asset group is comprised of the Operating Fund, Client Trust Funds, and Donation Fund.

Operating Fund:

These accounts are used to record primary activities of the Center which are carried out under the DDS contract. These accounts also record the activities of the Community Placement Plan (CPP) and federally-funded programs.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets (CONTINUED)

Client Trust Funds:

The Center serves as representative payee for a portion of its clients. In this fiduciary capacity, it receives social security benefits and other sources of income and makes payments on behalf of certain developmentally disabled clients who are deemed unable to administer the funds themselves. Client trust transactions are not considered revenue or expenses of the Center. The cash that is received and outstanding receivables, net of interfund liabilities, are reported as assets and a liability, *unexpended client trust funds*, until it is distributed.

Donation Fund:

The Donation Fund is used to record solicited and unsolicited support received by the Center for the benefit of its clients.

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Center considers all financial instruments with a maturity of three months or less when purchased, to be cash equivalents.

Contract and Other Receivables

The majority of the Center's receivables represents or relates to the cost-reimbursement contract with the DDS. Management believes that the receivables are fully collectible and, therefore, has not provided an allowance for doubtful accounts.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

State Equipment

Pursuant to the terms of the DDS contract, equipment purchases become the property of the State of California and, accordingly, are charged as expenses when incurred. The Center is required to track acquisitions of furniture and equipment with a cost or value in excess of $5,000 and with an estimated life beyond one year. For the years ended June 30, 2013 and 2012, equipment purchases totaled $34,526 and $35,676, respectively. The aggregate capitalized equipment costs at June 30, 2013 and 2012 totaled $337,656 and $408,986, respectively.

Accrued Vacation and Other Leave Benefits

The Center has accrued a liability for leave benefits earned. However, such benefits are reimbursed under the DDS contract only when actually paid. The Center has also recorded deferred costs for accrued vacation and other leave benefits to reflect the future reimbursement of such benefits.

Revenue Recognition

Revenue and expenses are recognized in the year the claim is filed with the DDS. Depending on the date of service, claims are classified and charged to the appropriate contract as follows:

- Current year
- Prior year
- Second prior year

Contributions

The Center recognizes all contributions in the year of receipt, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as unrestricted support. Contributions with donor-imposed restrictions are reported as temporarily restricted or permanently restricted support, depending upon the type of restriction.

The satisfaction of a donor-imposed restriction on a contribution is recognized in the period in which the restriction expires. This occurs by increasing one class of net assets and decreasing another in the statement of activities. These transactions are reported as *net assets released from restrictions* and are reported separately from other transactions.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Federal Grants

The Center is a sub-recipient to the DDS with regard to the following grants:

U.S. Department of Health and Human Services

The Medicaid Waiver grant provides funding for a broad range of medical assistance, which includes home and community based services, to certain persons of need as authorized by Title XIX of the Social Security Act of 1965. This grant also funds Targeted Case Management.

U.S. Department of Education

The Special Education Grants for Infants and Families with Disabilities provides funding for early intervention services for infants and toddlers, through 36 months of age, as authorized by Public Law 102-119.

Income Taxes

The Center is a qualified organization exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code (IRC) and franchise taxes under §23701d of the California Revenue and Taxation Code.

The Center has adopted the accounting standard on accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return and requires the affirmative evaluation that is more-likely-than-not, based on the technical merits of a tax position, that an organization is entitled to economic benefits resulting from tax positions taken in income tax returns. For tax-exempt entities, favorable tax status itself is deemed to be an uncertainty, as events could potentially occur to jeopardize their tax-exempt status. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit of that position is not recognized in the financial statements. This standard also requires organizations to disclose additional quantitative and qualitative information in their financial statements about uncertain tax positions.

The Center's evaluation on June 30, 2013 revealed no tax positions that would have a material impact on the financial statements. The 2009 through 2012 tax years remain subject to examination by the Internal Revenue Service. In addition, the 2008 through 2012 tax years remain subject to examination by the California Franchise Tax Board. The Center does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Concentrations of Risk

Credit Risk

Financial instruments, which potentially subject the Center to a concentration of credit risk, principally consist of cash and cash equivalents, contract receivables, and receivables from vendors. The Center invests cash in bank deposit accounts, which may at times, exceed the federally-insured limit. Through its contract with the DDS, the Center is reimbursed for its expenses. The ability of the DDS to honor its obligations and to continue funding is dependent upon the overall economic well-being of the State of California. Although the State of California is experiencing budgetary issues, the Center has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk.

