



**AUDIT OF THE  
NORTH BAY REGIONAL CENTER  
FOR FISCAL YEARS 2008-09 AND 2009-10**

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**Department of Developmental Services**

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# EXECUTIVE SUMMARY

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The Department of Developmental Services (DDS) fiscal compliance audit of North Bay Regional Center (NBRC) revealed that NBRC was in substantial compliance with the requirements set forth in the California Code of Regulations, Title 17 (CCR, 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 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 categories below:

## **I. Findings that need to be addressed.**

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

A review of NBRC's prior audit report and Uniform Fiscal Systems (UFS) Operational Indicator reports revealed 16 instances in which NBRC over-stated claims to the State. The total overpayment to vendors was \$32,194.89. This is not in compliance with CCR, title 17, sections 56902(d), 54326(a)(10) and section 57300(c).

### **Finding 2: Negotiated Rate Increase Issued After the Rate Freeze**

During the audit, it was found that NBRC utilized a Transportation Broker, Connections for Life, vendor number PN0329, service code 883. The review of the Transportation Broker contract revealed that NBRC provided a rate increase to the broker after the June 30, 2008, rate freeze was in effect. This resulted in a total overpayment of \$12,956.19. This is not in compliance with W&I Code, section 4648.4(b).

### **Finding 3: Emergency Vendorization for Services Greater than the 45 Day Limit**

During the review of the purchase of service vendors, it was found that NBRC utilizes emergency vendorizations when a consumer is in need of immediate services, but no established vendor is available to provide the needed services. The review revealed six of the 25 emergency vendorizations sampled were providing continuous services for more than the 45 day limit without being formally vendorized by NBRC. This is not in compliance with CCR, title 17, section 54324(a), (b), (d), (f), and (g), section 54310(a) and section 54326(d)(4)(A) and (B).

**Finding 4: Purchase of Service (POS) Funds Not Tied to Consumer Unique Client Identification (UCI) Numbers**

The sample review of 10 Transportation vendor invoices revealed that NBRC did not allocate fuel and aide services to the specific consumers' UCI numbers, but rather billed the amount to a contract UCI number for two of its vendors. This is not in compliance with CCR, title 17, section 54326(a)(3).

**II. Finding has been addressed and corrected by NBRC.**

**Finding 5: Equipment Inventory**

The review of NBRC's inventory revealed that NBRC has not followed the State's Equipment Management System Guidelines issued by DDS. It was found that NBRC has not performed the required physical inventory inspection once every three years. This is not in compliance with the State Contract, article IV, section 4(a), the State's Equipment Management System Guidelines, section III (F), and the State Administrative Manual (SAM), section 8652.

NBRC has taken corrective action to resolve this issue by providing DDS with an inventory listing showing that a physical inventory was completed on May 25, 2011.

## BACKGROUND

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The Department of Developmental Services (DDS) is responsible, under the Lanterman Developmental Disabilities Services Act (Lanterman Act), for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive and normal lives. To ensure that these services and supports are available, DDS contracts with 21 private, nonprofit 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 (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. DDS also 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 is monitored by DDS Federal Programs Operations Section staff to assess overall programmatic compliance with HCBS Waiver requirements. 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 the Regional Center's 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, (State Contract) and contract HD099012, effective July 1, 2009, through June 30, 2014. The contracts specify 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 contracts 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 February 22, 2011, through March 30, 2011, 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, section 3 of the State Contracts.

## **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”
- Title 17 of the California Code of Regulations (CCR, title 17)
- Federal Office of Management Budget (OMB) Circular A-133
- State Contracts between DDS and NBRC, effective July 1, 2004 and July 1, 2009 respectively.

## **AUDIT PERIOD**

The audit period was July 1, 2008, through June 30, 2010, with follow-up as needed into prior and subsequent periods.

## OBJECTIVES, SCOPE, AND METHODOLOGY

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

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

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 the NBRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that the NBRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions, on a test basis, to determine whether the NBRC was in compliance with Lanterman Act, CCR, title 17, the Waiver and State Contracts.

DDS' review of the 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 2008-09, issued on December 30, 2009. In addition, DDS found no management letter issued for NBRC.

