



**AUDIT OF THE
NORTH BAY REGIONAL CENTER
FOR FISCAL YEARS 2014-15 AND 2015-16**

Department of Developmental Services

March 13, 2019

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of North Bay Regional Center (NBRC) to ensure that NBRC is compliant with the requirements set forth in the Lanterman Developmental Disabilities Services Act and Related Laws/Welfare and Institutions (W&I) Code; the Home and Community-based Services (HCBS) Waiver for the Developmentally Disabled; California Code of Regulations (CCR), Title 17; Federal Office of Management and Budget (OMB) Circulars A-122 and A-133; and the contract with DDS. Overall, the audit indicated that NBRC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2014, through June 30, 2016, with follow-up, as needed, into prior and subsequent periods. 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. A follow-up review was performed to ensure NBRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: Unsupported Credit Card Expenditures (Repeat)

The review of the operational expenditures revealed NBRC continues to have unsupported credit card expenditures. There were 74 credit card expenditures totaling \$9,051.32 that were missing receipts to support the expenses claimed to the State. This issue was also identified in the prior audit. This is not in compliance with NBRC's Administrative – Agency Credit Card Use Procedure Memo 2060, Procedure A and State Contract, Article IV, Section 3(a).

NBRC provided additional documentation with its response indicating \$3,400.00 for six expenditures has been resolved with \$5,911.32 still outstanding.

Finding 2: Payments Not in Agreement with Contracts

The review of five operational consultant contracts and five sublease agreements revealed one consultant was not paid in accordance with the terms stated in the contract and one sub lessee did not pay NBRC according to the terms stated in the sublease agreement. This resulted in a \$1,500 overpayment to the consultant and \$850 in underpayments to NBRC from the sub lessee. This is not in compliance with NBRC's contract and lease agreement between Spectrum Information Services and Disability Rights California Office of Clients' Rights, respectively.

NBRC provided additional documentation with its response indicating it will reimburse \$1,500 for the overpayment on the Spectrum Information Services contract and collected \$850 from the Disability Rights California Office of Clients' Rights for the underpayment.

Finding 3: Sensitive Equipment

The review of the equipment inventory guidelines and a discussion with staff revealed NBRC did not maintain adequate control over its sensitive items that are prone to theft/loss or misuse. It was noted that eight smartphones were not tagged with a DDS issued barcode tag. This is not in compliance with State Contract, Article IV, Section 4(a), State's Equipment Management System Guidelines, Section III(C), (D), (E) and (F) and State Administrative Manual (SAM), Section 8600 and 8603.

Finding 4: Segregation of Duties

A. Payroll Processing

A review of the payroll processing controls revealed a lack of segregation of duties for NBRC's Payroll Coordinator. The Payroll Coordinator enters data into the payroll system and verifies transmission of the data to the payroll processing company. The Payroll Coordinator has full access to the payroll system and the ability to make changes to the employee master files. This issue was also noted in the Independent CPA's Audit Report for FY 2013-14.

B. Equipment

The review of NBRC's equipment inventory control procedures revealed that the Information Technology Technician in charge of the stockroom is also the same person who maintains the inventory records and conducts the physical inventory. This is not in compliance with SAM, Section 8652 – Property Inventory, 2(a) and(d).

C. Purchasing Policies and Procedures

The review of NBRC's operations processing controls revealed that the Payroll Coordinator has the ability to create Purchase Orders (POs), place orders and receive the items. This does not comply with NBRC's procedures for receiving equipment. The individual responsible for placing orders should be prohibited from receiving purchased items.

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

The review of 48 sampled employee TCM Time Study forms (DS 1916) revealed that six employees had hours recorded on the DS 1916s that did not match the time sheets. This is not in compliance with NBRC's Time Study Procedures and the TCM Rate Study Process and Instructions. This issue was identified in the prior DDS audit report.

Finding 6: Employee Conflict of Interest (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 an oversight. This is not in 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, [REDACTED] Vendor Number [REDACTED] Service Code [REDACTED] and [REDACTED] Vendor Number [REDACTED] Service Code [REDACTED] that exceeded \$250,000. This is not in compliance with W&I Code, Section 4625.5(a) and (b).

Finding 8: Missing Vendor Files

Five out of 126 sampled POS vendor files were missing. This is not in compliance with CCR, Title 17, Section 54332(a).

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

Finding 9: Home and Community-Based Services (HCBS) Provider Agreement Forms (Repeat)

The sampled review of 126 POS vendor files revealed four vendors did not have completed HCBS Provider Agreement forms on file. In addition, four vendors from the prior audit report are still missing the HCBS Provider Agreement forms or submitted forms that were not completed correctly. This is not in compliance with CCR, Title 17, Section 54332(a)(8).

NBRC provided the HCBS forms for the vendors with its response; therefore, this issue is considered resolved.

**Finding 10: Vendor Applications and Applicant/Vendor Disclosure Statements
(Repeat)**

The sampled review of 126 POS vendor files revealed three missing Vendor Application (DS 1890) forms. In addition, NBRC has not been able to obtain two DS 1890 forms and eight Applicant/Vendor Disclosure Statement (DS 1891) forms from the prior audit. A total of five DS 1890 forms and eight DS 1891 forms were missing from the prior and current DDS' audits. This is not in compliance with CCR, Title 17, Sections 54332(a)(1), 54310(a), 54311(b) and (c).

NBRC took corrective action by providing the DS 1890 and DS 1891 forms with its response; therefore, this issue is considered resolved.

