



**AUDIT OF THE
NORTH BAY REGIONAL CENTER
FOR FISCAL YEARS 2006-07 and 2007-08**

Department of Developmental Services

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EXECUTIVE SUMMARY

The fiscal compliance audit of North Bay Regional Center (NBRC) revealed that NBRC was in substantial compliance with the requirements set forth in California Code of Regulations Title 17, the California Welfare and Institutions (W&I) Code, the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract with the Department of Developmental Services (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 and operational controls could be strengthened, but none of the findings were of a nature that would indicate systemic issues or constitute major concerns regarding NBRC's operations.

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

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

Finding 1: Over/Under-Stated Claims

A review of the NBRC's Residential and Operational Indicator reports revealed 21 instances in which NBRC over or under claimed expenses to the State. The expenses were due to duplicate payments or proration errors for the service months. As a result, the total overpayment to vendors was \$36,453.08 and the total underpayment was \$1,626.88. This is not in compliance with Title 17, Section 54326(a)(10).

Finding 2: Missing Hold Harmless Clause (Repeat)

The review of NBRC's facility lease agreement with CW Roland/I.B. Miller for the Santa Rosa office did not include the "Hold Harmless" clause, as required by the State contract, Article VII,(1). This issue was identified in the prior audit. NBRC has stated that it has been working with the landlord to include this clause.

Finding 3: Equipment

A. State Tagging and Logging of New Acquisitions (Repeat)

NBRC is continuing to not be prompt with recording certain inventory including the tagging and logging of new equipment purchases that are sensitive or totaling over \$5,000. This is not in compliance with Article IV, Section 4, of the contract with DDS and the State's Equipment Management System Guidelines. This issue was identified in the prior audit.

B. Equipment Survey Form (Repeat)

NBRC has not been completing the required Form 152 for the surveying of equipment. This is not in compliance with the State's Equipment Management System Guidelines issued by DDS. This issue was identified in the prior audit.

Finding 4: Targeted Case Management Time Study – Recording of Attendance

The review of the Targeted Case Management (TCM) time study revealed that for 5 of the 11 sampled employees, vacation and sick leave hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM time study forms (DS 1916).

- II. The following finding was identified during the audit, but has since been addressed and corrected by NBRC.

Finding 5: Medi-Cal Provider Agreement Forms (Repeat)

The file review of Day, Transportation, and Residential program vendor files revealed that Medi-Cal Provider Agreement forms for seven vendors were found to be not properly completed by NBRC. The forms either were missing the service code and/or vendor number, or had multiple vendor numbers and/or multiple service codes. This is not in compliance with Title 17, Section 54326(a)(16). This issue was identified in the prior audit.

NBRC has taken corrective action in resolving this issue by providing DDS with the missing and incomplete Medi-Cal Provider Agreement forms before the end of fieldwork.

BACKGROUND

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

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

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

DDS and North Bay Developmental Disabilities Services, Inc., entered into contract, HD049011, effective July 1, 2004, through June 30, 2009. This contract specifies that North Bay Developmental 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 are 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 March 16, 2009, through April 24, 2009, and was conducted by DDS' Audit Branch.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

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

AUDIT PERIOD

The audit period was from July 1, 2006, through June 30, 2008, 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 to Title 17, California Code of Regulations (Title 17),
- To determine compliance to the provisions of the HCBS Waiver for the Developmentally Disabled, and
- To determine that costs claimed were in compliance to the provisions of the NBRC's contract with DDS.

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. We limited our scope to planning and performing audit procedures necessary to obtain reasonable assurance that NBRC was in compliance with the objectives identified above. Accordingly, we examined transactions, on a test basis, to determine whether NBRC was in compliance with Title 17, the HCBS Waiver for the Developmentally Disabled, and the contract with DDS.

