



**AUDIT OF THE
NORTH BAY REGIONAL CENTER
FOR FISCAL YEARS 2010-11 AND 2011-12**

Department of Developmental Services

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EXECUTIVE SUMMARY

The Department of Developmental Services' (DDS) fiscal compliance audit of the North Bay Regional Center (NBRC) revealed that the NBRC was in compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, title 17), the California Welfare & Institutions (W&I) Code, the Home and Community-Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with DDS. The audit indicated that, overall, NBRC maintains accounting records and supporting documentation for transactions in an organized manner. This report identifies some areas where NBRC's administrative, 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.

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

I. Findings that need to be addressed.

Finding 1: Rate Increase After the Rate Freeze (Repeat)

The review of the 20 sampled Transportation vendor files and a follow-up review of the prior DDS audit report revealed that NBRC continued to reimburse its Transportation Broker, Connections for Life, vendor number PN0329, service code 883, at an increased rate. This rate increase was issued in December 2010, after the June 30, 2008, rate freeze was in effect. This resulted in an overpayment totaling \$46,091.56 from December 2010 to November 2011. This issue was noted in the prior audit report.

Finding 2: Conflict of Interest

The review of the consultant files revealed a NBRC employee who contracted with their spouse to provide operational services at a conference for NBRC. This is not in compliance with CCR, title 17, section 54528(c). This resulted in a payment totaling \$490.00.

Finding 3: Materiality Threshold Not Included in the Request for Proposal (RFP) Policy

A review of the RFP contracting policy revealed that NBRC's protocols did not include the applicable dollar thresholds as required by the State Contract, Article II, Section 2(b).

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

Finding 4: Overstated/Understated Claims

The sample review of 143 Purchase of Service (POS) vendor files revealed that NBRC did not apply the 1.25 percent payment reduction for 10 of its vendors. In addition, NBRC miscalculated the number of units paid to three vendors. This resulted in overpayments totaling \$11,458.56 and underpayments totaling \$808.68. This is not in compliance with Assembly Bill 104, Chapter 37, section 24, section 10(a) and CCR, title 17, section 54326(a)(10).

NBRC has taken corrective action by collecting the overpayments from the ten vendors and reimbursing the three vendors for the miscalculation in the units paid.

Finding 5: Home and Community-Based Services Provider Agreement Forms

The sample review of 143 POS vendor files revealed 10 HCBS Provider Agreement forms that were not properly completed by NBRC and nine vendors that did not have HCBS Provider Agreement forms on file. This is not in compliance with CCR, title 17, section 54326(a)(16).

NBRC has taken corrective action to comply with CCR, title 17, section 54326(a)(16), and provided DDS with copies of the missing and properly completed HCBS Provider Agreement forms.

Finding 6: Conflict Of Interest Statement for a Newly Appointed Board Member Not Completed Within 30 Days

A review of NBRC's Board member files revealed that a newly appointed Board member did not have a conflict of interest (COI) statement on file. This statement is to be completed by each member within 30 days of being appointed to the Board. This is not in compliance with W&I Code, section 4626(f).

NBRC has taken corrective action and provided DDS with a COI statement for the Board member.

BACKGROUND

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

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

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

DDS and North Bay Developmental Disabilities Services, Inc., entered into a contract, HD099011, effective July 1, 2009, through June 30, 2016. The contract specifies that North Bay Developmental Disabilities Services, Inc., will operate an agency known as the North Bay Regional Center (NBRC) to provide services to persons with DD and their families in the 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 September 10, 2012, through October 5, 2012, and was conducted by DDS' Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was July 1, 2010, through June 30, 2012, with follow-up as needed into prior and subsequent periods.

OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

The audit was conducted in accordance with Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of 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 Lanterman Act, CCR, title 17, HCBS Waiver for the Developmentally Disabled, and the State Contract.

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.

DDS reviewed the annual audit report that was conducted by an independent accounting firm for fiscal year (FY) 2010-11, issued on October 19, 2011. In addition, DDS noted no management letter issued for NBRC. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

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

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by the NBRC. The rates charged for the services provided to individual consumers were reviewed to ensure that the rates paid were set in accordance with the provisions of CCR, title 17 and the W&I Code of Regulations.
- DDS selected a sample of individual consumer trust accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000 as prohibited by the Social Security Administration (SSA). In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the SSA in a timely manner. An interview with NBRC staff revealed that NBRC 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.
- 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 contract with DDS.