The audit procedures performed included the following:

**I. Purchase of Service**

DDS selected a sample of Purchase of Service (POS) claims 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 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 Title 17.
- 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 contracts 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 the NBRC operations and conducted tests to determine compliance with State Contracts. The tests included various expenditures claimed for administration to ensure that NBRC accounting staff is properly inputting data, transactions were 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 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 were tested to determine compliance with Title 17 and the State Contracts.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contracts.
- DDS reviewed the 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 procedures were performed upon the study:

- Reviewed applicable TCM records and verified the information submitted by NBRC was correct and traceable to the general ledgers and payroll registers.
- Reviewed NBRC's Case Management Time Study. DDS selected a sample of payroll time sheets for this review and compared it to the DS 1916 forms to ensure that the DS 1916 forms were properly completed and supported.

## **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. For the period commencing January 1, 2004, through June 30, 2007, inclusive, the following average service coordinator-to-consumer ratios apply:

- 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 4640.6(i) and (j).

However, commencing February 1, 2009, to June 30, 2010, under W&I Code, section 4640.6(i), regional centers were no longer required to provide service coordinator caseload data to DDS on an annual basis. Instead, regional centers were to maintain service coordinator caseload data on file to document compliance with the service coordinator-to-consumer ratio requirements.

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

#### **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 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 Title 17 and the W&I Code, DDS performed the following procedures during the audit review.

- Review of 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 FCPP.
- Review of the parents' income documentation to verify their level of participation based on the Family Cost Participation Schedule.

- Review of copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days.
- Review of 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 or uniform procurement process by requiring an RFP. 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 Contracts as amended.

To determine whether NBRC is working towards implementing the required RFP process by January 1, 2011, DDS performed the following procedures during our 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 W&I Code, section 4648(a)(6)(D), and Article II of the State Contract as amended.
- Reviewed the RFP contracting guidelines to determine whether the protocols in place include reasonable dollar thresholds based on the average dollar amount of all negotiated contracts.
- Reviewed the RFP notification process to verify that it is open to the public, and clearly communicates to all vendors. All submitted proposals will be 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 will be retained for the selection process and in instances which a vendor with a higher bid is selected, there will be 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 Purchase of Service (POS) contracts subject to competitive bidding to ensure NBRC notified the vendor community and the public of contracting opportunities available. DDS 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 contracts are properly signed and executed by both parties to the contract.

- Reviewed NBRC board approved POS, Start-Up and Operational vendor contracts, and disbursement policies and procedures to ensure the inclusion of a provision for fair and equitable recoupment of funds for vendors that cease to provide services to consumers. DDS verified that the funds provided are specifically used to establish new or additional services to consumers and that the usage of funds are 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 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, 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 and correct service codes, that NBRC is paying authorized contract rates and complying with the requirements of the W&I Code, section 4691.9.
- Reviewed vendor contracts to verify that NBRC is reimbursing vendors using authorized contract median rates, verifying 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 are 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.
- Prevention Program.
- American Recovery and Reinvestment Act (ARRA) Funds.

**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 for fiscal years 2006-07 and 2007-08 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.

## CONCLUSIONS

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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 Title 17, the HCBS waiver, and the State Contract with DDS for the audit period July 1, 2008, through June 30, 2010.

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 action to resolve one prior audit issue which is included in the Findings and Recommendations Section.

## **VIEWS OF RESPONSIBLE OFFICIALS**

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We issued a draft report on March 23, 2012. The findings in the report were discussed at an exit conference with NBRC on April 6, 2012. At the exit conference, we stated that the final report will incorporate the views of responsible officials.

## **RESTRICTED USE**

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

## FINDINGS AND RECOMMENDATIONS

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

### I. The following findings need to be addressed.

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

A review of NBRC's Uniform Fiscal Systems (UFS) Operational Indicator reports revealed 15 instances in which NBRC over-stated claims to the State. These over-stated claims occurred when NBRC paid one Level 4B residential vendor, vendor number H50132, under service code 920, a rate higher than the Alternative Residential Model (ARM) rate. NBRC had incorrectly reimbursed the vendor under Level 4I for services provided. This resulted in a total overpayment of \$29,311.89. In addition, the review of the prior DDS audit report revealed that NBRC has not resolved \$2,883.00 of the previous overpayments to one vendor, vendor number HV0246, service code 915. As stated in its prior response to the DDS audit report, NBRC has implemented corrective action by arranging a payment plan to resolve this issue. (See Attachment A.)