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

We reviewed the annual audit report that was conducted by an independent accounting firm for fiscal years (FYs):

- FY 2006-07, issued November 20, 2007
- FY 2007-08, issued October 23, 2008

In addition, we reviewed the associated management letters that were issued by the independent accounting firm for FYs 2006-07 and 2007-08. This review was performed to determine the impact, if any, upon our audit and as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. **Purchase of Service**

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

- We tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- We selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by NBRC. The rates charged for the services provided to individuals were reviewed to ensure that the rates paid were set in accordance with the provisions of Title 17.
- We selected a sample of individual trust accounts to determine if there were any unusual activities and to determine if any individual account balances were not over \$2,000 resource limit as required by the Social Security Administration (SSA). In addition, we determined if any retroactive Social Security benefit payments received were not held longer than nine months. We also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the tenth of each month, and that proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, is not used by NBRC. 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.
- We selected a sample of Uniform Fiscal Systems (UFS) reconciliations to determine if any accounts were out-of-balance or if there were any outstanding reconciling items.
- We analyzed all of NBRC's bank accounts to determine if DDS had signatory authority as required by the contract with DDS.
- We selected a sample of bank reconciliations for Operations and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

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

- A sample of the personnel files, time sheets, payroll ledgers and other supporting documents was selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.
- A sample of operating expenses, including but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements was tested to determine compliance to Title 17 and the contract with DDS.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the contract with DDS.
- We reviewed NBRC's policies and procedures for compliance to the Title 17 Conflict of Interest requirements and selected a sample of personnel files to determine if the policies and procedures were followed.

III. Targeted Case Management and Regional Center Rate Study

The Targeted Case Management (TCM) rate study is the study that determines DDS's rate of reimbursement from the Federal Government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and NBRC's Rate Study. We examined the month of May 2007 and traced the reported information to source documents.
- Reviewed NBRC's Case Management Time Study. We selected a sample of payroll time sheets for this review and compared to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

IV. Service Coordinator Caseload Study

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

- A. For all consumers that are three years of age and younger and for consumers that are enrolled on the HCBS Waiver, the required average ratio shall be 1:62.
- B. For all consumers who have moved from a developmental center to the community since April 14, 1993, and have lived in the community continuously for at least 12 months, the required average ratio shall be 1:62.
- C. For all consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not covered under A above, the required average ratio shall be 1:66.

We also reviewed the Service Coordinator Caseload Survey methodology used in calculating the caseload ratio to determine reasonableness and that supporting documentation was maintained to support the survey and the ratios, as required by W&I Code, Section 4640.6

V. Early Intervention Program (Part C Funding)

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

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

VI. Family Cost Participation Program

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

- Reviewed the parents' income documentation to verify their level of participation based on the Family Cost Participation Schedule.
- Reviewed copies of the notification letters to verify the parents were notified of their assessed cost participation within 10 working days.
- Reviewed vendor payments to verify the regional center is paying for only its assessed share of cost.

VII. Other Sources of Funding

Regional centers may receive many other sources of funding. For the other sources of funding identified for NBRC, we performed sample tests to ensure that the accounting staff was 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 other sources of funding identified for this audit are:

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

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

As an essential part of the overall DDS monitoring system, a follow-up review of the prior DDS audit findings was conducted. We identified prior audit findings that were reported to NBRC and reviewed supporting documentation to determine the degree and completeness of NBRC's implementation of corrective actions.

CONCLUSIONS

Based upon the audit procedures performed, we have determined that except for the items identified in the Findings and Recommendations Section, NBRC was in substantial compliance to applicable sections of Title 17, the HCBS waiver, and the terms of the NBRC's contract with DDS for the audit period July 1, 2006, through June 30, 2008.

Except for those items described in the Findings and Recommendations Section, the costs claimed during the audit period were for program purposes and adequately supported.

From the review of prior audit issues, it has been determined that NBRC has taken appropriate corrective actions to resolve all prior audit issues, except for Findings 3, 4, and 8, which are included in the Findings and Recommendations Section.