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

II. Regional Center Operations

DDS audited NBRC's operations and conducted tests to determine compliance with the State Contract. The tests included various expenditures claimed for administration to ensure that NBRC's accounting staff is properly inputting data, transactions were recorded on a timely basis, and to ensure that expenditures charged to various operating areas are 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 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. Targeted Case Management and Regional Center Rate Study

The Targeted Case Management (TCM) Rate Study is the study that determines the DDS rate of reimbursement from the Federal Government. The following procedure was performed upon the study:

- Reviewed applicable TCM records and NBRC's Rate Study. DDS examined the month of June 2011 and traced the reported information to source documents.

The last Case Management Time Study was performed in May 2010, which was reviewed in the prior DDS audit that included fiscal year 2009-10. As a result, there was no Case Management Time Study to review for this audit period.

IV. Service Coordinator Caseload Survey

Under W&I Code, section 4640.6(e), regional centers are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code, section 4640.6(c)(3):

- A. For all consumers that are three years of age and younger and for consumers enrolled in the Waiver, the required average ratio shall be 1:62.
- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived continuously in the community for at least 12 months, the required average ratio shall be 1:62. The required average ratio shall be 1:45 for consumers who have moved within the first year.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66. The 1:66 ratio was lifted in February 2009, upon imposition of the 3 percent operations reduction to regional centers as required per W&I Code, section 4640.6(i) and (j). The ratio continued to be lifted from July 2010 until July 2013 with imposition of the subsequent 4.25 percent and 1.25 percent payment reductions.

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

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program

The Family Cost Participation Program (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). To determine whether NBRC is in compliance with CCR, title 17 and the W&I Code, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care and camping services, for ages 0 through 17 who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents' income documentation to verify their level of participation based on the Family Cost Participation Schedule.
- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days.
- Reviewed vendor payments to verify that NBRC is paying for only its assessed share of cost.

VII. Procurement

The Request for Proposal (RFP) process was implemented to ensure regional centers outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires regional centers to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, regional centers will ensure that the most cost effective service providers, amongst comparable service providers, are selected as required by the Lanterman Act and the State Contract as amended.

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

- Reviewed the NBRC contracting process to ensure the existence of a Board approved procurement policy, and to verify that the RFP process ensures competitive bidding as required by Article II of the State Contract as amended.
- Reviewed the RFP contracting policy to determine whether the protocols in place included applicable dollar thresholds and complied with Article II of the State Contract as amended.
- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded and authorized by appropriate officials at NBRC. The process was reviewed to ensure that the vendor selection process is transparent, impartial, and avoids the appearance of favoritism. Additionally, DDS verified that supporting documentation is retained for the selection process and in instances where a vendor with a higher bid is selected, there is written documentation retained as justification for such a selection.

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

- Selected a sample of Operational, Start-Up and negotiated POS contracts subject to competitive bidding to ensure NBRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that NBRC has adequate and detailed documentation for the selection and evaluation process of vendor proposals, written justification for final vendor selection decisions, and that those contracts were properly signed and executed by both parties to the contract.

In addition, DDS performed the following procedures to determine compliance with the W&I Code, section 4625.5 for new contracts in place as of March 2011:

- Reviewed to ensure NBRC has a written policy requiring the Board to review and approve any of its contracts of two hundred fifty thousand dollars (\$250,000) or more, before entering into a contract with the vendor.
- Reviewed NBRC's Board approved POS, Start-Up and Operational vendor contracts over \$250,000 to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. Verified that the funds provided were specifically used to establish new or additional services to consumers and that the usage of funds is of direct benefit to consumers, and that contracts are supported with sufficiently detailed and measurable performance expectations and results.

The process above was conducted in order to assess NBRC's current RFP process and Board approval of contracts over \$250,000 as well as to determine whether the process in place satisfies the W&I Code and NBRC's State Contract requirements as amended.