Labor Force

The Center retains approximately 76 percent of its labor force through Social Services Union, Local 1021. This labor force is subject to collective bargaining agreements and, as such, renegotiation of such agreements could expose the Center to an increase in hourly costs and or work stoppages. The current agreement expired on September 30, 2012 and is being renegotiated currently. The Center has not experienced any disruptions in its service due to this concentration.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statements of activities and functional expenses by major programs. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on an analysis of personnel time and square footage occupied by each program.

Defined Benefit Pension Plan

The Center participates in a defined benefit pension plan covering all employees by becoming a member of California Public Employees' Retirement System (CalPERS). The CalPERS plan has characteristics of a multiemployer plan. Consistent with regional center and nonprofit industry reporting trends, the Center does not account for the funded status of this plan. However, certain actuarial information is disclosed in the financial statements.

The Center must have the actuarial report coinciding with the Center's year end, and include certain plan related disclosures in its financial statements. Currently, the actuarial report is one year in arrears. This lag in reporting is not in conformity with U.S. GAAP; however, this departure and the omitted disclosures are not material to the financial statements. The delay is due to the fact that there is a two year lag between the valuation date and the contribution fiscal year. This lag is necessary due to the amount of time needed to extract and test the membership and financial data, and due to the need to provide public agencies with their employer contribution rates well in advance of the start of the fiscal year.

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reclassification

Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the 2013 presentation. These reclassifications have no effect on the change in net assets.

2. CONTRACT RECEIVABLE

Contract receivable consists of the following at June 30:

	2013	2012
Current year	$ 33,338,543	$ 37,081,951
Prior year	95,738	69,583
	$ 33,434,281	$ 37,151,534

3. INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT

During the year ended June 30, 2011, various legislative changes were made to the California Welfare and Institutions Code retroactive to July 1, 2007, making Intermediate Care Facility (ICF) providers responsible for providing day treatment and transportation services; and ultimately, making such services eligible for reimbursement under California's Home and Community Based Services (HCBS) Program, which is funded by the Medicaid Waiver grant (Medicaid).

Previously, such services provided to the residents were not reimbursable by Medicaid because the funds were not directly billed and received by the ICFs. The legislative changes allow for the DDS to bill these services to Medicaid and capture federal funds.

During the years ended June 30, 2012 and 2011, DDS advanced the amounts billed to the ICFs. The ICFs are directed to remit to the Center the amount billed less its administration fee and the Quality Assurance fee, which it must remit to DHCS. After the Center receives the net payment from the ICFs, the Center is directed to remit the amount to DDS, net of its administration fee. DDS has instituted protocols should the ICFs not remit the net amounts due to the Center.

Effective July 1, 2012, DDS directed the Center to prepare billings for these services on behalf of the ICFs and submit a separate state claim report for these services in addition to paying the ICF directly for their services. The Center was directed to reduce the amount of their regular state claim to DDS by the dollar amount of these services. Reimbursement for these services will be received from the ICFs. DDS advances the amount according to the state claim to the ICFs. The ICFs are then required to pass on the payments received, as well as the Center's administrative fee to the Center within 30 days of receipt of funds from the State Controller's Office.

3. INTERMEDIATE CARE FACILITIES - STATE PLAN AMENDMENT (CONTINUED)

The Center's activity related to the above funding was as follows as of June 30:

	2013	2012
Beginning balance	$ 9,294,360	$ -
Total billed due from vendors	9,655,715	18,074,084
Amount remitted by vendors	(7,819,591)	(8,779,724)
2012-2013 administrative fee receivable	32,066	-
Total receivable from ICFs	$ 11,162,550	$ 9,294,360
Beginning balance	$ 9,157,005	$ -
Total billed due from DDS	4,943,097	9,157,005
Amount remitted by Center to DDS	(4,614,309)	-
Total payable to DDS	$ 9,485,793	$ 9,157,005
Deferred administrative fee	$ 162,738	$ 137,355

4. LINE OF CREDIT

During the year ended June 30, 2012, the Center had a $20,900,000 revolving line of credit agreement with Union Bank of California at the bank's reference rate of 3.25%, which expired on September 28, 2012. The line of credit was secured by substantially all assets of the Center. During the year ended June 30, 2013, the Center renewed the revolving line of credit with the amount of $21,400,000, which expired on October 15, 2013. The line of credit had an outstanding balance of $1,000,000 as of June 30, 2013.