BACKGROUND

DDS is responsible, under the W&I Code, for ensuring that persons with developmental disabilities (DD) receive the services and supports they need to lead more independent, productive, and integrated 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 (RCs). The RCs 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 California Health and Human Services Agency (CHHS), Centers for Medicare and Medicaid Services (CMS), that services billed under California's HCBS Waiver program are provided and that criteria set forth for receiving funds have been met. As part of DDS' program for providing this assurance, the Audit Section conducts fiscal compliance audits of each RC no less than every two years, and completes follow-up reviews in alternate years. Also, DDS requires RCs to contract with independent Certified Public Accountants (CPAs) 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 RC will also be monitored by the DDS Federal Programs Operations Section to assess overall programmatic compliance with HCBS Waiver requirements. The HCBS Waiver compliance monitoring review has its own criteria and processes. These audits and program reviews are an essential part of an overall DDS monitoring system that provides information on RCs' fiscal, administrative, and program operations.

DDS and North Bay Developmental Disability Services, Inc., entered into contract HD149011, effective July 1, 2014, through June 30, 2021. This contract specifies that North Bay Developmental Disability Services, Inc. will operate an agency known as NBRC to provide services to individuals with DD and their families in Napa, Sonoma, and Solano Counties. The contract is funded by state and federal funds that are dependent upon NBRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at NBRC from September 19, 2016, through October 21, 2016, by the Audit Section of DDS.

AUTHORITY

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

CRITERIA

The following criteria were used for this audit:

- W&I Code,
- “Approved Application for the HCBS Waiver for the Developmentally Disabled,”
- CCR, Title 17,
- OMB Circulars A-122 and A-133, and
- The State Contract between DDS and NBRC, effective July 1, 2009.

AUDIT PERIOD

The audit period was July 1, 2014, through June 30, 2016, 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 RCs' fiscal, administrative, and program operations. The objectives of this audit were:

- To determine compliance with the W&I Code,
- To determine compliance with the provisions of the HCBS Waiver Program for the Developmentally Disabled,
- To determine compliance with CCR, Title 17 regulations,
- To determine compliance with OMB Circulars A-122 and A-133, and
- To determine that costs claimed were in compliance with the provisions of the State Contract between DDS and NBRC.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards issued by the Comptroller General of the United States. However, the procedures do not constitute an audit of NBRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that NBRC was in compliance with the objectives identified above. Accordingly, DDS examined transactions on a test basis to determine whether NBRC was in compliance with the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and NBRC.

DDS' review of NBRC's internal control structure was conducted to gain an understanding of the transaction flow and the policies and procedures, as necessary, to develop appropriate auditing procedures.

DDS reviewed the annual audit reports that were conducted by an independent CPA firm for Fiscal Year (FY) 2014-15, issued on February 19, 2016. It was noted that a management letter was issued for NBRC. This review was performed to determine the impact, if any, upon the DDS audit and, as necessary, develop appropriate audit procedures.

The audit procedures performed included the following:

I. Purchase of Service

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

- DDS tested the sample items to determine if the payments made to service providers were properly claimed and could be supported by appropriate documentation.
- DDS selected a sample of invoices for service providers with daily and hourly rates, standard monthly rates, and mileage rates to determine if supporting attendance documentation was maintained by NBRC. The rates charged for the services provided to individual consumers were reviewed to ensure compliance with the provision of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17, OMB Circulars A-122 and A-133; and the State Contract between DDS and NBRC.
- 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 State Contract with DDS.
- DDS selected a sample of bank reconciliations for Operations (OPS) accounts and Consumer Trust bank accounts to determine if the reconciliations were properly completed on a monthly basis.

II. Regional Center Operations

DDS selected a sample of OPS claims billed to DDS to determine compliance with the State Contract. The sample included various expenditures claimed for administration that were reviewed to ensure NBRC's accounting staff properly input data, transactions were recorded on a timely basis, and expenditures charged to various operating areas were valid and reasonable. The following procedures were performed:

- A sample of the personnel files, timesheets, payroll ledgers, and other support documents were selected to determine if there were any overpayments or errors in the payroll or the payroll deductions.

- A sample of OPS expenses, including, but not limited to, purchases of office supplies, consultant contracts, insurance expenses, and lease agreements were tested to determine compliance with CCR, Title 17, and the State Contract.
- A sample of equipment was selected and physically inspected to determine compliance with requirements of the State Contract.
- DDS reviewed NBRC's policies and procedures for compliance with the DDS Conflict of Interest regulations, and DDS selected a sample of personnel files to determine if the policies and procedures were followed.

III. TCM and Regional Center Rate Study

The TCM Rate Study determines the DDS rate of reimbursement from the federal government. The following procedures were performed upon the study:

- Reviewed applicable TCM records and NBRC's Rate Study. DDS examined the months of April 2015 and April 2016 and traced the reported information to source documents.
- Reviewed NBRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared timesheets to the DS 1916 to ensure that the forms were properly completed and supported.

IV. Service Coordinator Caseload Survey

Under W&I Code, Section 4640.6(e), RCs are required to provide service coordinator caseload data to DDS. The following average service coordinator-to-consumer ratios apply per W&I Code, Section 4640.6(c)(1)(2)(3)(A)(B)(C):

- “(c) Contracts between the department and regional centers shall require regional centers to have service coordinator-to-consumer ratios, as follows:
- (1) An average service coordinator-to-consumer ratio of 1 to 62 for all consumers who have not moved from the developmental centers to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 79 consumers for more than 60 days.
 - (2) An average service coordinator-to-consumer ratio of 1 to 45 for all consumers who have moved from a developmental center to the community since April 14, 1993. In no case shall a service coordinator for these consumers have an assigned caseload in excess of 59 consumers for more than 60 days.