VIII. Statewide/Regional Center Median Rates

The Statewide or Regional Center Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure regional centers are not negotiating rates higher than the set median rates for services. Despite the median rate requirement, rate increases could be obtained from DDS under health and safety exemptions where regional centers demonstrate the exemption is necessary for the health and safety of the consumers.

To determine whether NBRC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether NBRC is using appropriately vendorized service providers, have correct service codes, and that NBRC is

paying authorized contract rates and complying with the median rate requirements of the W&I Code, section 4691.9.

- Reviewed vendor contracts to verify that NBRC is reimbursing vendors using authorized contract median rates, and verified that rates paid represented the lower of the statewide or regional center median rate set after June 30, 2008. Additionally, DDS verified that providers vendorized before June 30, 2008, did not receive any unauthorized rate increases, except in situations where health and safety exemptions were granted by DDS.

IX. Other Sources of Funding from DDS

Regional centers may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure NBRC's accounting staff were inputting data properly, and that transactions were properly recorded and claimed. In addition, tests were performed to determine if the expenditures were reasonable and supported by documentation. The sources of funding from DDS identified in this audit are:

- Start-Up Funds, Community and Placement Program.
- Prevention Program.
- Mental Health Services Act (MHSA).
- First Five.

X. Follow-up Review on Prior DDS Audit Findings

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. DDS identified prior audit findings that were reported to NBRC and reviewed supporting documentation to determine the degree and completeness of NBRC's implementation of corrective actions. The review indicated a prior issue that has not been resolved by NBRC.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations Section, NBRC was in compliance with applicable sections of the CCR, title 17, the HCBS Waiver, and the State Contract with DDS for the audit period, July 1, 2010, through June 30, 2012.

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 NBRC has not taken appropriate corrective actions to resolve one prior audit issue.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued a draft report on May 16, 2013. The findings in the report were discussed at a formal exit conference with NBRC on May 30, 2013. At the exit conference, DDS stated it would incorporate the views of responsible officials in the final report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

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

I. Findings that need to be addressed.

Finding 1: Rate Increase After the Rate Freeze (Repeat)

A review of 20 sampled Transportation vendor files and a follow-up review of the prior DDS audit report revealed NBRC continued to reimburse its Transportation Broker, Connections for Life, vendor number PN0329, service code 883, at an increased rate. The rate increase to the broker was issued in December 2010, after the June 30, 2008, rate freeze was in effect. The contract rate increased from \$8,048.98 to \$12,367.71 per month. This resulted in an overpayment totaling \$46,091.56 from December 2010 to November 2011. This issue was noted in the prior DDS audit report. In its response to the prior DDS audit report, NBRC concurred with the finding and stated that it was not aware that the rate freeze applied to the transportation broker.

In February 2012, NBRC took corrective action to resolve the issue and stopped using Connections for Life as its broker. Also, NBRC provided DDS a letter it sent to Connections for Life requesting the overpayment. In addition, NBRC indicated that it is currently in the process of setting up a payment plan with the vendor in order to resolve this issue. (See Attachment.)

W&I Code, section 4648.4(b) states in pertinent part:

“(b) Notwithstanding any other provision of law or regulation, except for subdivision (a), no regional center may pay any provider of the following services or supports a rate that is greater than the rate that is in effect on or after June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008, or the regional center demonstrates that the approval is necessary to protect the consumer’s health or safety and the department has granted prior written authorization.”

Recommendation:

NBRC must reimburse DDS the overpayment totaling \$46,091.56. In addition, NBRC should ensure that any contracts renewed after June 30, 2008, are in compliance with the rate freeze requirement.

Finding 2: Conflict of Interest

The review of the consultant files revealed a NBRC employee who contracted with their spouse to provide audio technology services for a NBRC conference. This employee did not disclose nor file a COI statement until after the conference was completed. This resulted in a payment totaling \$490.00.

CCR, title 17, section 54528(c), states:

“Regional center employees, contractors, agents or consultants shall not make any contract which is financially beneficial to a family member of such person, unless the benefits associated with the contract are available to regional center consumers or their families generally.”

Recommendation:

NBRC should develop and implement policies to ensure that all present or potential conflicts of interest are properly reported and addressed.

