M. Jodi Rell
Governor

State of Connecticut
Department of Developmental Services

Peter H. O'Meara
Commissioner

Operations Center
Memo 2011-03

Kathryn du Pree
Deputy Commissioner

TO: Private Providers of Residential and Day Services

FROM: Peter Mason, Operations Manager

CC: Peter O'Meara, Commissioner, Kathryn duPree, Deputy Commissioner, Regional Directors, Assistant Regional Directors, Resource Administrators, Joe Drexler, Vince O'Connell, CCPA, CAN, ARC/CT

DATE: August 16, 2010

SUBJECT: 2010 Annual Report of Residential and Day Services Software and User's Guide

Annual Report for Residential and Day Services Requirements:

An agency with a Purchase of Service contract that exceeds $100,000 is required to file the 2010 Annual Report of Residential and Day Services for the fiscal year ended June 30, 2010. The report must be filed no later than 4:00 p.m. on October 15, 2010 to the office of:

Craig J. Lubitski Consulting, LLC
Founders Plaza
225 Pitkin Street
East Hartford, Connecticut 06108

- For-Profit providers are required to submit an Annual Report that has been audited.
- Non-profit providers are required to submit the Reconciliation of Financial Statements to Annual Report of Residential and Day Services. The Reconciliation of Financial Statements to Annual Report of Residential and Day Services form is included in the 2010 Annual Report software. The reconciliation assures the State of Connecticut that the expenses reported in the Annual Report are based on the audited costs reported in the Financial Statements.
- If the Annual Report is filed late, Regulation Sec. 17-313b-4 notes that for each day that the ACOR (Annual Report of Residential and Day Services) is not filed, a penalty shall be assessed. The Commissioner may approve a request for an extension to the filing date only if he deems that extraordinary circumstances will prevent the timely filing of the Cost Report. The request for an extension should be sent to the attention of Commissioner O'Meara in writing and prior to October 15, 2010. DDS will make every effort to review all extension requests in a timely manner but makes no assurance that a request will be reviewed before the submission deadline. It is recommended that the request be submitted as soon as the extraordinary circumstances are identified.

Financial Audit Requirements

- Providers are required to submit Audited Financial Statements along with a management letter and audit recommendations to the Operations Center at DDS Central Office no later than December 31, 2010.
- Non-profit corporations with a total financial reimbursement in excess of $300,000 by a fiscal intermediary and/or through a purchase of service contract for supports authorized by the Department of Developmental Services with an annual Purchase of Service contract are subject to the Single Audit Act. The State Single Audit Reports are due to the Office of Policy and Management (OPM), who is the cognizant agency for DDS. A copy must be submitted to the Operations Center at DDS Central Office by December 31, 2010 for the fiscal year ended June 30, 2010, unless an exemption or extension was granted by OPM.

Items of Note for the FY2010 Annual Report for Residential and Day Services

- Due to the change to utilization based payments for Day Programs on 2/1/2010, the Annual Report has been modified to account for attendance under both payment methods. These changes include:
    1) On the Cost Center Page (Page 12), Contracted Openings for the day programs should equal the number of contracted openings as of January 31, 2010.

2) On the Cost Center Page (Page 12), Adjusted Openings for the day programs will be calculated for the period between 7/1/2009 – 1/31/2010.

3) On the Cost Center Page (Page 12), Total DDS and Non-DDS Openings for the day program are based on the full year.

4) On the Summary Day Page (Page 21), the total number of DDS participants funded through the contract for this program (Line 1.b.) includes the total contracted openings as of 1/31/2010 and the total number of individuals attending the program with a Contract Service Authorizations as of 6/30/2010.

5) **On the Summary Day Page 21, Lines 3a and b. DDS will provide the agency with the data to calculate the utilization percentage for the period between 2/1/2010 and 6/30/2010.**