5. DEFINED BENEFIT PENSION PLAN

The Center has adopted a defined benefit pension plan covering all employees by becoming a member of CalPERS. All employees are, immediately upon hire, enrolled in the pension plan. The Center and employees combined contribute 18.32% of the employees' gross salary to CalPERS. Participants with at least five years of service credits are fully vested. For the years ended June 30, 2013 and 2012, $1,065,574 and $1,122,951 were paid to CalPERS, respectively.

The Public Employees' Retirement Law (Part 3 of the California Government Code, §20000 et seq.) establishes benefit provisions for CalPERS. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The unfunded liability as of June 30, 2012, the most current actuarial valuation, is as follows:

Present value of projected benefits	$ 44,230,606
Less present value of future:	
Employer normal costs	(4,604,096)
Employee contributions	(4,948,811)
Entry age normal accrued liability	34,677,699
Actuarial value of assets	(27,671,030)
Unfunded liability	$ 7,006,669

A reconciliation of the actuarial value of assets over the prior year is as follows:

Beginning balance - June 30, 2011	$ 25,275,861
Receivables for service buybacks as of June 30, 2011	(32,864)
Actuarial value of assets as of June 30, 2011	25,242,997
Contributions:	
Employer	1,108,983
Employee	672,820
Benefit payments to retirees and beneficiaries	(955,768)
Refunds	(22,374)
Investment return	1,922,542
Transfers in/out and miscellaneous adjustments	(298,170)
Ending balance - June 30, 2012	$ 27,671,030

The significant actuarial assumptions as of June 30, 2011 are as follows:

Long-term inflation rate	2.75%
Payroll growth	3.00%
Expected long-term rate of return	7.50%

The contributions expected to be paid to the plan during the next fiscal year are $412,058.

5. DEFINED BENEFIT PENSION PLAN (CONTINUED)

The asset allocation as of June 30, 2012, the most current actuarial valuation, is as follows:

Asset Class	Current Allocation	Target Allocation
Public equity	48.30%	50.00%
Fixed income	18.20%	17.00%
Private equity	14.50%	14.00%
Real assets	10.60%	11.00%
Cash equivalents	3.20%	4.00%
Inflation assets	3.00%	4.00%
Absolute Return Strategy	2.20%	0.00%

The starting point and most important element of CalPERS' return on investment is the asset allocation or diversification among stocks, bonds, cash and other investments. Asset allocation is not an asset-only or liability-only decision. All factors, including liabilities, benefit payments, operating expenses, and employer and member contributions are taken into account in determining the appropriate asset allocation mix. The goal is to maximize returns at a prudent level of risk which presents an ever-changing balancing act between market volatility and long-term goals.

CalPERS follows a strategic asset allocation policy that identifies the percentage of funds to be invested in each asset class. The asset allocation of assets shown above reflects the values of the Public Employees Retirement Fund (the PERF) in its entirety as of June 30, 2012. The assets for the Center are part of the PERF and are invested accordingly.

For the year ending June 30, 2014, the actuarial computed employer and employee contribution rates will be 11.56% and 7.00%, respectively.

6. CONTRACT ADVANCE

The contract advance balance represents monies the DDS advances to the Center at the beginning of each fiscal year to provide interest-free working capital. The DDS uses its discretion in determining the balance on a month-to-month basis. If the DDS so chooses, the advance can be paid by offsetting claim reimbursements partially or in full.

7. UNEXPENDED CLIENT TRUST FUNDS

Included below is a summary of the activity as of June 30:

	2013	2012
Beginning balance	$ 2,127,500	$ 1,255,683
Client support received	15,000,223	16,026,544
Less residential care and other disbursements	(15,764,281)	(15,154,727)
Ending balance	$ 1,363,442	$ 2,127,500

8. OPERATING LEASES

The Center leases all of its facilities. Rent expense on these leases for the years ended June 30, 2013 and 2012 was $1,539,420 and $1,453,473, respectively. The Center also leases office equipment and the equipment rental expense for June 30, 2013 and 2012 was $217,504 and $210,154, respectively.