VIEWS OF RESPONSIBLE OFFICIALS

We issued a draft report on May 4, 2010. The findings in the report were discussed at an exit conference with NBRC on May 10, 2010. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

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

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

Finding 1: Over/Under-Stated Claims

A review of NBRC's Residential and Operational Indicator reports revealed 21 instances in which NBRC over or under claimed expenses to the State. The expenses were due to either duplicate payments or proration errors for the service months. It was found that 19 of the 21 were overpayments due to duplicate payments, while the remaining 2 were underpayments due to proration errors. The total overpayment was \$36,453.08 to vendors and total underpayment totaling \$1,626.88. (See Attachment A.)

Title 17, Section 54326(a) states:

“All vendors shall...

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

Recommendation:

NBRC should reimburse to DDS the \$36,453.08 overpaid to the vendors and make payments of \$1,626.88 for the underpayments owed to the various vendors. In addition, NBRC should develop and implement procedures to ensure the staff is monitoring and aware of the operational indicator reports to more efficiently detect and correct any over/under payments that may have occurred in the course of doing business with the vendors.

Finding 2: Missing Hold Harmless Clause (Repeat)

The review of NBRC's facility lease agreement with CW Roland/I.B. Miller for the Santa Rosa office did not include a “Hold Harmless Clause” as required by the State contract. This issue was identified in the prior audit. NBRC has stated that it has been working with its landlord to include this clause in its lease agreement.

State Contract Article VII, (1) states:

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

Recommendation:

NBRC should continue to negotiate with its landlord to amend its current lease agreement to include the “Hold Harmless Clause” as required by the State contract.

Finding 3: Equipment

A. State Tagging and Logging of New Acquisitions (Repeat)

NBRC is continuing to not promptly tag and log new equipment purchases that are sensitive or over \$5,000 into the inventory listing. It was determined that the tagging and logging of new equipment purchases is not completed until the equipment is distributed, which may be several weeks or months after the receiving date. In addition, NBRC does not have procedures in place to ensure all newly acquired items are being promptly State tagged and logged in its inventory list. This issue was identified in the prior audit. NBRC has stated that it will be developing and implementing procedures as recommended by DDS.

Article IV, Section 4a of the contract between DDS and NBRC states in part:

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

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

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

Recommendation:

NBRC should comply with the prior DDS recommendation to develop and implement procedures to ensure that the State Equipment Management Systems Guidelines are met. These policies and procedures should include the promptness of State tagging and logging of all newly acquired equipment into NBRC’s inventory

B. Equipment Survey Form (Repeat)

NBRC has not been completing the required Form 152, Property Survey Report, for the surveying of equipment. This is required by the State's Equipment Management System Guidelines. This issue was identified in the prior audit. NBRC has stated that it will be developing and implementing procedures as recommended by DDS.

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

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

Recommendation:

NBRC should comply with the prior DDS recommendation to develop policies and procedures to ensure compliance to the State's Equipment Management System Guidelines as required by its contract with DDS. The policies and procedures should include requirements to complete and file all required forms with DDS.

Finding 4: Targeted Case Management Time Study – Recording of Attendance

The review of the Targeted Case Management (TCM) time study revealed 5 of the 11 sampled employees' vacation and sick leave hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM study forms (DS 1916). The difference between the employee timesheets and the TCM study forms was 10.5 hours. Though the difference did not have a significant impact on the TCM rate, hours recorded incorrectly in the TCM study can affect the TCM rate billed to the Federal Government.

For good business and internal control practices, vacation and sick time should be recorded correctly on the TCM study forms (DS 1916). Time recorded incorrectly may result in an incorrect calculation of the TCM rate, which could result in the requirement to return overpayments of the TCM rate to the Federal Government.

Recommendation:

NBRC should implement policies and procedures to ensure all employee timesheets are in agreement with the TCM time study forms (DS 1916).

II. The following finding was identified during the audit, but has since been addressed and corrected by NBRC

Finding 5: Medi-Cal Provider Agreement Forms (Repeat)

The review of 74 vendor files from the Day, Transportation, and Residential programs revealed seven files were missing or had an incomplete Medi-Cal Provider Agreement form. The Medi-Cal Provider Agreement forms were either missing the service code or vendor number, or had multiple vendor numbers and/or multiple service codes.