- (3) Commencing January 1, 2004, the following coordinator-to-consumer ratios shall apply:
- (A) All consumers three years of age and younger and for consumers enrolled in the Home and Community-based Services Waiver program for persons with developmental disabilities, an average service coordinator-to-consumer ratio of 1 to 62.
 - (B) 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, an average service coordinator-to-consumer ratio of 1 to 62.
 - (C) All consumers who have not moved from the developmental centers to the community since April 14, 1993, and who are not described in subparagraph (A), an average service coordinator-to-consumer ratio of 1 to 66.”

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

V. Early Intervention Program (EIP; Part C Funding)

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

VI. Family Cost Participation Program (FCPP)

The 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)/Individualized Family Services Plan (IFSP). To determine whether NBRC was in compliance with CCR, Title 17, and the W&I Code, Section 4783, DDS performed the following procedures during the audit review:

- Reviewed the list of consumers who received respite, day care, and camping services, for ages 0 through 17 years who live with their parents and are not Medi-Cal eligible, to determine their contribution for the FCPP.
- Reviewed the parents’ income documentation to verify their level of participation based on the FCPP Schedule.

- Reviewed copies of the notification letters to verify that the parents were notified of their assessed cost participation within 10 working days of receipt of the parents' income documentation.
- Reviewed vendor payments to verify that NBRC was paying for only its assessed share of cost.

VII. Annual Family Program Fee (AFPF)

The AFPF was created for the purpose of assessing an annual fee of up to \$200 based on the income level of families with children between the ages of 0 through 17 years receiving qualifying services through the RC. The AFPF fee shall not be assessed or collected if the child receives only respite, day care, or camping services from the RC and a cost for participation was assessed to the parents under FCPP. To determine whether NBRC was in compliance with the W&I Code, Section 4785, DDS requested a list of AFPF assessments and verified the following:

- The adjusted gross family income is at or above 400 percent of the federal poverty level based upon family size.
- The child has a DD or is eligible for services under the California Early Intervention Services Act.
- The child is less than 18 years of age and lives with his or her parent.
- The child or family receives services beyond eligibility determination, needs assessment, and service coordination.
- The child does not receive services through the Medi-Cal program.
- Documentation was maintained by the RC to support reduced assessments.

VIII. Parental Fee Program (PFP)

The PFP was created for the purpose of prescribing financial responsibility to parents of children under the age of 18 years who are receiving 24-hour, out-of-home care services through an RC or who are residents of a state hospital or on leave from a state hospital. Parents shall be required to pay a fee depending upon their ability to pay, but not to exceed (1) the cost of caring for a child without DD at home, as determined by the Director of DDS, or (2) the cost of services provided, whichever is less. To determine whether NBRC is in compliance with the W&I Code, Section 4782, DDS requested a list of PFP assessments and verified the following:

- Identified all children with DD who are receiving the following services:
 - (a) All 24-hour, out-of-home community care received through an RC for children under the age of 18 years;
 - (b) 24-hour care for such minor children in state hospitals. Provided, however, that no ability to pay determination shall be made for services required by state or federal law, or both, to be provided to children without charge to their parents.
- Provided DDS with a listing of new placements, terminated cases, and client deaths for those clients. Such listings shall be provided not later than the 20th day of the month following the month of such occurrence.
- Informed parents of children who will be receiving services that DDS is required to determine parents' ability to pay and to assess, bill, and collect parental fees.
- Provided parents a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope within 10 working days after placement of a minor child.
- Provided DDS a copy of each informational letter given or sent to parents, indicating the addressee and the date given or mailed.

IX. Procurement

The Request for Proposal (RFP) process was implemented to ensure RCs outline the vendor selection process when using the RFP process to address consumer service needs. As of January 1, 2011, DDS requires RCs to document their contracting practices, as well as how particular vendors are selected to provide consumer services. By implementing a procurement process, RCs will ensure that the most cost-effective service providers, amongst comparable service providers, are selected, as required by the Lanterman Act and the State Contract. To determine whether NBRC implemented the required RFP process, DDS performed the following procedures during the audit review:

- Reviewed NBRC's contracting process to ensure the existence of a Board-approved procurement policy and to verify that the RFP process ensures competitive bidding, as required by Article II of the State Contract, as amended.
- Reviewed the RFP contracting policy to determine whether the protocols in place included applicable dollar thresholds and comply with Article II of the State Contract, as amended.

- Reviewed the RFP notification process to verify that it is open to the public and clearly communicated to all vendors. All submitted proposals are evaluated by a team of individuals to determine whether proposals are properly documented, recorded, and authorized by appropriate officials at NBRC. The process was reviewed to ensure that the vendor selection process is transparent 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.

X. Statewide/Regional Center Median Rates

The Statewide and RC Median Rates were implemented on July 1, 2008, and amended on December 15, 2011, to ensure that RCs 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 RCs 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, and that NBRC is paying authorized contract rates and complying with the median rate requirements of W&I Code, Section 4691.9.
- Reviewed vendor contracts to ensure that NBRC is reimbursing vendors using authorized contract median rates and verified that rates paid represented the lower of the statewide or RC 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 required by regulation, or health and safety exemptions were granted by DDS.
- Reviewed vendor contracts to ensure that NBRC did not negotiate rates with new service providers for services which are higher than the RC's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower. DDS also ensured that units of service designations conformed with existing RC designations or, if none exists, ensured that units of service conformed to a designation used to calculate the statewide median rate for the same service code.

XI. Other Sources of Funding from DDS

NBRC 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:

- CPP;
- Denti-Cal; and

- Part C – Early Start Program.