Future obligations on leases in effect at June 30 are as follows:

2014	$ 1,719,456
2015	1,751,458
2016	1,690,078
2017	511,937
2018	527,295
Thereafter	1,482,845
	$ 7,683,069

9. COMMITMENTS AND CONTINGENCIES

Litigation

The Center is currently a defendant in several litigious actions, in addition to threats of litigation arising out of the normal course of operations. The Center's management believes it has adequate defenses and insurance coverage for these actions and, thus, has made no provision in the financial statements for any costs relating to the settlement of such claims. These matters have been referred to the Center's attorneys and/or insurance carriers. In management's opinion, a material unfavorable outcome is remote.

9. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Misappropriation and Restitution

Subsequent to June 30, 2013, management discovered an embezzlement involving a former case worker which transpired during the time period of 2006 through 2012 that is estimated at $385,000. The embezzlement involves client trust funds for which the Center has a fiduciary duty to oversee. Accordingly, it is management's intent to financially restore the impacted clients. Once the embezzlement was discovered, management reported this incident to various authorities including, but not limited to, those charged with governance, Adult Protection Services, DDS, and the Santa Rosa Police Department (SRPD).

On the advice from the SRPD, management undertook an internal investigation to produce evidence and to quantify the loss by reviewing all available supporting documents. Because of the unavailability of certain records, losses prior to 2006 may exist but are not quantifiable. In management's opinion, the estimated loss is reasonable and the embezzlement is an isolated case.

The former employee suspected of the embezzlement was arrested and has pleaded no contest. The Center will seek restitution through a combination of actions including, but not limited to, restitution from the former employee and claims against financial institutions and the Center's insurance carrier covering employee dishonesty coverage.

At June 30, 2013 and for the year then ended, the Operating Fund includes the accrual for the loss of $385,000 and a payable to the Client Trust Fund. When the Center receives restitution, it will recognize income and will then use the proceeds to reimburse the impacted clients by transferring the funds to the Client Trust Fund. Because of the limitations on recognizing gain contingencies, the Operating Fund will recognize restitution as it is received. As a result, there is an unrestricted accumulated deficit as of June 30, 2013 and for the year then ended.

Funding

The majority of the Center's funding is provided under annual grants and contracts with federal and California agencies. If a significant reduction in the level of funding provided by these governmental agencies were to occur, it may have an effect on the Center's programs and activities.

The Center's contract with the DDS provides funding for services under the Act. In the event that the operations of the Center result in a deficit position at the end of the contract year, the DDS may reallocate surplus funds within the State of California system to supplement the Center's funding. Should a system-wide deficit occur, the DDS is required to report to the Governor of California and the appropriate fiscal committee of the State Legislature and recommend actions to secure additional funds or reduce expenditures. The DDS recommendations are subsequently reviewed by the Governor and the Legislature and a decision is made with regard to specific actions, including the possible suspension of the entitlement.

The Center's revenue, which is derived from restricted funding provided by government grants and contracts, is subject to audit by the governmental agencies. In accordance with the terms of the DDS contract, an audit may be performed by an authorized DDS representative. Should such an audit disclose any unallowable costs, the Center may be liable to the State of California for reimbursement of such costs. In the opinion of the Center's management, the effect of any disallowed costs would be immaterial to the financial statements as of June 30, 2013 and 2012, and for the years then ended.

10. SELF-INSURED UNEMPLOYMENT INSURANCE

The Center makes contributions to a Joint Unemployment Compensation Trust, to provide for funding the cost of reimbursing the State of California for unemployment benefits paid by the State to former employees who have terminated their employment. The Trust also carries stop-loss insurance to cover possible exposure of unusual employment claims.

11. SUBSEQUENT EVENTS

Also see Note 9, *Commitments and Contingencies*.

The Center has evaluated all subsequent events through August 4, 2014, the date the financial statements were available to be issued.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER

SUPPLEMENTARY FINANCIAL INFORMATION

Year Ended June 30, 2013

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2013

Federal Grantor/ Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Disbursements/ Expenditures	
Centers for Medicare and Medicaid Services of the U.S. Department of Health and Human Services passed-through the State of California Department of Developmental Services:				
▪ Medical Assistance Program (Medicaid; Title XIX)	93.778	HD099011	$ 86,215,242	*
▪ Targeted Case Management	93.778	HD099011	4,645,982	*
			90,861,224	
Office of Special Education and Rehabilitative Services of the U.S. Department of Education passed-through the State of California Department of Developmental Services:				
Early Intervention Services:				
▪ Special Education - Grants for Infants and Families	84.181	HD099011	822,899	
			$ 91,684,123	

* Major program.