Finding 3: Materiality Threshold Not Included in the Request for Proposal (RFP) Policy

A review of the RFP contracting policy revealed that NBRC’s protocols did not include the applicable dollar thresholds. NBRC stated a dollar threshold has been established, but has not been updated in its policy.

State Contract, Article II, section 2(b) states:

“Contractor shall institute a Board approved policy effective January 1, 2011, specifying the circumstances under which the regional center will issue requests for proposals to address a service need. This policy shall also address the applicable dollar thresholds for requiring the utilization of the request for proposals process; the request for proposal notification process; and, how submitted proposals will be evaluated and the applicant selected. Within 30 days of the effective date, Contractor shall post the Board approved policy on the regional center’s website.”

Recommendation:

NBRC should amend its RFP policy to ensure it includes the applicable dollar threshold as required by the State Contract, Article II, section 2(b).

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

Finding 4: Overstated/Understated Claims

The sample review of 143 POS vendor files revealed that NBRC over or underpaid 13 vendors for services provided. NBRC did not apply the additional 1.25 percent payment reduction that became effective on July 1, 2010, for 10 of its vendors. In addition, NBRC miscalculated the number of units paid to three of its vendors. This resulted in overpayments totaling \$11,458.56 and underpayments totaling \$808.68. NBRC stated this was due to an oversight on its part.

Assembly Bill 104, Chapter 37, section 24, section 10(a), states:

- “(a) Notwithstanding any other provision of law, in order to implement change in the level of funding for regional centers purchase of services, regional centers shall reduce payments for services and supports provided pursuant to Title 14 (commencing with Section 95000) of the Government Code and Division 4.1 (commencing with Section 4400) and Division 4.5 (commencing with Section 4500) of the Welfare and Institutions Code. From February 1, 2009, to June 30, 2010, inclusive, regional centers shall reduce all payments for these services and supports paid from purchase of service funds for services delivered on or after February 1, 2009, by 3 percent, and from July 1, 2010, to June 30, 2012, inclusive, by 4.25 percent unless the regional center demonstrates that a non-reduced payment is necessary to protect the health and safety of the individual for whom the services and supports are proposed to be purchased, and the State Department of Developmental Services has granted prior written approval.”

CCR, 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.”

NBRC has taken corrective action by collecting the overpayments from the ten vendors and paid the three vendors for the underpayments to comply with Assembly Bill 104, Chapter 37, section 24, section 10(a) and CCR, title 17, section 54326(a)(10).

Recommendation:

NBRC must review vendor payment invoices to ensure the additional 1.25 percent payment reduction that became effective on July 1, 2010, is applied correctly and ensure any payments that may have occurred in error in the course of doing business with its vendors are identified and corrected in a timely manner.

Finding 5: Home and Community-Based Services Provider Agreement Forms

The file review of 143 POS vendor files revealed that 10 HCBS Provider Agreement forms were not properly completed by NBRC and nine forms were missing. The improperly completed forms had incorrect or multiple service codes.

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

“(a) All vendors shall...

(16) Sign the Home and Community-Based Services Provider Agreement (6/99), if applicable pursuant to Section 54310...”

NBRC has taken corrective steps to comply with CCR, title 17, section 54326(a)(16), by providing DDS with the properly completed HCBS Provider Agreement forms.

Recommendation:

NBRC must continue to reinforce its procedures to ensure that all HCBS Provider Agreement forms are properly completed and on file for the auditors’ review.

Finding 6: Conflict Of Interest Statement for a Newly Appointed Board Member Not Completed Within 30 Days

The review of NBRC’s Board member files revealed that a newly appointed Board member whose term began in April 2012 did not have a COI statement on file. This statement is to be completed by each new member within 30 days of being appointed to the Board. NBRC stated this was an oversight and provided DDS with the Board member’s COI statement after the fieldwork.

W&I Code, section 4626(f) states:

“(f) Every new regional center governing board member and regional center executive director shall complete and file the conflict-of-interest statement described in subdivision (e) with his or her respective governing board within 30 days of being selected, appointed, or elected. Every new regional center employee referenced

in subdivision (e) and every current regional center employee referenced in subdivision (e) accepting a new position within the regional center shall complete and file the conflict-of-interest statement with his or her respective regional center within 30 days of assuming the position.”