XII. Follow-up Review on Prior DDS Audit Findings

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

CONCLUSIONS

Based upon the audit procedures performed, DDS determined that except for the items identified in the Findings and Recommendations section, NBRC was in compliance with applicable sections of the W&I Code; the HCBS Waiver for the Developmentally Disabled; CCR, Title 17; OMB Circulars A-122 and A-133; and the State Contract between DDS and NBRC for the audit period, July 1, 2014, through June 30, 2016.

The costs claimed during the audit period were for program purposes and adequately supported.

From the review of the 20 prior audit findings, it has been determined that NBRC has taken appropriate corrective action to resolve 16 prior audit findings.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on July 12, 2018. The findings in the draft audit report were discussed at a formal exit conference with NBRC on July 17, 2018. The views of NBRC's responsible officials are included in this final audit report.

RESTRICTED USE

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

FINDINGS AND RECOMMENDATIONS

Findings that need to be addressed.

Finding 1: Unsupported Credit Card Expenditures (Repeat)

The review of the operational expenditures revealed NBRC continues to have unsupported credit card expenditures for the items purchased. Receipts were missing for 74 expenditures totaling \$9,051.32. This issue was identified in the prior audit and NBRC stated procedures have been implemented to accurately account for all credit card expenditures; however, NBRC has not been enforcing its procedures. (See Attachment A)

NBRC provided additional documentation with its response indicating \$3,400.00 for six expenditures has been resolved with \$5,911.32 still outstanding.

NBRC's Administrative – Agency Credit Card Use Procedure Memo 2060, Procedure A states:

“All employees who have been authorized to use an agency credit card must follow the following steps to ensure transparency and accountability for purchases.

- The card holder attaches all receipts associated with the purchases on the statement.”

State Contract, Article IV, Section 3(a) states:

“a. The Contractor shall maintain books, records, documents, case files, and other evidence pertaining to the budget, revenues, expenditures, and consumers served under this contract (hereinafter collectively called the “records”) to the extent and in such detail as will properly reflect net costs (direct and indirect) of labor, materials, equipment, supplies and services, overhead and other costs and expenses of whatever nature for which reimbursement is claimed under the provision of this contract in accordance with mutually agreed to procedures and generally accepted accounting principles.”

Recommendation:

NBRC must reimburse DDS \$5,911.32 for the unsupported credit card expenditures. In addition, NBRC must enforce its credit card procedures to ensure adequate documentation is maintained for any credit card expenditures.

Finding 2: Payments Not in Agreement with Contracts

The sample review of five operational consultant contracts revealed one consultant was not paid in accordance with the terms stated in the contract. Spectrum Information Services had a Statement of Work (SOW) agreement to perform scanning and program support services for \$33,000; however, Spectrum Information Services was reimbursed \$34,500. The total overpayment to Spectrum Information Services was \$1,500. This was due to NBRC not comparing the amount billed to the contracted rate.

In addition, the review of the five sublease agreements with NBRC revealed one sub lessee, Disability Rights California Office of Clients' Rights, did not pay \$850 in rent for December 2014. This occurred due to NBRC's lack of oversight.

NBRC provided additional documentation with its response indicating it has collected \$850 from the Disability Rights California Office of Client's Rights for the underpayment.

The SOW contract between NBRC and Spectrum Information Services dated March 14, 2016 states:

“Total costs not to exceed \$33,000.”

NBRC's lease agreement with Disability Rights California Office of Clients' Rights, (1) states in part:

“Base Rent means the following monthly base rental of eight hundred and fifty dollars (\$850) per month.”

Recommendation:

NBRC must reimburse DDS \$1,500 for overpaying the one consultant. In addition, NBRC must monitor their consultant contracts and sublease agreements to ensure amounts paid and received are in accordance with the contracts and subleases.

Finding 3: Sensitive Equipment

The review of the equipment inventory guidelines and a discussion with the Information Technology Assistant Director revealed that NBRC did not maintain adequate controls over some of its sensitive equipment that is prone to theft/loss or misuse. It was noted that eight smartphones were not tagged with a DDS-issued barcode tag. In addition, these items were not listed in the inventory list which includes the serial number, acquisition date, and original cost of the items.

State Contract, Article IV, Section 4(a) states in part:

“Contractor shall maintain and administer, in accordance with sound business practice, a program for the utilization, care, maintenance, protection and preservation of State of California property so as to assure its full availability and usefulness for the performance of this contract. 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.”

State's Equipment Management System Guidelines, Section III (C)(1) and (D) states in part:

“(C) All State-owned equipment must be promptly and clearly tagged as State of California, DDS' property. The RC Property Custodian will order supplies of appropriate tags as described below by the Customer Support Section (CSS).

(1) ‘Non-expendable equipment’ and ‘sensitive equipment,’ as defined in Attachment A, will be tagged with a DDS-issued, bar-code tag and entered onto the RC property records as described in D below . . .”

(D) A record of state-owned, nonexpendable equipment and sensitive equipment shall be maintained by the RC Property Custodian in a format that includes the following information: description of the equipment item, the location (e.g., RC office or room number), the state I.D. tag number, the serial number (if any), the acquisition date, and the original cost.”

State's Equipment Management System Guidelines, Section IV states:

“RCs will follow standard accounting guidelines as described in SAM Section 8600 et seq.”