Title 17, Section 54326(a) states:

“All vendors shall...

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

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

NBRC has taken corrective action in resolving this issue by providing DDS with the missing and incomplete Medi-Cal Provider Agreement forms before the end of fieldwork.

Recommendation:

NBRC should continue to reinforce its procedures to ensure there is a complete Medi-Cal Provider Agreement form on file for every vendor providing services to the consumer.

EVALUATION OF RESPONSE

As part of the audit report process, NBRC is provided with a draft report and is requested to provide a response to each finding. NBRC's response dated June 2, 2010, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendation section and a summary of the findings in the Executive Summary section.

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

Finding 1: Over/Under-Stated Claims

NBRC states in their response that it agrees with the recommendation on the over and underpayments to the vendors. NBRC has submitted some supporting documentation with its response to show that progress is being made to correct the overpayments identified in the audit. DDS Audits has reviewed the documentation submitted to determine if each of the identified amounts in Attachment A of the DDS draft report has been corrected and/or resolved. In addition, NBRC indicated that new procedures and training for employees have been implemented to help eliminate over/underpayment problems in the future. It also affirmed that Operational Indicator reports are now utilized as a measure to help detect and correct any over/underpayments that may occur in the future. DDS will conduct a follow-up review in the next scheduled audit to ensure corrective actions have been taken to resolve the outstanding items identified in this finding.

DDS' evaluation of NBRC's response is separated into the categories below.

Overpayments Due to Duplicate Payments:

Our review of documentation provided by NBRC indicates that a total of \$7,672.06 out of \$30,033.10 overpayments due to duplicate payments has been recovered with \$22,361.04 remaining. NBRC states that of the \$22,361.04 remaining, \$17,203.94 will be recovered through scheduled monthly payments from the vendors.

Of the remaining outstanding amount of \$5,157.10, \$4,243 has been found to be from a vendor who is no longer providing services to NBRC as of May 2008. NBRC provided a letter notifying the vendor of the

overpayment, but has yet to receive a response. DDS recommends that NBRC continues to follow-up on this issue. For the amount of \$914.10, DDS agrees with NBRC that the amount was paid to the wrong authorization. Therefore, NBRC needs to ensure that this payment is adjusted and applied to the correct authorization to ensure the payment history for each authorization reflects correctly the total amount disbursed to the vendor for the services provided.

Overpayment Due to Proration Errors:

The review of documentation provided by NBRC indicates that there was a total of \$5,705.39 in overpayments due to proration errors. Out of the \$5,705.39 a total of \$4,767.09 has been recovered with \$930.61 still remaining. NBRC indicated this amount is deemed non-recoverable but did not provide any justification as to why this amount will not be recovered. Therefore, it continues to be DDS' recommendation that NBRC should recover the remaining \$930.61 or provide supporting documentation as the reason this amount is not recoverable.

Underpayments Due to Proration:

For two instances of underpayments due to proration errors totaling \$1,626.88, NBRC indicates these payments are not substantiated. The review of the documentation provided for the first instance, indicates that the vendor, Miracle Lane Home received the August and September Board and Care payments on the same check. For the second instance, NBRC provided a check stub and a letter from the vendor, Place of Grace showing that the vendor was reimbursed for services provided. Therefore, DDS finds these issues resolved.

Finding 2: Missing “Hold Harmless” Clause (Repeat)

NBRC acknowledges that its current lease agreement for the Santa Rosa office does not include the required “Hold Harmless” clause, but has been successful in securing this clause in the final lease with the landlord. DDS will conduct a follow-up review during the next scheduled audit to ensure the “Hold Harmless” clause is included in the lease agreement.