CCR, title 17, section 56902(d) states:

“Once the vendor has received notice of the maximum rate established by the Department for the facility's approved service level, each regional center, or its designee, which has placed consumers in the facility, may negotiate with the vendor a level of payment for its consumer(s) that is lower than the rate established by the Department.”

CCR, title 17, section 54326(a)(10) states in part:

“(a) All vendors shall:

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

CCR, title 17, section 57300(c) states:

“(c) Regional centers shall not reimburse vendors:

- (1) Unless they have a rate established pursuant to these regulations which is currently in effect; nor
- (2) For services in an amount greater than the rate established pursuant to these regulations.”

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

**Recommendation:**

NBRC should recover overpayments from the appropriate vendors and reimburse DDS \$32,194.89, for overpayments made during prior and current audit periods. Furthermore, NBRC should reinforce its vendorization and rate setting procedure to ensure correct rates are used for vendors. In addition, NBRC should continue reviewing its UFS Indicator Reports to ensure that all incorrect payments are corrected, and educate staff to apply the 30.44 test correctly for partial month stays when consumers move from one residential facility to another.

**Finding 2: Negotiated Rate Increase Issued After the Rate Freeze**

During the audit, it was found that NBRC utilized a Transportation Broker, Connections for Life, vendor number PN0329, service code 883. The review of the Transportation Broker contract revealed that NBRC provided a rate increase to the broker in December 2010 which was 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 a total overpayment of \$12,956.19 for three months. NBRC stated that it was not aware that the rate freeze applied to the transportation broker vendor. (See Attachment B.)

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 should reimburse DDS the total overpayment of \$12,956.19. In addition, NBRC should comply with the W&I Code, section 4648(b) and ensure that any rate negotiated after June 30, 2008, is not above the Statewide or NBRC median rate.

**Finding 3: Emergency Vendorization for Services Greater than the 45 Day Limit**

During the review of the purchase of service vendors, it was found that NBRC utilizes emergency vendorizations when a consumer is in need of immediate

services and no established vendor is available to provide the needed services. A sample of 25 emergency vendorizations were selected to ensure NBRC had not continued to utilize their services for more than 45 days and that a vendor application had been properly submitted for approval. It was found that six of the 25 emergency vendorizations sampled were providing continuous services for more than the 45 day limit and without being formally vendorized by NBRC. Though it has been NBRC's practice to use emergency vendorization when necessary, it did not have procedures in place to ensure the use of emergency vendorization for services are for no more than 45 days. (See Attachment C.)

CCR, title 17, section 54324 states in relevant part:

- “(a) The regional center is authorized to approve emergency vendorization for an applicant prior to the receipt of a completed vendor application if the regional center determines that the health or safety of a consumer is in jeopardy and no current vendor is available to provide the needed service.
- (b) If emergency vendorization is approved, the applicant may provide services for no more than 45 days.
- (d) The applicant shall submit a completed vendor application pursuant to Section 54310 (a), (d) or (e) of these regulations within 30 days of the authorization by the vendoring regional center to provide the service.
- (f) The emergency vendorization shall lapse if the vendor application is not properly submitted or if the regional center does not approve the application within 45 days of the initial authorization.
- (g) If a lapse of emergency vendorization occurs pursuant to (f) above, in no case shall the regional center allow the vendor to reapply for emergency vendorization.”

CCR, title 17, section 54310(a) states:

- “(a) An applicant who desires to be vendored shall submit Form DS 1890 (8/04), entitled Vendor Application, and the information specified in (1) through (10) below, as applicable, to the vendoring regional center...”

Also, CCR, title 17, section 54326(d)(4)(A) and (B) states in part:

“(d) Regional centers shall not:

- (4) Except as specified in Section 54324 of these regulations:
  - (A) Refer any consumer to an applicant until the vendor application is approved; or

(B) Reimburse a vendor for services provided before vendorization.”

**Recommendation:**

NBRC should develop and implement additional policies and procedures to ensure that any emergency vendorization for services do not exceed 45 days and vendors have properly submitted applications to continue to provide services. In addition, NBRC should properly vendorize the six vendors who have continued to provide services after the 45 day limit.

