

- 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 and 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, written documentation is retained as justification for such a selection.

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

- Selected a sample of Operations, Community Placement Plan (CPP), 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 and 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 contracts in place as of March 24, 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 Board-approved Operations, Start-Up, and POS vendor contracts of \$250,000 or more, 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, the usage of funds is of direct benefit to consumers, and the 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 for contracts of \$250,000 or more, as well as to determine whether the process in place satisfies the W&I Code and NBRC's State Contract requirements, as amended.

Recommendation:

NBRC must cease the practice of having the [REDACTED] [REDACTED] be responsible for entering pay rate changes in the system and also processing payroll. In addition, NBRC should update its policies and procedures to ensure proper separation of duties exists between the payroll and personnel functions.

B. Equipment

The review of the NBRC's equipment inventory control procedures revealed a lack of segregation of duties for its [REDACTED] [REDACTED]. The [REDACTED] [REDACTED] [REDACTED] oversees the stockroom, maintains the inventory records, and is responsible for the physical inventory review. NBRC stated this occurred due to limited staffing.

SAM 8652, Property Inventory states:

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

2. Internal control

- a. Inventories will not be exclusively controlled by the custodian of the property records;
- d. The person in charge of the stockroom, if one is used, will not be in charge of maintaining the inventory records nor the taking of physical inventories.

Recommendation:

NBRC must follow proper segregation of duties as stated in the SAM for Property Inventory controls.

C. Purchasing Policies and Procedures

The review of NBRC's operations processing controls revealed a separation of duties does not exist in the purchasing area. During the review, it was identified that the [REDACTED] [REDACTED] has the ability to create POs, place orders, and receive the items. The receiving of purchases is the responsibility of the receptionist per NBRC's procedures. The individual responsible for ordering is prohibited from receiving the items.

NBRC's procedures for receiving equipment states:

"Receipt of ordered items:

Receipt of ordered items will be done by the receptionist. The individual doing the ordering is prohibited from receiving the items. The Receptionist must review the packing slip and contents and compare to order confirmation to ensure order accuracy. The Receptionist will route the item(s) to intended recipient."

Recommendation:

NBRC should follow its purchasing procedures to ensure a separation of duties so that the individual ordering items is not receiving the items.

Finding 5: TCM Time Study – Recording of Attendance (Repeat)

The review of 48 sampled DS 1916s forms revealed that six employees had regular, vacation, holiday and sick hours recorded on their DS 1916s that did not match the hours recorded on their time sheets. The employee time sheets were understated by a total of 15.50 hours. This issue was identified in the prior audit report and NBRC stated it would conduct training for its service coordinator supervisors to ensure the time reported is accurate prior to submitting the DS 1916s to DDS. However, not all of the service coordinator supervisors are following NBRC's newly implemented procedures to reconcile the DS 1916 to the employee time sheet. (See Attachment B)

NBRC's Time Study Procedures states:

"Supervisors are required to complete the following for each SC they supervise: . . .

12. Supervisor reviews for accuracy (Do the days off, meetings/administration time match the submitted time sheet; added up correctly, etc), signs and submits to Federal Revenue Department Manager for DDS submission."

The TCM Rate Study Process and Instructions state:

“All regional center case management staff (category CM) will complete the DS 1916 during the rate study The total hours worked during the day, including overtime must be shown.”

Recommendation:

NBRC must reevaluate its current procedures and determine if additional controls need to be implemented to ensure that service coordinator supervisors are reviewing and reconciling the DS 1916s to time sheets prior to submission to DDS.

Finding 6: Employee COI Statements Not Completed Annually

The sampled review of 26 employee files revealed that 17 employees did not complete COI statements annually. NBRC stated this occurred due to lack of oversight. (See Attachment C)

W&I Code, Section 4626(e), (f), and (g) states in part:

- “(e) The department shall develop and publish a standard conflict-of-interest reporting statement. The conflict-of-interest statement shall be completed by each regional center governing board member and each regional center employee specified in regulations, including, at a minimum, the executive director, every administrator, every program director, every service coordinator, and every employee who has decision making or policymaking authority or authority to obligate the regional center’s resources.
- (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.
- (g) Every regional center board member and regional center employee referenced in subdivision (e) shall complete and file the conflict of interest statement by August 1 of each year.”

Recommendation:

NBRC should reevaluate its procedures and determine if additional controls are needed to ensure all its employees complete COI statements annually to ensure compliance with W&I Code, Section 4626(e), (f) and (g).

Finding 7: Missing Documentation

The review of NBRC's Start-Up contracts revealed NBRC did not retain Board-approved documentation for two contracts that exceeded \$250,000. The first contract was with [REDACTED] Vendor Number [REDACTED] Service Code [REDACTED] totaling \$550,000 for property acquisition and renovation. The second contract was with [REDACTED] Vendor Number [REDACTED] Service Code [REDACTED] totaling \$300,000 for community integration training.