Finding 3: Equipment

A. State Tagging and Logging of New Acquisitions (Repeat)

NBRC stated it is developing and implementing procedures to ensure the State’s Equipment Management Systems Guidelines are met. However, in its prior response, NBRC stated that these procedures were already operational; and included in the

procedures was the requirement to promptly tag and log all new equipment before distribution for use. Therefore, NBRC should ensure that the implemented policies and procedures are followed in order to secure State equipment. In addition, DDS will conduct a follow-up review during the next scheduled audit to ensure that procedures have been developed and implemented to ensure the State's Equipment Guidelines are met.

B. Equipment Survey Form (Repeat)

NBRC states that it is developing policies and procedures to ensure compliance with the State's Equipment Management System Guidelines. However, in its prior response, NBRC stated that it had implemented policies and procedures requiring that all inventory forms are completed and that any surveyed items are recorded. In addition, NBRC stated it had acquired an inventory program that would facilitate the efficient inventory process and the surveying of its equipment. Therefore, NBRC should ensure that the procedures put in place are followed and that equipment surveyed is recorded and reported as required per the State's Equipment Management System Guidelines. In addition, DDS will conduct a follow-up review during the next scheduled audit to ensure that these policies have been implemented and that the survey forms are completed for all State owned equipment subject to disposal.

Finding 4: Targeted Case Management Time Study – Recording of Attendance

NBRC states in its response that its supervisors involved with the time study survey have been instructed to keep copies of mid and end of month timesheets for May, 2010. These supervisors at the end of the months are required to compare and sign May timesheets to the DS1916 as proof that these forms are in agreement. NBRC also states it has provided to its supervisors examples of how to review the timesheets and DS1916 forms for agreement. In addition, an email will be sent to supervisors before the mid month timesheets to ensure the DS1916 forms reconcile to the timesheets before submission.

DDS will conduct a follow-up review during the next scheduled audit to ensure that the procedures have been implemented and that the DS1916 forms provided to DDS match to the employees' timesheets for the month in which the time study was conducted.

**North Bay Regional Center
Over/Under-Stated Claims
Fiscal Year 2006-07 and 2007-08**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Resolved by NBRC (B)	Net Unresolved (A-B)
Overpayment Due to Duplicate Payments									
1		HV0246	New Hope Guest Home	915	7075125	07/06	\$3,661.00	\$3,600.00	\$61.00
2		HV0247	New Hope Guest Home	915	7075125	08/06	\$8,522.00	\$0.00	\$8,522.00
3		HN0206	Youth Center	113	9097989	10/08	\$914.10	\$0.00	\$0.00
4		HL0472	Beacon Adult Home II	915	8090471	12/07	\$4,243.00	\$0.00	\$0.00
5		H95242	D & D's Turning Point	915	8082836	05/08	\$4,231.00	\$4,072.06	\$158.94
6		H95243	D & D's Turning Point	915	8082836	06/08	\$4,231.00	\$0.00	\$4,231.00
7		H95244	D & D's Turning Point	915	9082836	07/08	\$4,231.00	\$0.00	\$4,231.00
Total Overpayments Due to Duplicate Payments							\$30,033.10	\$7,672.06	\$17,203.94

Overpayments Due to Proration Errors									
1		H19581	Monarch Home	915	7936361	12/06	\$307.99	\$318.56	\$0.00
2		H12229	Exodus Inc. - Cambridge House	915	9101637	09/08	\$65.73	\$0.00	\$65.73
3		H13517	Family Home	915	7070697	09/06	\$573.49	\$598.60	\$0.00
4		H13546	Glajan Care Inc.	915	7123024	08/06	\$868.50	\$869.03	\$0.00
5		H13589	Blackwell Home	915	8097539	06/08	\$745.08	\$0.00	\$0.00
6		H13616	Family Care	915	8084907	07/07	\$163.70	\$0.00	\$163.70
7		HN0095	McKinley Care Home	915	8096642	05/08	\$13.41	\$0.00	\$0.00
8		HN0095	McKinley Care Home	915	9096642	09/08	\$928.00	\$226.82	\$701.18
9		HN0143	A Place of Grace Inc. / Cricket TR.	915	8993192	07/07	\$758.38	\$758.38	\$0.00
10		HN0143	A Place of Grace Inc. / Cricket TR.	915	8089719	12/07	\$885.91	\$885.91	\$0.00
11		HN0242	Samson Home Care II	915	7072161	03/07	\$434.53	\$434.53	\$0.00
12		HN0276	A Place of Grace Inc. / Paddon Road	915	7084111	06/07	\$675.26	\$675.26	\$0.00
Total Overpayments Due to Proration Errors							\$6,419.98	\$4,767.09	\$930.61