As of December 2012, NBRC has taken corrective steps by having the Board member complete a COI statement.

Recommendation:

NBRC must reinforce its procedures in place to ensure newly appointed Board members complete a COI statement timely to comply with W&I Code, section 4626(f).

EVALUATION OF RESPONSE

As part of the audit report process, NBRC has been provided with a draft audit report and was requested to provide a response to each finding. NBRC's response dated June 24, 2013, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section as well as a summary of the findings in the Executive Summary section.

DDS' Audit Branch has evaluated NBRC's response. NBRC's response addressed the audit findings and provided reasonable assurance that corrective action would be taken to resolve the issues. During the follow-up review of the next scheduled audit, the DDS Audit Branch will confirm NBRC's corrective actions in their response to the draft audit report.

Finding 1: Rate Increase After the Rate Freeze (Repeat)

NBRC concurs with the finding and stated in its response that it will remit to DDS a payment totaling \$46,091.56. Within 30 days of receiving this report, NBRC must provide to DDS the status of the overpaid amount.

Finding 2: Conflict of Interest

NBRC concurs with the finding and will develop and implement policies to ensure that all present or potential conflicts of interest are properly reported and addressed. Within 30 days of receiving this report, NBRC must provide to DDS the implemented conflict of interest policies and procedures. A follow-up will be conducted during the next scheduled audit to determine if the implemented policies and procedures are being followed.

Finding 3: Materiality Threshold Not Included in the Request for Proposal (RFP) Policy

NBRC concurs with the finding and will amend its RFP policy to ensure it includes the applicable dollar threshold as required by the State Contract, Article II, section 2(b). Within 30 days of receiving this report, NBRC must provide DDS with a copy of the amended RFP policy indicating that this issue has been resolved.

**North Bay Regional Center
Rate Increase After the Rate Freeze (Repeat)
Fiscal Years 2010-11 and 2011-12**

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
1	PN0329	Connections For Life	883	Dec-10	\$4,318.73
2	PN0329	Connections For Life	883	Jan-11	\$4,318.73
3	PN0329	Connections For Life	883	Feb-11	\$4,318.73
Total Overpayment Due to Rate Increase					\$12,956.19

Current DDS Audit					
	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
1	PN0329	Connections For Life	883	Mar-11	\$4,422.45
2	PN0329	Connections For Life	883	Apr-11	\$4,422.45
3	PN0329	Connections For Life	883	May-11	\$4,422.45
4	PN0329	Connections For Life	883	Jun-11	\$4,422.45
5	PN0329	Connections For Life	883	Jul-11	\$4,422.45
6	PN0329	Connections For Life	883	Aug-11	\$2,755.78
7	PN0329	Connections For Life	883	Sep-11	\$2,755.78
8	PN0329	Connections For Life	883	Oct-11	\$2,755.78
9	PN0329	Connections For Life	883	Nov-11	\$2,755.78
Total Overpayment Due to Rate Increase					\$33,135.37

Total Overpayments Due to Rate Increase					\$46,091.56
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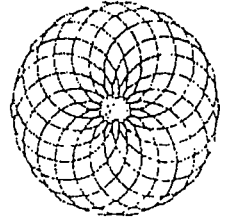
APPENDIX A

NORTH BAY REGIONAL CENTER.

**RESPONSE
TO AUDIT FINDINGS**

NORTH BAY REGIONAL CENTER

10 Executive Ct. • P.O. Box 3360 • Napa, CA 94558 • (707) 256-1100
TTY • (707) 252-0213



Bob Hamilton
Executive Director

June 24, 2013

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

Dear Mr. Yan:

NBRC has reviewed your findings of the audit of North Bay Regional Center (NBRC), Fiscal Years 2010-11, and 2011-12. We are accepting your findings. NBRC assumes we will pay you the \$46,091.56 when we are billed.

Sincerely,

A handwritten signature in black ink, appearing to read "Dave Johnson".

Dave Johnson
Chief Financial Officer
North Bay Regional Center

cc: Bob Hamilton, Executive Director,
NBRC Board of Directors