**Finding 4: Purchase of Service (POS) Funds Not Tied to Consumer Unique Client Identification (UCI) Numbers**

The sample review of 10 Transportation vendor invoices revealed that for two vendors, NBRC did not allocate fuel and aide services to the specific consumers’ UCI numbers. It was found that the fuel rate was not allocated based on mileage used per consumer per trip and the aide services rate was not allocated per number of units provided as indicated on the consumer attendance documentation, but rather the two rates were billed to a contract UCI number for a total amount of \$38,408.71. NBRC’s billing under a contract UCI number rather than to a specific UCI number results in a loss of capturing Medicaid Waiver dollars for Waiver billable services. (See Attachment D.)

CCR, title 17, section 54326(a)(3) states:

“(a) All vendors shall:

- (3) Maintain records of services provided to consumers in sufficient detail to verify delivery of the units of service billed.”

**Recommendation:**

NBRC should implement an invoicing process which allows its staff to collect the necessary individual consumer data to ensure compliance with the Medicaid Waiver requirements.

**II. Finding has been addressed and corrected by NBRC.**

**Finding 5: Equipment Inventory**

The review of NBRC’s inventory revealed that NBRC has not followed the State’s Equipment Management System Guidelines issued by DDS. It was found that NBRC has not performed a comprehensive physical inventory inspection in the last three years as required by the State. NBRC stated that it was in the process of conducting inventory and that it would provide supporting documentation to DDS after completion of the inventory count. Failure to

conduct an inventory count as prescribed by the State may lead to the loss of State of California property.

Article IV, section 4(a) 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.”

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

“The inventory will be conducted per State Administrative Manual (SAM) Section 8652.”

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

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

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

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

NBRC has taken corrective action to resolve this issue by providing DDS with an inventory listing showing that a physical inventory was completed on May 25, 2011.

**Recommendation:**

NBRC should continue to follow its policies and procedures to ensure compliance with the State’s Equipment Management System Guidelines as required by its contract with the State.

## EVALUATION OF RESPONSE

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As part of the audit report process, NBRC has been provided with a draft report and was requested to provide a response to each finding. NBRC's response dated May 25, 2012, is provided as Appendix A. This report includes the complete text of the findings in the Findings and Recommendations section and a summary of the findings in the Executive Summary section.

DDS' 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. 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: Over-Stated Claims (Repeat)**

NBRC concurs with the finding and has resolved \$2,883.00 of the previous overpayments to one vendor, vendor number HV0246, service code 915 by collecting this amount from the vendor. In addition, NBRC has implemented a corrective action to address current overpayments totaling \$29,311.89. NBRC has arranged a payment plan to resolve this issue by setting-up a monthly payment plan with the vendor for a total of \$950.00. To date, NBRC has collected \$2,850 with \$26,461.89 still outstanding. DDS will conduct a follow-up review during the next scheduled audit to ensure corrective action plan has been taken to resolve this issue and that overpayments totaling \$26,461.89 have been reimbursed to DDS.

**Finding 2: Negotiated Rate Increase Issued After the Rate Freeze**

NBRC concurs with the finding and stated it has corrected this issue by ceasing services from the vendor and by sending a letter to the vendor notifying them of the overpayment totaling \$12,956.19. DDS will conduct a follow-up review during the next scheduled audit to ensure corrective action plan has been taken to resolve this issue and that overpayments totaling \$12,956.19 have been reimbursed to DDS.

**Finding 4: Purchase of Service (POS) Funds Not Tied to Consumer Unique Client Identification (UCI) Numbers**

NBRC concurs with the finding and stated it has addressed this finding by ensuring that all expenses are tied to consumer UCI. In addition, NBRC explained that it corrected the transportation purchase of services rates when it hired a new broker. Further, NBRC stated that it now performs checks and balances to ensure fuel and aide services are not billed under a contract UCI. DDS will conduct a follow-up review during the next scheduled audit to ensure that procedures are in place and implemented by NBRC.

