



Ned Lamont
Governor

State of Connecticut
Department of Developmental Services

DDS

Jordan A. Scheff
Commissioner

Peter Mason
Deputy Commissioner

Operations Memo 2020-02

TO: Purchase of Services Contracted Private Providers

FROM: David David, Director of Service Development and Support, Operations Center

CC: Jordan Scheff, Commissioner, Peter Mason, Deputy Commissioner, Katie Rock-Burns, Chief of Staff, Scott McWilliams, Chief of Fiscal/Administrative Services, Regional Directors, Assistant Regional Directors, Resource Administrators, The Alliance, The Arc CT

DATE: August 23, 2019

SUBJECT: FY2019 Financial Reporting Requirements

All residential, day and/or clinical support providers that expended financial compensation from the Department of Developmental Services (DDS) and/or other state agencies equal to or in excess of one hundred thousand dollars (\$100,000) during the 2019 fiscal year are subject to financial reporting requirements. The following is a guideline on which reports must be completed and the timeline for submission.

Financial Audit Requirement Changes in FY2019

- Entities that received funding related to Special Act 18-5 (AN ACT CONCERNING MINIMUM EMPLOYEE WAGES FOR PROVIDERS OF STATE-ADMINISTERED SERVICES FOR PERSONS WITH INTELLECTUAL DISABILITIES) shall populate a Microsoft Excel form provided by the department. The completed form shall meet the following criteria:
 1. Shall include all wages and hours by employee for DDS-funded positions for all of Fiscal Year 2019. Total wages and hours before and after minimum wage bill implementation shall be reported separately.
 2. For Entities required to submit an End of Year Expense Report: Total DDS-funded wages on the template must equal total DDS-funded wages listed on line 36 of the Review Tab.
 3. For Entities required to submit an Annual Report of Residential and Day Services: Total DDS-funded wages on the template must equal total DDS-funded wages listed under number 14 of the Reconciliation of Financial Statements to the Annual Report.
 4. Regular, overtime, holiday, and bonus wages and hours shall be reported separately for each employee.
 - Suggested Audit Procedures: Records shall be randomly sampled to validate that hours and wages have been reported correctly and that all employees are paid no less than \$14.75 per hour after the noted date of implementation of wage increases.

- The Department provided Microsoft Excel Form will be included in each provider's unique end of year fiscal reporting email and available on the Provider Gateway of the DDS website.

Financial Audit Requirements

Providers that received financial compensation for DDS participants of more than one hundred thousand dollars (\$100,000) must submit one of the following:

- Providers that received financial compensation for DDS participants of more than one hundred thousand dollars (\$100,000) but less than three hundred thousand dollars (\$300,000) in FY2019 are required to submit a report completed by a Certified Public Accountant detailing the provider's compliance with the standard DDS Agreed upon Procedures. Providers must submit the report to DDS.OperationsCenter@ct.gov no later than December 31, 2019.
- Non-Profit providers with a total financial compensation of three hundred thousand dollars (\$300,000) or more paid by any combination of a fiscal intermediary, a purchase of service contract for supports authorized by the Department of Developmental Services and all other revenue funded by State of Connecticut agencies shall submit a single audit for the fiscal year in accordance with the State Single Audit Act (Sections 4-230 through 4-236 of the Connecticut General Statutes). The State Single Audit Reports are due to the Office of Policy and Management (OPM), who is the cognizant agency for DDS. Providers must electronically submit the report by December 31, 2019 for the fiscal year ended June 30, 2019, unless an exemption or extension was granted by OPM.
- For-Profit providers (including LLC's, Sole Proprietors, Partnerships, S-Corporations, and C corporations) with a total financial compensation of three hundred thousand dollars (\$300,000) or more by a fiscal intermediary and/or a purchase of service contract for supports authorized by the Department of Developmental Services must submit a financial audit for the fiscal year July 1, 2018 – June 30, 2019 along with a management letter and audit recommendations. The audit must be submitted to DDS.OperationsCenter@ct.gov at DDS Central Office by December 31, 2019. Financial audits for a time period other than the State of Connecticut fiscal year must receive prior approval from the Operations Center.

Financial Reporting Requirement:

Providers that received financial compensation for DDS participants of more than one hundred thousand dollars (\$100,000) must submit one of the following:

- A provider that received a total financial compensation for supports authorized by the Department of Developmental Services in FY2019 of more than one hundred thousand dollars (\$100,000) and the financial compensation from the Purchase of Service contract was less than three hundred thousand dollars (\$300,000) shall prepare and deliver an End of Year Expense Report for fiscal year July 1, 2018- June 30, 2019. The End of the Year Expense Report can be found on the DDS Website. The report must be electronically filed no later than 4:00 p.m. on October 15, 2019 to your assigned Operation Center provider specialist.
- A provider that received financial compensation of three hundred thousand dollars (\$300,000) or more through a purchase of service contract are required to file the 2019 Annual Report of Residential and Day Services for the fiscal year ended June 30, 2019. The report must be uploaded to the Myers and Stauffer website no later than 4:00 p.m. on October 15, 2019.

Annual Report Requirements:

Providers that are required to submit the FY2019 Annual Report of Residential and Day Services must submit one of the following:

- For-Profit (including LLC's, Sole Proprietors, Partnerships, S-Corporations, and C corporations) providers are required to submit an Annual Report that has been certified by a Certified Public Accountant.
- Non-Profit providers are required to submit a 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 is included in the 2019 Annual Report download. 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. The reconciliation must be electronically submitted no later than December 31, 2019.

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 the DDS Commissioner in writing prior to October 15, 2019. It is recommended that the request be submitted as soon as the extraordinary circumstances are identified. Approved Annual Report submission extensions will be effective no earlier than the date the request was received by the department.

Financial Reporting Requirements For Agencies with a Purchase of Service Contract That Received Financial Compensation less than \$100,000

An agency with a Purchase of Service contract that received financial compensation less than \$100,000 is required to file an End of Year Expense Report for fiscal year July 1, 2018 - June 30, 2019 to your assigned provider specialist no later than October 15, 2019.

Financial Reporting Requirements For Agencies with a Total Financial Reimbursement of Less Than \$100,000 by a Fiscal Intermediary

None.

Executive Director Maximum Salary Reimbursement

PA No. 07-238, Sec. 7 (Exec. Director Salary Cap) was signed by the Governor on July 11, 2007. The FY2019 maximum allowable salary reimbursement by DDS for the executive director of an agency is \$101,000.

Related Party Disclosure

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 Ethics Committee on a yearly basis. Transactions over \$2,500 must receive approval from the Ethics Committee before the cost is incurred.

Reporting related party transactions on the annual report does not replace the need to submit a request for prior approval from DDS in conformance to the DDS Ethics Protocols.

Adherence to the OPM Cost Standards

Providers are to report costs based on the OPM costs standards. The standards define and enumerate allowable and unallowable costs, including Administrative and General (A&G) costs, and require documentation of all allowable administrative costs in a formal cost allocation plan. Here is the link to the Cost Standards:

http://www.ct.gov/opm/cwp/view.asp?a=2981&Q=382994&opmNav_GID=1806

Administrative Vehicle Limit

The DDS limit for the vehicle lease/loan/rental payment of each administrative vehicle is \$4,800 per year. The limit applies to the annual payment for the acquisition of the vehicle exclusive of gas and maintenance costs. Effective as of FY2014, costs over the \$4,800 limit are disallowed and no exceptions will be granted.