Grand Total for Overpayments Remaining	\$36,453.08	\$12,439.15	\$18,134.55
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**North Bay Regional Center
Over/Under-Stated Claims
Fiscal Year 2006-07 and 2007-08**

	Unique Client Identification Number	Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period	Over/Under Payments	Resolved by NBRC (B)	Net Unresolved (A-B)
Underpayments Due to Proration Errors									
1		HN0223	Miracle Lane Home	915	7075587	08/06	(\$868.50)	\$868.50	\$0.00
2		HN0275	A Place of Grace Inc. / Paddon Road	915	8084913	07/07	(\$758.38)	\$758.38	\$0.00
Total Underpayments Due to Proration							(\$1,626.88)	\$1,626.88	\$0.00
Grand Total for Underpayments Remaining							(\$1,626.88)	\$1,626.88	\$0.00

**North Bay Regional Center
Late Notification
Fiscal Year 2006-07and 2007-08**

Unique Client Identification Number			
1			
2			
3			
4			

APPENDIX A

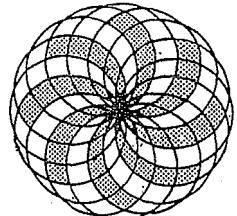
NORTH BAY REGIONAL CENTER

RESPONSE TO AUDIT FINDINGS

(Certain documents provided by the North Bay Regional Center as attachments to its response are not included in this report due to the detailed and sometimes confidential nature of the information.)

NORTH BA. REGIONAL CENTER

10 Executive Court • P.O. Box 8360 • Napa, CA 94558 • (707) 256-1100
For the Hearing Impaired • (707) 252-0213

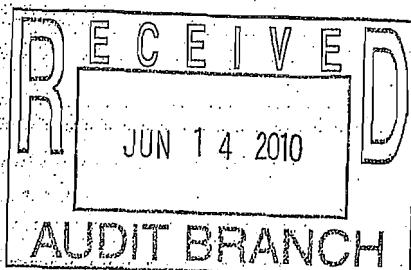


Bob Hamilton
Executive Director

June 2, 2010

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

Dear Mr. Yan:



The following is our response to the findings noted in the North Bay Regional Center draft audit report dated 5/4/2010, which covered fiscal years 2006-07 and 2007-08.

Finding 1: Over/Under-Stated Claims

A review of NBRC's Residential and Operational Indicator reports revealed 21 instances in which NBRC over or under claimed expenses to the State. The expenses were due to either duplicate payments or proration errors for the service months. It was found that 19 of the 21 were overpayments due to duplicate payments, while the remaining 2 were underpayments due to proration errors. The total overpayment was \$36,453.08 to vendors and total underpayment totaling \$1,626.88.

Response

Overpayments Due to Duplicate Payments: To date we have recovered \$7,672.06 of the total \$30,033.10, which leaves a balance of \$22,361.04. With ongoing monthly scheduled payments from vendors a recovery of \$17,203.94 is expected. The amount of \$4,243.00 has been determined non-recoverable and the balance of \$914.10 is in question. Attached documentation will explain why we conclude the \$914.10 is not an overpayment but applied to the wrong authorization number.

Overpayments Due to Proration Errors: Since receiving the draft audit report, [REDACTED] Fiscal Supervisor, has had discussions with your auditor, Ikechukwu Uche, and he has agreed to remove the McKinley Care Home item 7 for \$13.41 and reduce the McKinley Care Home item 8 by \$701.18, which will reduce the overpayments due to proration errors to \$5,705.39.