**North Bay Regional Center  
Over-Stated Claims  
Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	Vendor Number	Service Code	Authorization Number	Payment Period	Overpayments
<b>Overpayment Due to Incorrect Rate</b>						
1		H05132	920		Dec-09	\$1,964.25
2		H05132	920		Jan-10	\$1,964.25
3		H05132	920		Feb-10	\$1,964.25
4		H05132	920		Mar-10	\$1,964.25
5		H05132	920		May-10	\$1,964.25
6		H05132	920		Jun-10	\$1,964.25
7		H05132	920		Jul-10	\$1,964.25
8		H05132	920		Aug-10	\$1,964.25
9		H05132	920		Sep-10	\$1,964.25
10		H05132	920		Oct-10	\$1,938.94
11		H05132	920		Nov-10	\$1,938.94
12		H05132	920		Dec-10	\$1,938.94
13		H05132	920		Jan-11	\$1,938.94
14		H05132	920		Dec-10	\$1,938.94
15		H05132	920		Jan-11	\$1,938.94
<b>Total Overpayment Due to Incorrect Rate</b>						<b>\$29,311.89</b>
<b>Overpayment Due to Unresolved Prior DDS Audit Finding</b>						
1		HV0246	915		Aug-06	\$2,883.00
<b>Total Overpayment Due to Unresolved Prior DDS Audit Finding</b>						<b>\$2,883.00</b>
<b>Grand Total</b>						<b>\$32,194.89</b>

**North Bay Regional Center  
Negotiated Rate Increase Issued After the Rate Freeze  
Fiscal Years 2008-09 and 2009-10**

	<b>Vendor Number</b>	<b>Vendor Name</b>	<b>Service Code</b>	<b>Payment Period</b>	<b>Overpayments</b>
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
<b>Total Overpayment Due to Rate Increase</b>					<b>\$12,956.19</b>

**North Bay Regional Center  
Emergency Vendorization for Services Greater than the 45 Day Limit  
Fiscal Years 2008-09 and 2009-10**

	<b>Vendor Number</b>	<b>Service Code</b>
1	Z13068	021
2	Z13347	100
3	Z13352	100
4	Z13083	655
5	Z13068	725
6	Z13034	895

**North Bay Regional Center**  
**Purchase of Service (POS) Funds Not Tied to Consumer Unique Client Identification (UCI)**  
**Number**  
**Fiscal Years 2008-09 and 2009-10**

	Unique Client Identification Number	Vendor Number	Service Code	Sub Code	Authorization Number	Payment Period	Overpayments
1		HN0335	880	FUEL		Jun-10	\$6.66
2		P20895	880	AIDE		Aug-08	\$321.60
3		P20895	880	AIDE		Sep-08	\$562.80
4		P20895	880	AIDE		Oct-08	\$1,093.44
5		P20895	880	AIDE		Nov-08	\$1,037.16
6		P20895	880	AIDE		Dec-08	\$1,366.80
7		P20895	880	AIDE		Jan-09	\$1,342.68
8		P20895	880	AIDE		Feb-09	\$1,400.10
9		P20895	880	AIDE		Mar-09	\$1,673.10
10		P20895	880	AIDE		Apr-09	\$1,747.20
11		P20895	880	AIDE		May-09	\$1,588.86
12		P20895	880	AIDE		Jun-09	\$1,856.40
13		P20895	880	AIDE		Jul-09	\$1,836.90
14		P20895	880	AIDE		Aug-09	\$1,577.94
15		P20895	880	AIDE		Sep-09	\$1,606.80
16		P20895	880	AIDE		Oct-09	\$959.40
17		P20895	880	AIDE		Nov-09	\$1,685.58
18		P20895	880	AIDE		Dec-09	\$1,747.98
19		P20895	880	AIDE		Jan-10	\$1,872.78
20		P20895	880	AIDE		Feb-10	\$1,928.94
21		P20895	880	AIDE		Mar-10	\$2,168.40
22		P20895	880	AIDE		Apr-10	\$2,043.60
23		P20895	880	AIDE		May-10	\$1,882.14
24		P20895	880	AIDE		Jun-10	\$1,942.98
25		P20895	880	FUEL		Jan-10	\$383.38
26		P20895	880	FUEL		Feb-10	\$386.28
27		P20895	880	FUEL		Mar-10	\$717.05
28		P20895	880	FUEL		Apr-10	\$643.39
29		P20895	880	FUEL		May-10	\$414.31
30		P20895	880	FUEL		Jun-10	\$614.06
<b>POS Funds Not Tied to UCI Number</b>							<b>\$38,408.71</b>