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Center and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Goverments, and Non-Profit Organizations.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center
Napa, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of *North Bay Developmental Disabilities Services, Inc. dba North Bay Regional Center* (the Center), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings and Questioned Costs*, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as 2013-1 and 2013-2 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as 2013-3 to be a significant deficiency.

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings and Questioned Costs* as 2013-4

The Center's response to the findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Center's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

We noted certain matters that we reported to management of the Center in a separate letter dated August 4, 2014.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lautze & Lautze

San Francisco, California
August 4, 2014

LAUTZE & LAUTZE
CPAs & FINANCIAL ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center
Napa, California

Report on Compliance for Each Major Federal Program

We have audited *North Bay Developmental Disabilities Services, Inc. dba North Bay Regional Center's* (the Center) in compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the Center's major federal programs for the year ended June 30, 2013. The Center's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs.*

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Center's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Center's compliance.

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center

Opinion on Each Major Federal Program

In our opinion, the Center complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying *Schedule of Findings and Questioned Costs* as item 2013-4. Our opinion on each major federal program is not modified with respect to this matter.

The Center's response to the noncompliance findings identified in our audit is described in the accompanying *Schedule of Findings and Questioned Costs*. The Center's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the Center is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Center's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Center's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

To the Board of Directors
North Bay Developmental Disabilities Services, Inc.
dba North Bay Regional Center

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as item 2013-3, that we consider to be a significant deficiency.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Lautze & Lautze

San Francisco, California
August 4, 2014

NORTH BAY DEVELOPMENTAL
DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2013

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SECTION I - SUMMARY OF THE AUDITOR'S RESULTS

- Auditor's report on financial statements: Unmodified.
- Internal control over financial reporting:
  - Material weaknesses identified: Yes.
  - One significant deficiency disclosed during the audit of the financial statements is reported in Financial Statement Findings.
  - Noncompliance material to financial statements noted: No.
- Federal awards - internal control over major programs:
  - Auditor's report on compliance for major programs: Unmodified.
  - Material weaknesses identified: No.
  - Significant deficiencies identified that are not considered to be a material weakness: Yes.
  - Audit findings identified that are required to be reported in accordance with Section 510(a) of Circular A-133: Yes.
  - Major programs:

CFDA Number	Name of Federal Program
93.778	Medical Assistance Program (Medicaid; Title XIX)
93.778	Targeted Case Management

  - Dollar threshold used to distinguish between Type A and Type B programs: $2,750,523.
  - Auditee qualifies as low-risk: Yes.

SECTION II - FINANCIAL STATEMENT FINDINGS

- See 2013-1 through 2013-3 on pages 30 - 33.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

- See 2013-4 on pages 34 – 35.

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2013-1 RECONCILIATION OF BANK BALANCE TO THE GENERAL LEDGER

CONDITION

In reviewing the June 30, 2013 bank reconciliation we noted that the bank balance in the bank reconciliation did not agree to the cash balance in the general ledger. In addition, the prepaid expenses and the line of credit were also misstated.

CRITERIA

The bank balance should be reconciled to the general ledger monthly.

CAUSE

It is a lapse in the accounting procedures in reconciling to the general ledger. The condition is a result of the prior accounting manager leaving abruptly and not properly training the new accounting manager and management not reviewing the bank reconciliations to ensure that the balances agree to the general ledger.

EFFECT

In our review of the bank reconciliation, we noted that the cash balance and the line of credit balance were materially misstated.

RECOMMENDATION

The Center has a system in place to ensure that bank reconciliations are properly reconciled to the general ledger. Accordingly, we recommend that management review bank reconciliations on a regular basis and to ensure that the balances agree to the general ledger.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

We have implemented the recommendation.

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2013-2 CLIENT TRUST FUNDS

CONDITION

Check requests for client disbursement funds lacked internal controls necessary to prevent fraud.

CRITERIA

Internal controls should be in place to provide reasonable assurance that client disbursements are properly authorized, receipts are obtained and funds are distributed to the client directly instead of under the care of the Center.

CAUSE

The procedures in place were not followed and therefore were not effective at preventing fraud.