W&I Code, Section 4625.5(a) and (b) states:

- “(a) The governing board of each regional center shall adopt and maintain a written policy requiring the board to review and approve any regional center contract of two hundred fifty thousand dollars (\$250,000) or more, before entering into the contract.
- (b) No regional center contract of two hundred fifty thousand dollars (\$250,000) or more shall be valid unless approved by the governing board of the regional center in compliance with its written policy pursuant to subdivision (a).”

Recommendation:

NBRC must retain Board-approved documentation for all contracts that exceed \$250,000.

Finding 8: Missing Vendor Files

The sampled review of 126 POS vendor files revealed five vendor files were missing. The vendor file includes either a contract or rate letter, HCBS agreement form, and a vendor disclosure form. These documents provide assurance that vendors are vendorized, authorized to provide services, and paid according to the terms and conditions stated in the contract or rate letter. (See Attachment D)

NBRC provided additional documentation with its response indicating vendor files are now present; therefore, this issue is considered resolved.

CCR, Title 17, Section 54332(a) states:

- “(a) The vendoring regional center shall maintain a file for each vendor which includes copies of:
- (1) The vendor application as described in Section 54310(a) of these regulations;
 - (2) Any required certificate, credential, license, degree, permit or registration;
 - (3) Statement of current vendor status;
 - (4) The regional center approval letter;
 - (5) The program design or service design as described in Sections 56712, 56762 and 56780 of these regulations, if applicable;
 - (6) The staff qualifications and duty statements as described in Sections 56722, 56724, 56752, 56754, 56770, 56790 and 56792 of these regulations, if applicable;
 - (7) Notification of established rate and all documentation submitted pursuant to Sections 57422, 57433 through 57439, 58020, and 58033 through 58039 of these regulations, for a rate determination, if applicable;
 - (8) The signed Home and Community Based Services Provider Agreement, (6/99) if applicable.
 - (9) Agreements negotiated pursuant to Section 57300(d) or (e), if applicable;
 - (10) Service contracts negotiated pursuant to Section 57540, if applicable;
 - (11) Agreements negotiated pursuant to Section 58140, if applicable.”

Recommendation:

NBRC should enforce its current processes to have files for all vendors and that proper documentation is maintained in the vendor files to ensure compliance with CCR, Title 17, Section 54332(a).

**North Bay Regional Center
Conflict of Interest Statements
Fiscal Years 2014-15 and 2015-16**

No.	Employee Name	Most Current COI on File	Comments
1	[REDACTED]	9/16/2013	
2	[REDACTED]	4/25/2014	
3	[REDACTED]	4/16/2013	
4	[REDACTED]	4/29/2014	
5	[REDACTED]	8/19/2016	
6	[REDACTED]	11/11/2011	
7	[REDACTED]	3/25/2013	
8	[REDACTED]	4/29/2015	
9	[REDACTED]	3/24/2015	
10	[REDACTED]	10/4/2010	
11	[REDACTED]	12/12/2011	[REDACTED]
12	[REDACTED]	11/4/2010	
13	[REDACTED]	6/27/2012	[REDACTED]
14	[REDACTED]	4/25/2014	
15	[REDACTED]	8/26/2016	
16	[REDACTED]	8/10/2012	
17	[REDACTED]	1/13/2016	

**North Bay Regional Center
Missing Vendor Files
Fiscal Years 2014-15 and 2015-16**

No.	Vendor Number	Vendor Name	Service Code	Resolved
1	PN0275	A Place of Grace	890	Yes
2	PA1407	Impact Center	880	Yes
3	HJ2524	Kaiser Specialized	113	Yes
4	████████	████████	910	Yes
5	PN0893	Redwood Pediatric Therapy	605	Yes



610 Airpark Rd, Napa, CA 94558
Phone: (707) 256-1100 • TTY (707) 252-0213

www.nbrc.net

2351 Mendocino Ave, Santa Rosa, CA 95403
Phone: (707) 569-2000 • TTY (707) 525-1239

August 15, 2018

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

Dear Mr. Yan:

This is in response to your letter dated July 12, 2018 regarding North Bay Regional Center's (NBRC) Fiscal Year 2014-2015 and 2015-2016 audit. We want to thank your staff for taking the opportunity on July 17, 2018 to review the audit and findings with our team.

We have reviewed the draft audit report; comments on each finding are as follows:

Finding 1: Unsupported Credit Card Expenditures

NBRC has reviewed and modified the procedure to ensure this finding is not repeated. The following measures were implemented:

- The accounting department no longer processes reimbursement for credit card charges unless every charge is clearly supported with detailed expenditures.
- NBRC eliminated using a credit card for ongoing charges, such as memberships and/or advertising (Craigslist)

Please see attached documentation for unsupported charges listed on Attachment A. NBRC acknowledges and accepts the finding. NBRC will reimburse the balance of \$5,911.32.

Finding 2: Payment Not in Agreement with Contracts

NBRC has implemented a tracking mechanism to monitor contract stipulations and avoid overpayments. The accounting manager ensure payments are in compliance with the contracts. NBRC acknowledges and accepts the finding.

- NBRC is pursuing recovery of the \$850 unpaid rent from the sub lessee.
- NBRC will reimburse \$1500.00 for the overpayment on the Spectrum Information Services contract.