SAM, Sections 8603, Non-Capitalized Property states:

“Departments will maintain adequate control over sensitive and high-risk items, which are prone to theft/loss, misuse, and may contain sensitive data. Examples of sensitive and high-risk items are:

Computers, printers, scanners
Smartphones, tablets, and other hand held devices
Device or media capable of storing or processing information
TVs, audio visual equipment, cameras
Weapons, power tools
Works of art
Software”

Recommendation:

NBRC must follow the State Equipment Management Guidelines and SAM to ensure all state-owned, sensitive equipment is tagged with a state ID tag number and properly recorded in the inventory list.

Finding 4: Segregation of Duties

A. Payroll Processing

A review of the payroll processing controls revealed a lack of segregation of duties for NBRC's [REDACTED] [REDACTED]. The [REDACTED] [REDACTED] enters data into the payroll system along with verifying the transmission of the data to the payroll processing company. Additional duties of the [REDACTED] [REDACTED] are the verification and reconciliation of vacation and sick leave data and entering pay rate changes and salary deductions. In addition, the [REDACTED] [REDACTED] has full access to the payroll system and the ability to make changes to the employee master files. These weaknesses in NBRC's payroll processing controls increase the risk for fraudulent activity to occur and decrease the likelihood of detecting errors. This issue was also noted in the Independent CPA's Management Letter for FY 2013-14, but NBRC has not taken corrective action to resolve this issue.

Good business practice requires that NBRC maintain adequate internal controls over its payroll and personnel functions. Payroll and personnel functions should be performed by different individuals to ensure adequate segregation of duties between the two areas. For good internal controls, the ability to access and make changes to employee salary adjustments should be limited to Human Resources section.

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).

Finding 9: HCBS Provider Agreement Forms (Repeat)

The sampled review of 126 POS vendor files revealed NBRC did not have completed HCBS Provider Agreement forms for four vendors. In addition, four vendors from the prior audit were still missing HCBS Provider Agreement forms or submitted forms that were not completed correctly. NBRC has been unsuccessful in obtaining the completed HCBS Provider Agreement forms from the vendors. (See Attachment E) NBRC provided the HCBS forms for the vendors with its response; therefore, this issue is considered resolved.

CCR, Title 17, Section 54332(a)(8), states in part:

“(a) The vendoring regional center shall maintain a file for each vendor which includes copies of: . . .

(8) The signed Home and Community Based Services Provider Agreement, (6/99) if applicable.”

Recommendation:

NBRC should periodically review vendor files to ensure the HCBS Provider Agreement forms are maintained.

Finding 10: Vendor Applications and Applicant/Vendor Disclosure Statements (Repeat)

The sampled review of 126 POS vendor files revealed three DS 1890 forms were not on file. In addition, two DS 1890 forms and eight DS 1891 forms from the prior audit were still missing. These forms provide assurance that the vendors were properly vendorized and any excluded individuals or entities (individuals or vendors with criminal records), are properly disclosed for the protection and safety of the consumers served. NBRC stated it made attempts to obtain the forms identified in the prior audit, but have been unsuccessful. (See Attachment F)

NBRC took corrective action by providing the DS 1890 and DS 1891 forms with its response; therefore, this issue is considered resolved.

CCR, Title 17, Section 54332(a)(1) 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.”

CCR, Title 17, Section 54310(a), states:

“(a) An applicant who desires to be vendored shall submit Form DS 1890 (7/2011), entitled Vendor Application.”

CCR, Title 17, Section 54311(b) and (c), states:

“(b) Each applicant or vendor shall submit a new signed and dated DS 1891 (7/2011) to the regional center within 30 days of any change in the information previously submitted pursuant to this section or upon a written request by the regional center for such information.

(c) All current vendors shall submit a signed and dated DS 1891 (7/2011) to the vendoring regional center within 120 days of the effective date of these regulations for review by regional center by June 30, 2012.”

Recommendation:

NBRC must review all its vendor files to ensure a completed DS 1890 and DS 1891 form is on file. |

EVALUATION OF RESPONSE

As part of the audit report process, NBRC was provided with a draft audit report and requested to provide a response to the findings. NBRC's response dated August 15, 2018, is provided as Appendix A.

DDS' Audit Section has evaluated NBRC's response and will confirm the appropriate corrective actions have been taken during the next scheduled audit.

Finding 1: Unsupported Credit Card Expenditures (Repeat)

NBRC agrees with the finding and stated it has implemented procedures to ensure this finding does not reoccur. In addition, NBRC provided additional documents to support six expenditures totaling \$3,400.00. NBRC must reimburse DDS \$5,911.32 for the remaining balance.

Finding 2: Payments Not in Agreement with Contracts

NBRC agrees with the finding and stated it will reimburse DDS \$1,500 for the overpayment to Spectrum Information Services. In addition, NBRC stated it has implemented a tracking mechanism to monitor contracts to prevent overpayments.

Finding 3: Sensitive Equipment

NBRC stated it has established an internal control to track sensitive equipment and that it will comply with the recommendation to state tag sensitive equipment. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 4: Segregation of Duties

A. Payroll Processing

NBRC agrees with the finding and stated it has implemented written procedures to ensure there is a separation of duties between personnel and payroll functions. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

B. Equipment

NBRC agrees with the finding and stated it has implemented internal control procedures to ensure there is separation between purchasing, inventory and disposal. DDS will conduct a follow-up

review during the next scheduled audit to determine if this issue has been resolved.