**APPENDIX A**

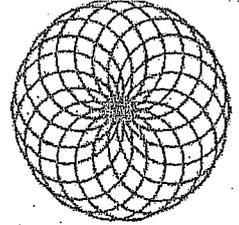
**North Bay Regional Center**

**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 BAY REGIONAL CENTER

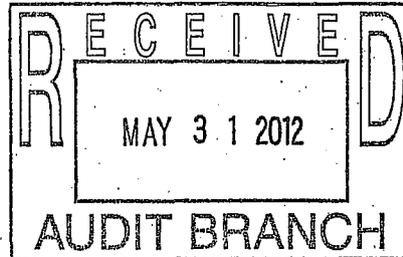
10 Executive Ct. • P.O. Box 3360 • Napa, CA 94558 • (707) 256-1100  
TTY • (707) 252-0213



Bob Hamilton  
Executive Director

May 25, 2012

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



Dear Mr. Yan:

The following information is provided in response to your letter dated March 23, 2012 requesting our response to the findings of the audit of North Bay Regional Center (NBRC), Fiscal Years 2008-09, and 2009-10. Thank you for the opportunity to provide information regarding these findings:

**Finding 1: Overstated Claims**

The Center (NBRC) shall recover overpayments from appropriate vendors and reimburse DDS for the overpayments.

Response: NBRC has addressed this finding and is in the process of collecting the overpayments and reimbursing DDS.

**Finding 2: Negotiated Rate Increase Issued After the Rate Freeze**

The Center (NBRC) shall reimburse DDS for the overpayment. NBRC has a new Transportation broker as of April 1<sup>st</sup>.

Response: NBRC has addressed and corrected this finding.

**Finding 3: Emergency vendorization for services greater than the 45 day limit**

The Center (NBRC) shall develop and implement additional policies & procedures to ensure any emergency vendorization do not exceed 45 days.

Response: NBRC has addressed this finding and is developing new Emergency Vendorization procedures.

**Finding 4: POS funds not tied to consumer UCI numbers**

The Center (NBRC) shall implement an invoicing process which allows staff to collect the necessary individual consumer data to ensure compliance with the Medicaid waiver requirements.

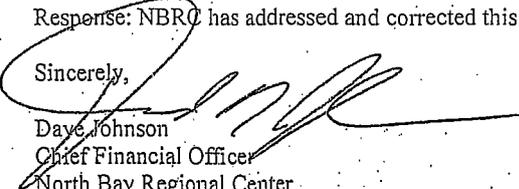
Response: NBRC has addressed and corrected this finding.

**Finding 5: Equipment Inventory**

The Center (NBRC) should continue to follow its policies and procedures to ensure compliance with State Equipment Management System Guidelines as required by its contract with the state.

Response: NBRC has addressed and corrected this finding.

Sincerely,

  
Dave Johnson  
Chief Financial Officer  
North Bay Regional Center

cc: Bob Hamilton, Executive Director,  
Ellen Nzima, DDS  
NBRC Board of Directors

**Finding 1: Overstated Claims**

The finding indicated that the prior overpayment in the amount of \$2,883.00 to vendor number HV0246, service code 915 was not resolved. My understanding is this has now been resolved; Jane forwarded a copy of a check for \$783 from the vendor. On May 23, 2012, Jane Hankins sent all supporting documents to Ellen Nzima, to show there is zero owed.

Regarding the other portion of the finding, when do you anticipate this will be resolved? We are deducting \$950 per month from their monthly invoices until the total of \$29,312 is repaid to DDS (to date we have collected \$2,850)

**Finding 2: Negotiated Rate Increase Issued After the Rate Freeze**

We have sent a letter to Vendor stating over payment and amount owed. The vendor is no longer providing transportation Broker services to NBRC and payment discussions are ongoing.

**Finding 3: Emergency vendorization for services greater than the 45 day limit**

The PART team can only approve 1 time purchases, which by rule can never exceed 45 days.

The fiscal department when it sets up the 1 time (Z) vendor in U.F.S. inputs the end date at 45 days from the date of the Z vendor entry.

The one time vendor rates cannot exceed the statewide median rates or other designated rates.

**Finding 4: POS funds not tied to consumer UCI numbers**

NBRC's fiscal department removed the contract lines and tied all expenses to direct consumer UCI numbers. It was found on transportation POS's and corrected when we hired a new transportation broker (R&D) after the finding. E billing performs the check & balance to make sure it does not happen in the future