- On the Cost Center Page (Page 12), there are two additional columns (P and Q) that were added to identify programs that were closed during the year. If the agency closed a program or CLA during FY2010, identify the program by inputting a "Y" in Column P for that program and input the number of contracted openings there were on the last day of service in Column "Q".
- On the Revenue Schedule Page 28 A, the Fee For Service Revenue must be itemized as to which program the revenue was allocated. The total Fee for Service Revenue will be calculated on the Statement of Revenue Page 28 Line 1s. The amount allocated must match the amount inputted on the Summary SLA(2) Page 18 Line 13.a Fee for Service Revenue and Summary Day(2) Page 22 Line 11. a. Less Fee for Service Revenue.
- On the Revenue Schedule Page 28 A, the Sales Revenue from Day Program must be itemized as to which program the revenue was allocated. The Sales Revenue from Day Program will be calculated on the Statement of Revenue Page 28 Line 2.b. The amount allocated must match the amount inputted on the Summary Day (2) Page 22 Line 10. Sales Revenue Net of Sales Revenue Allowances. If any of the Sales Revenue is allocated to the Fee for Service Cost Center, the amount would be listed on Page 24 Line 8. Operating or Non-Operating Revenue.
- PA No. 07-238, Sec. 7 (Exec. Director Salary Cap) was signed by the Governor on July 11, 2007. The FY2010 maximum allowable salary reimbursement by DDS for the executive director of an agency is $100,000.
- Related Party Disclosure: The provider shall comply with the related party disclosure and reporting requirements established by the department. "Related Parties" means persons or organizations related through marriage, ability to control, ownership, family or business association. Past exercise or influence or control need not be shown, only the potential or ability to directly or indirectly exercise influence or control. Whenever costs are incurred between related parties, allowable costs shall be defined as and limited to the cost to the related party. The related party principle applies to any transaction between a provider and a related party, including but not limited to one time or multiple transactions involving services or supplies and one time sales or lease of the facility itself. Related party transactions must be identified as such in the Annual Report or the Attachment D and the unallowable portion excluded in the appropriate section of the cost report. All Related Party transactions must be approved by the DDS Ethic Committee on a yearly basis. Transactions over $ 2,500.00 must receive approval from the Ethics Committee before the cost is incurred.

Items of Note for Important **CLA** Changes

Annual Report Pages 26 & 27 (Room & Board Expenses)

- The Annual Report no longer contains a calculation of the Room and Board Rate (previously reported on Page 27, Line 30).
- All Facilities with multiple programs using the same cost center number should report all beds, days, and expenses in total under its lead program only. Note: the lead program has been identified with "MCC" in the name for Master Cost Center. The affiliated program(s) have been identified with "SCC" for Secondary Cost Center and should not include any costs.
- Depreciation for Land Improvements, Building and Building Improvements, and Non Movable Equipment has been combined and should be reported on page 26, Line 1. Real Property Depreciation. Movable Equipment depreciation should continue to be reported separately on Page 26, Line 9, Depreciation on Movable Equipment. Refer to the Real Property & Movable Equipment Depreciation Expense section below for further instructions.
- All approved actual debt service expenses (CHFA, Recognition of Actual Debt Service, and Recognition of Lease Cost) must be included in their respective expense lines. CIL rental payments should continue to be reported on Line 2a.
- The 2010 Insurance Expense Schedule includes a column for Renter's Insurance.
- Utility expenses have been separated into the following categories; Heat, Light & Power, Water & Sewer, Cable, and Other, respectively.

Real Property & Movable Equipment Depreciation Expense

- Effective July 1, 2009 each Facility will be responsible for maintaining its own depreciation schedules. After which time the Facility will no longer receive depreciation schedules with the Annual Report package. Included on this year's 2010 Annual Report disk is a schedule of all previously added Real Property additions (excluding land) and Movable Equipment additions whose useful life has not expired within the previous seven years. Please note, the Fair Rental Value Schedules have been updated to also compute depreciation expense.
- The Facility should reconcile its depreciation schedules to those enclosed in this "2010 Annual Report, Schedules, and Filing Instructions" disk. Prior to the filing of the 2010 Annual Report, any reconciling items, questions, and/or concerns regarding depreciation schedules should be emailed to data@cjlc.com with "Depreciation" included in the subject line of the email.
- The following instructions are not changes from previous processes, but may be helpful in reconciling and computing future depreciation amounts:
    - Real Property Additions: depreciation for assets added during the Facility's first year in operation is prorated using the month in which the addition was purchased/capitalized (i.e. Building improvements added on December 31st will result in seven (7) months of depreciation; the same would result if the addition was added on December 1st). If the asset was added in any other year, a full year of depreciation will be calculated regardless of the date added.
    - Movable Equipment Additions: for the Facility's first year in operation, the same rules for Real Property Additions apply. For all other years, additions added on and before December 31st will result in a full year of depreciation. Additions added on and after January 1st will result in six (6) months of depreciation.