C. Purchasing Policies and Procedures

NBRC agrees with the finding and stated it has modified and implemented procedures to ensure duties for purchasing and receiving are separate. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

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

NBRC agrees with the finding and stated it has implemented staff training. In addition, NBRC stated it has modified its procedures to ensure the timecards are reconciled, reviewed and approved by management prior to submission. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 6: Employee COI Statements Not Completed Annually

NBRC agrees with the finding and stated it has reviewed and modified its procedures to ensure this finding does not reoccur. NBRC stated the Human Resources Generalist will send the COI statements to its staff electronically and send the COI statements to Board members. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 7: Missing Documentation

NBRC agrees with the finding and stated it has reviewed and modified its procedures to ensure this finding does not reoccur. NBRC stated its policy was revised to ensure all contracts \$250,000 or above are presented to the Board for approval and that it will present the contracts in question to the Board for approval in September 2018 for a retroactive approval. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 8: Missing Vendor Files

NBRC agrees with the finding and stated it has transitioned all files to an electronic filing system that is managed by the Vendor Coordinator. In addition, NBRC implemented procedures to limit access to the electronic filing system and stated it will not assign new vendors with numbers unless the required documents are received. DDS will conduct a follow-up

review during the next scheduled audit to determine if this issue has been resolved.

Finding 9: HCBS Provider Agreement Forms (Repeat)

NBRC agrees with the finding and stated it has reviewed and modified its procedures to ensure this finding does not reoccur. NBRC took corrective action by providing the HCBS forms. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

Finding 10: Vendor Applications and Applicant/Vendor Disclosure Statements (Repeat)

NBRC agrees with the finding and stated it has reviewed and modified its procedures to ensure this finding does not reoccur. NBRC took corrective action by providing the DS 1890 and DS 1891 forms. DDS will conduct a follow-up review during the next scheduled audit to determine if this issue has been resolved.

**North Bay Regional Center
Unsupported Credit Card Expenditures
Fiscal Years 2014-15 and 2015-16**

No.	Merchant	Transaction Month	Transaction Amount	Amount Supported	Balance
Missing Receipts					
1	Craigslist	Jun-14	\$225.00	\$225.00	\$0.00
2	Craigslist	Jun-14	\$225.00	\$225.00	\$0.00
3	Labor Arbitration INST	Jul-14	\$1,250.00	\$1,250.00	\$0.00
4	Nonprofit Easy Inc.	Jul-14	\$50.00	\$0.00	\$50.00
5	BLU*North Bay Regional Center	Aug-14	\$14.99	\$0.00	\$14.99
6	Imprint.com	Aug-14	\$182.00	\$0.00	\$182.00
7	Nonprofit Easy Inc.	Sep-14	\$50.00	\$0.00	\$50.00
8	Travel Insurance Policy	Oct-14	\$27.00	\$0.00	\$27.00
9	Craigslist	Oct-14	\$225.00	\$225.00	\$0.00
10	Nonprofit Easy Inc.	Oct-14	\$50.00	\$0.00	\$50.00
11	Craigslist	Oct-14	\$225.00	\$0.00	\$225.00
12	Nonprofit Easy Inc.	Dec-14	\$50.00	\$0.00	\$50.00
13	Hilton Sacramento	Jan-15	\$72.93	\$0.00	\$72.93
14	Craigslist	Jan-15	\$225.00	\$0.00	\$225.00
15	Hilton Sacramento	Jan-15	\$397.84	\$0.00	\$397.84
16	VJB Vineyards & Cellar	Jan-15	\$282.42	\$0.00	\$282.42
17	Nonprofit Easy Inc.	Jan-15	\$50.00	\$0.00	\$50.00
18	Fedex	Jan-15	\$19.45	\$0.00	\$19.45
19	Travel Insurance Policy	Feb-15	\$22.75	\$0.00	\$22.75
20	Nonprofit Easy Inc.	Feb-15	\$50.00	\$0.00	\$50.00
21	Citizen Hotel	Mar-15	\$26.53	\$0.00	\$26.53
22	Hilton Sacramento	Mar-15	\$220.04	\$0.00	\$220.04
23	Nonprofit Easy Inc.	Apr-15	\$50.00	\$0.00	\$50.00
24	Hotel Booking	May-15	\$84.81	\$0.00	\$84.81
25	Nonprofit Easy Inc.	May-15	\$50.00	\$0.00	\$50.00
26	Craigslist.org	Jun-15	\$225.00	\$225.00	\$0.00
27	Craigslist.org	Jun-15	\$225.00	\$0.00	\$225.00
28	Craigslist.org	Jun-15	\$75.00	\$0.00	\$75.00
29	Craigslist.org	Jun-15	\$75.00	\$0.00	\$75.00
30	Craigslist.org	Jun-15	\$75.00	\$0.00	\$75.00
31	Craigslist.org	Jun-15	\$75.00	\$0.00	\$75.00
32	The Kentwood Restaurant	Jun-15	\$55.47	\$0.00	\$55.47
33	Nonprofit Easy Inc.	Jun-15	\$50.00	\$0.00	\$50.00
34	Craiglist.org	Jul-15	\$75.00	\$0.00	\$75.00
35	Craiglist.org	Jul-15	\$75.00	\$0.00	\$75.00
36	Craiglist.org	Jul-15	\$75.00	\$0.00	\$75.00
37	Craiglist.org	Jul-15	\$75.00	\$0.00	\$75.00
38	PLN Priceline Vacation	Jul-15	\$989.12	\$0.00	\$989.12
39	Craiglist.org	Jul-15	\$75.00	\$0.00	\$75.00
40	Craiglist.org	Jul-15	\$75.00	\$0.00	\$75.00