Of the \$5,705.39 due to proration errors, we have recovered \$4,767.09. A balance of \$938.30 is still outstanding and will not be recovered.

Underpayments Due to Proration: Through further research the two items listed as underpayments were not substantiated. Miracle Lane Home received the August 2006 Board and Care payment on the same check as the September payment. The vendor sent in a copy of the check stub acknowledging payment. A letter from David Price at Place of Grace verifies he was not under paid.

Summary: Documents are attached to support the payments received and to backup the statements made in this response.

We have implemented new procedures and training to help eliminate these problems in the future. We are now utilizing the indicator report as a means to help us find payments errors and to fix them in a timely manner.

Branch Office:

2351 Mendocino Avenue, Santa Rosa, CA 95403 • (707) 569-2000 • For the Hearing Impaired (707) 525-1239
From Fairfield, Vacaville, Cordelia and Suisun 1-888-256-2555
A Program of North Bay Developmental Services, Inc. Under Contract with the State of California

The Revenue Coordinators have been trained to calculate the Board and Care payments at the rate of \$31.57 a day. Overpayment refunds are now being correctly applied to the source of funds rather than deposited directly into the trust account. Recovery of funds for overpayments will be taken from the supplement payment if a vendor does not send back the overpayment per our written request.

Finding 2: Missing Hold Harmless Clause (Repeat)

The review of NBRC's facility lease agreement with CW Roland/I.B. Miller for the Santa Rosa office did not include the "Hold Harmless" clause, as required by the State contract, Article VII, (1). This issue was identified in the prior audit. NBRC has stated that it has been working with the landlord to include this clause.

Response: This language has been agreed upon and will be in the final lease that we hope to sign this month:

STATE OF CALIFORNIA PROVISIONS. Landlord acknowledges that the State of California is not liable to Landlord for any of Tenant's obligations under this Lease. Landlord shall hold harmless the State of California, and its officers, agents and employees, against any and all claims filed against the State of California based on losses, damages or other injury arising out of or connected with this Lease.

Finding 3: Equipment

A. State Tagging and Logging of New Acquisitions (Repeat)

NBRC is continuing to not be prompt with recording certain inventory including the tagging and logging of new equipment purchases that are sensitive or totaling over \$5,000. This is not in compliance with Article IV, Section 4, of the contract with DDS and the State's Equipment Management System Guidelines. This issue was identified in the prior audit.

B. Equipment Survey Form (Repeat)

NBRC has not been completing the required Form 152 for the surveying of equipment. This is not in compliance with the State's Equipment Management System Guidelines issued by DDS. This issue was identified in the prior audit.

Response: NBRC is developing and implementing procedures to ensure that the State Equipment Management Systems Guidelines are met.

In regards to computer monitors it was reported by Randy Ridenour at DDS that DDS does not require the monitors to be tagged as they are a part of the computer package.

Finding 4: Targeted Case Management Time Study – Recording of Attendance

The review of the Targeted Case Management (TCM) time study revealed that for 5 of the 11 sampled employees, vacation and sick leave hours recorded on the employee timesheets did not properly reflect what was recorded on the TCM time study forms (DS 1916).

Response: NBRC supervisors have been instructed to keep copies of mid-month and end of month timesheets for May, 2010.

NBRC supervisors have been informed that at the end of the month they will be responsible for comparing May timesheets to the DS 1916 form to ensure that these are in agreement, and that their signature on the DS 1916 indicates that they have reviewed and ensured consistency. Examples of how to review timesheets and the DS 1916 for agreement were provided.

An email reminder regarding the above has been timed to go out to supervisors just before the mid month timesheets are submitted.

Another email reminder will go out just prior to the end of May reiterating the importance of agreement between timesheets and the DS 1916 and how to review for congruency.

Thank you for the opportunity to respond to the audit findings. If you have any questions or need additional information please contact [REDACTED] Accounting Manager, 707 256 1119. We look forward to working with you again next year.

Sincerely,



Bob Hamilton
Executive Director

cc: NBRC Board of Directors