EFFECT

Because of the failure to monitor and implement effective internal controls, misappropriation of client funds occurred.

RECOMMENDATION

We recognize the Center is actively engaged in reforming policies and procedures. Those revisions include withholding funds for reimbursement until the proper documentation and receipts for purchases are obtained by the Center. We recommend the Center implement the revised policies and procedures. In addition to the changes of policies and that will be established, it is recommended that periodic internal audit investigations of client funds be incorporated into regular practice on a rotation basis.

FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2013-2 CLIENT TRUST FUNDS

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

Management has made significant revisions in reforming our policies and procedures related to its Representative Payee process. Management has taken remedial action to minimize and reasonably eliminate the risks identified in its procedures that may have contributed to the misappropriation. Some of the more significant revisions we have implemented include, but not limited to, the following:

- Withholding funds for reimbursement until the proper documentation and receipts for purchases are obtained.
- All check disbursements must be mailed directly to the client and may not be delivered by any other means.
- No employees of the Center are permitted to have access to client funds of any type except for the three employees responsible for disbursing trust funds.
- The Center has contracted with a third party administrator for the outsourcing of all the Representative Payee functions.

FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2013-3 VENDOR PAYMENTS

CONDITION

Payments made to vendors for supported living services are determined based on rates and schedules determined per client needs. The rates and schedules outline specific requirements for hours serviced based on the service tier applicable to the client. Oversight regarding whether those hours are met is not conducted.

CRITERIA

Internal controls should be in place that provide reasonable assurance that client needs are met based on the hours determined necessary and oversight that vendors are supplying those hours.

CAUSE

There are no procedures in place to provide oversight of vendors servicing clients for supported living services.

EFFECT

Because of the failure to provide oversight, vendors could be charging for services not provided.

RECOMMENDATION

We recommend that the Center institute timesheets for supervision and support provided to the clients by the vendors. The timesheets should list hours incurred by person to support the request for payment submitted to the Center.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

We have recognized that we need greater oversight of our SLS services and are currently revising our SLS protocols. We will include your recommendation for consideration as we finalize these. Our new protocols will be in place by November 1st when SLS contracts are renewed.

2013-4 DOCUMENTATION FOR MEDICAID WAIVER ELIGIBILITY

FEDERAL AWARD PROGRAM

Department of Health and Human Services

CFDA Number	Name of Federal Program
93.778	Medical Assistance Program (Medicaid; Title XIX)

CONDITION

In reviewing consumer files, we noted the following:

- Three consumers did not have an annual review completed for their IPPs.
- One consumer’s annual review was done 18 months from the previous review.
- One consumer’s DS 3770 was not signed by the QMRP.

CRITERIA

There are a number of requirements for a Medicaid waiver consumer file. Some of which are:

- If an Individual Program Plan (IPP) covers more than one year, an annual review should be done and signed.
- A Medicaid Waiver Eligibility form (DS 3770) should be signed by a Qualified Mental Retardation Professional (QMRP).

CAUSE

It is a lapse in the administration of client files. The conditions are a result of understaffing and a heavy work burden for the case workers.

EFFECT

The Center is in the process of obtaining the proper documentation for the Medicaid waiver consumer files.

QUESTIONED COST

There is no monetary effect of this finding.

2013-4 DOCUMENTATION FOR MEDICAID WAIVER ELIGIBILITY (CONTINUED)

CONTEXT

Based on our testing of 42 randomly selected consumer files from a population of 4,145, it came to our attention that some files were missing proper documentation that is required to determine consumer eligibility.

RECOMMENDATION

The Center has a system in place to ensure that all of the required documents are prepared, signed and filed in a timely manner. Accordingly, we recommend that management continue training on file requirements and promote unity of procedures between all the locations. Also, there needs to be continued monitoring and follow up on documentation missing in files.

VIEW OF RESPONSIBLE OFFICIALS AND PLANNED CORRECTIVE ACTIONS

We continue to provide regular training to staff on file requirements to ensure compliance and consistency throughout the agency. We have a Federal Revenues Unit that provides these trainings and also monitors files to ensure proper documentation.

NORTH BAY DEVELOPMENTAL DISABILITIES SERVICES, INC.
dba NORTH BAY REGIONAL CENTER
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
Year Ended June 30, 2013

There were no prior year findings or questioned costs.