**North Bay Regional Center
Unsupported Credit Card Expenditures
Fiscal Years 2014-15 and 2015-16**

No.	Merchant	Transaction Month	Transaction Amount	Amount Supported	Balance
41	Craigslist.org	Jul-15	\$75.00	\$0.00	\$75.00
42	IFN Enterprises	Jul-15	\$4.99	\$0.00	\$4.99
43	Nonprofit Easy Inc.	Jul-15	\$50.00	\$0.00	\$50.00
44	Farmatthecarnerosinn	Jul-15	\$43.72	\$0.00	\$43.72
45	The Kentwood Restaurant	Aug-15	\$55.63	\$0.00	\$55.63
46	Amazon Mktplace	Aug-15	\$11.64	\$0.00	\$11.64
47	Amazon Mktplace	Aug-15	\$6.20	\$0.00	\$6.20
48	Nonprofit Easy Inc.	Aug-15	\$50.00	\$0.00	\$50.00
49	Nonprofit Easy Inc.	Sep-15	\$50.00	\$0.00	\$50.00
50	Nonprofit Easy Inc.	Oct-15	\$50.00	\$0.00	\$50.00
51	Nonprofit Easy Inc.	Oct-15	\$50.00	\$0.00	\$50.00
52	Nonprofit Easy Inc.	Nov-15	\$50.00	\$0.00	\$50.00
53	Nonprofit Easy Inc.	Nov-15	\$50.00	\$0.00	\$50.00
54	Napa Roots	Dec-15	\$30.38	\$0.00	\$30.38
55	Nonprofit Easy Inc.	Dec-15	\$50.00	\$0.00	\$50.00
56	VJB Vineyards & Cellar	Dec-15	\$22.00	\$0.00	\$22.00
57	Safeway	Dec-15	\$20.23	\$0.00	\$20.23
58	Nonprofit Easy Inc.	Dec-15	\$50.00	\$0.00	\$50.00
59	Nonprofit Easy Inc.	Dec-15	\$50.00	\$0.00	\$50.00
60	Amazon Mktplace	Jan-16	\$106.92	\$0.00	\$106.92
61	Nonprofit Easy Inc.	Jan-16	\$50.00	\$0.00	\$50.00
62	EB Exclusion to Inclu	Jan-16	\$213.96	\$0.00	\$213.96
63	Wpengine.com	Jan-16	\$990.00	\$990.00	\$0.00
64	Nonprofit Easy Inc.	Jan-16	\$50.00	\$0.00	\$50.00
65	Nonprofit Easy Inc.	Feb-16	\$50.00	\$0.00	\$50.00
66	Nonprofit Easy Inc.	Feb-16	\$50.00	\$0.00	\$50.00
67	Nonprofit Easy Inc.	Mar-16	\$50.00	\$0.00	\$50.00
68	Nonprofit Easy Inc.	Mar-16	\$50.00	\$0.00	\$50.00
69	Nonprofit Easy Inc.	Apr-16	\$50.00	\$0.00	\$50.00
70	92 Phone Priority Park	Apr-16	\$10.00	\$0.00	\$10.00
71	Nonprofit Easy Inc.	Apr-16	\$50.00	\$0.00	\$50.00
72	The Runway by Patrick	May-16	\$40.30	\$0.00	\$40.30
73	Nonprofit Easy Inc.	May-16	\$50.00	\$0.00	\$50.00
74	Nonprofit Easy Inc.	May-16	\$50.00	\$0.00	\$50.00
Total Unsupported Credit Card Expenditures			\$9,051.32	\$3,140.00	\$5,911.32

**North Bay Regional Center
Targeted Case Managemnt Time Study (Repeat)
Fiscal Years 2014-15 and 2015-16**

No.	Service Coordinator	DS1916 Forms					Time Sheet				Time Off Difference	Total Hours Difference
		Allowable	Unallowable Hours	Other Hours	Time Off	Total Hours	Regular Hours	Vacation Holiday & Sick Hours	Overtime	Total Hours		
1		93.20	18.75	52.05	16.00	180.00	160.50	15.50	4.00	180.00	0.50	0.00
2		119.00	0.00	37.00	20.00	176.00	164.00	12.00	0.00	176.00	8.00	0.00
3		10.25	0.00	165.75	0.00	176.00	168.00	8.00	0.00	176.00	(8.00)	0.00
4		113.50	0.00	32.00	30.50	176.00	153.00	22.50	0.00	175.50	8.00	0.50
5		130.00	24.75	18.25	4.00	177.00	164.00	12.00	9.00	185.00	(8.00)	(8.00)
6		68.40	0.00	87.60	12.00	168.00	168.00	8.00	0.00	176.00	4.00	(8.00)
Total Hours Under												(15.50)

**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

**North Bay Regional Center
Home and Community Based Services Waiver Forms (Repeat)
Fiscal Years 2014-15 and 2015-16**

No.	Vendor Number	Vendor Name	Service Code	Comment	Resolved
Fiscal Years 2014-15 and 2015-16					
1	Z13026	City of Santa Rosa	895	Missing forms	Yes
2	Z13036	Petaluma Transit	895		Yes
3	Z13057	Vacaville City Coach	895		Yes
4	Z13254	City of Fairfield	895		Yes
Fiscal Years 2012-13 and 2013-14					
1	PN0275	A Place of Grace	890	Missing Forms	Yes
2	██████	██████	910		Yes
3	██████	██████	405	Form Not Completed Correctly	Yes
4	██████	██████	425		1

Legend:

1 = Vendor is inactive.

North Bay Regional Center
Vendor Applications and Applicant/Vendor Disclosure Statements (Repeat)
Fiscal Years 2014-15 and 2015-16

Vendor Applications				
No.	Vendor Number	Vendor Name	Service Code	Resolved
Fiscal Years 2014-15 and 2015-16				
1	Z13026	City of Santa Rosa	895	Yes
2	Z13036	Petaluma Transit	895	No
3	Z13057	Vacaville City Coach	895	Yes
Fiscal Years 2012-13 and 2013-14				
1	████████	████████	910	Yes
2	H19581	Monarch Home	910	Yes

Applicant/Vendor Disclosure Statements				
No.	Vendor Number	Vendor Name	Service Code	Resolved
Fiscal Years 2012-13 and 2013-14				
1	████████	████████	405	Yes
2	H13633	Fairway Place	905	Yes
3	H07806	Greenacre Homes #4	920	Yes
4	H13389	Griffin Family Care Home	915	Yes
5	████████	████████	910	Yes
6	H13509	Q&Q Family Care Home	915	No
7	PN0837	Sister Ann Comm. Dental Clinic	715	No
8	PN0922	Tri-County Copy Service	100	Yes

APPENDIX A

NORTH BAY REGIONAL CENTER

**RESPONSE
TO AUDIT FINDINGS**



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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.

Finding 3: Sensitive Equipment

NBRC has established a procedure that provides internal control and tracking of sensitive equipment. As recommended, NBRC has included state tagging for all sensitive equipment including, but not limited to, computers, laptops, printers, scanners, smartphones, etc.

NBRC acknowledges and accepts the finding.

Finding 4: Segregation of Duties

A. Payroll Processing:

As recommended, NBRC has implemented a written procedure ensuring proper separation of duties between personnel and payroll functions. The following changes were implemented to ensure segregation between the roles within the Human Resource department:

- The Director of Administration ensures compliance over all duties related to Human Resources including, but not limited to, payroll and personnel files.
- NBRC procedure has assigned all payroll duties to the [REDACTED] [REDACTED]. The responsibilities include the review of payroll, taxes, deductions, leave accruals, and other information specific to payroll
- NBRC procedure has assigned all personnel functions to the human resource generalist. The responsibilities include the hiring processes, personnel file maintenance, salary and merit adjustments.

NBRC acknowledges and accepts the finding.

B. Equipment

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

- NBRC has separated the duties for the internal control of all equipment.
 - Purchasing is handled by the Fiscal Supervisor;
 - Inventory, along with state tagging and tracking, is monitored by the Accounting Manager;
 - Disposal is handled by the Fiscal Auditor.

NBRC acknowledges and accepts the finding.

C. Purchasing Policies and Procedures

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

- NBRC has separated the duties for purchasing and receiving.
 - Purchasing is handled by the Fiscal Supervisor;
 - Receiving is handled by the Receptionist.

NBRC acknowledges and accepts the finding.

Finding 5: TCM Time Study – Recording of Attendance

NBRC has implemented staff training and modified the procedure to ensure that timecards are reconciled, reviewed and approved by management prior to submission.

NBRC acknowledges and accepts the finding.

Finding 6: Employee COI Statements Not Completed Annually

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

- The human resource generalist sends an electronic version of the COI to all staff for completion and signature on an annual basis.
- On an annual basis, the COI is sent to the Board Members of NBRC for completion and signature by the Director of Administration.

NBRC acknowledges and accepts the finding.

Finding 7: Missing Documentation

NBRC has reviewed and modified the procedure to ensure this finding is not repeated. NBRC acknowledges and accepts the finding.

- NBRC's policy was revised to ensure that all contracts \$250,000 or above are presented to the Board for approval.
- Contracts for [REDACTED] Vendor# [REDACTED] and [REDACTED] Vendor# [REDACTED] will be presented to the Board in September 2018 for retrospective approval.

Finding 8: Missing Vendor Files

NBRC has transitioned all vendor files to an electronic filing system with security controls. All vendor files are created, managed, and controlled by the Vendor Coordinator. To ensure that all documents are collected and maintained, the following measures were implemented:

- All vendor files are established in DocuShare electronic filing system with limited access to users.
- New vendors are not assigned a vendor number/file until all pertinent documentation including the DS1890, DS1891, HCBS forms are collected and processed.

NBRC acknowledges and accepts the finding.

Finding 9: HCBS Provider Agreement Forms

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

- Vendors are not assigned and entered into the UFS system without all pertinent documentation including, but not limited to, DS1890, DS1891, HCBS forms.

Please see attached missing HCBS forms for the following vendors:

- Z13026 City of Santa Rosa
- Z13057 Vacaville City Coach
- Z13254 City of Fairfield
- PN0275 A Place of Grace
- [REDACTED] [REDACTED]
- [REDACTED] [REDACTED]

NBRC acknowledges and accepts the finding.

Finding 10: Vendor Application and Applicant/Vendor Disclosure Statements

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

- Vendors are not assigned and entered into the UFS system without all pertinent documentation including, but not limited to, DS1890, DS1891, HCBS forms.

Please see attached missing DS1890 forms for the following vendors:

- Z13026 City of Santa Rosa
- Z13057 Vacaville City Coach
- [REDACTED] [REDACTED]
- H19581 Monarch Home

Please see attached missing DS1891 forms for the following vendors:

- [REDACTED] [REDACTED]
- H13633 Fairway Place
- H07806 Greenacre Homes #4
- H13389 Griffin Family Care Home
- [REDACTED] [REDACTED]
- PN0922 Tri-County Copy Service

NBRC acknowledges and accepts the finding.

These audit findings were reviewed carefully with our staff. Our internal policy and procedures were reviewed and modified to address all areas of concern noted in the audit finding. NBRC is committed to ensuring that our internal processes and procedures are compliant with regulations. Please accept this response to the audit findings. Feel free to contact me if you have any questions.

[REDACTED]

[REDACTED] NBRC

Cc: [REDACTED]