



INLAND REGIONAL CENTER

...valuing independence, inclusion and empowerment

P. O. Box 19037, San Bernardino, CA 92423

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www.inlandrc.org

STATEMENT RE: DDS AUDIT FINDINGS AND INLAND COUNTIES REGIONAL CENTER, INC. PLAN OF CORRECTION AND COMPLIANCE

October 21, 2011

From: Drew Cutler, MD, Board President, Inland Counties Regional Center, Inc.

Following is the final audit report and probation response from the Department of Developmental Services (DDS) to Inland Counties Regional Center, Inc. (IRC).

To synopsize both the audit and probation findings, DDS recognized IRC has collaboratively made progress in each of the areas identified as requiring improvement or resolution. That said, there are some remaining issues that require additional time to be resolved and IRC will remain on probation until all issues are solved to the satisfaction of DDS.

The Board and Management of IRC take our probation status very seriously and understand our probation exit will be a continuing process – and IRC staff is committed to dedicating the time and resources necessary to effectively plan and implement the changes DDS has recommended. We anticipated additional questions and this response now allows us to answer very specific questions under the two categories of fiscal management and employee relations. IRC fully anticipates being able to provide DDS requested information within 45 days and work collaboratively with the Department to achieve full compliance.

The primary goals of the IRC Board of Trustees and Executive Director Carol Fitzgibbons are to lead the agency with operational efficiency, and rebuild the trust of employees, consumers and vendors. Under the leadership and in collaboration with the Board and Directors, pro-active communication has improved, employee morale is being restored and operational processes are being reviewed and corrected as necessary. To that end, IRC is experiencing an increase in receiving concerns prior to being elevated to DDS – and as a result we are pleased to be able to manage concerns, solve issues quickly and encourage recommendations.

Most important, at no point during this auditing or probationary process has there been a compromise to services provided to people with developmental disabilities. Our consumers have been -- and continue to be -- our most important goal.

Auditing Process and Background

In early 2011, DDS conducted an audit of Inland Regional Center from July 1, 2008 through June 30, 2010. Today's released findings are consistent with the Bureau State Auditor's Report regarding Regional Center oversight by DDS that was released in August 2010 with allegations specific to fiscal accountability (vendor selection and vendor billing rates), employee morale (whistleblowing) and communication.

New Policies Implemented

We at IRC understood the very important nature of the allegations and have spent the last year working to resolve the concerns and institute new processes. In the best interest of our staff and those we serve, IRC took immediate action and conducted in-depth internal investigations in response to these allegations. On November 8, 2010 the Board approved a new whistleblower policy to protect employees and vendors from fear of retaliation, and a new task force was created to foster respect and accountability. On January 10, 2011 the Board approved a new Request For Proposals/Procurement (RFP) policy to ensure fair selection and competitive pricing. On September 12, 2011 a Conflict of Interest Policy was updated and approved.

Probation History and Current Status

On January 21, 2011 IRC was placed on probation by DDS and a comprehensive correction plan was presented to the Board. On March 30, 2011 IRC issued a comprehensive and detailed response to DDS' letter of correction, addressing several specifics relating to vendor selection, RFP processes, employee morale and community relations. On May 24, 2011 DDS issued its response to IRC outlining additional specific questions to which IRC responded on July 5, 2011. Today's (October 21, 2011) letter from DDS outlines the ongoing monitoring and oversight of IRC until compliance is reached.

Audits are necessary and this correction process will help us better our agency. With new policies and processes in place, we are now poised for a strong future -- one that allows us as a team to be good stewards of taxpayer dollars and be the trusted provider for services of people with developmental disabilities and their families in the Inland Empire.

DEPARTMENT OF DEVELOPMENTAL SERVICES

1600 NINTH STREET, Room 320, MS-3-9
SACRAMENTO, CA 95814
TDD 654-2054 (For the Hearing Impaired)
(916) 654-1958



October 21, 2011

Drew Cutler, M.D.
Board President
Inland Counties Regional Center, Inc.
P. O. Box 19037
San Bernardino, CA 92423

Dear Dr. Cutler:

The Department of Developmental Services' (DDS) Audit Branch has completed the audit of the Inland Regional Center (IRC). The period of review was from July 1, 2008, through June 30, 2010, with a follow-up review of the Bureau of State Audits' audit dated August 24, 2010. The enclosed report discusses the areas reviewed along with the findings and recommendations. The report includes the response submitted by IRC, which is included as Appendix A, and DDS' reply, which is enclosed on page 35 of the report.

If there is a disagreement with the audit findings, a written "Statement of Disputed Issues" may be filed with DDS' Audit Appeals Unit, pursuant to Title 17, California Code of Regulations section 50730, Request for Administrative Review (excerpt enclosed). The "Statement of Disputed Issues" must be filed within 30 days of receipt of this report to:

Department of Developmental Services
Audit Appeals Unit
1600 Ninth Street, Room 310, MS 3-21
P.O. Box 944202
Sacramento, CA 94244-2020

The cooperation of IRC's staff in completing the audit is appreciated.

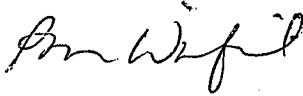
To make payment arrangements to DDS for any amounts due as a result of the findings contained in this final audit report, please contact Ann Gray, Chief, Accounting Section, at (916) 654-2987.

"Building Partnerships, Supporting Choices"

Drew Cutler, M.D.
October 21, 2011
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If you have any questions regarding the report, please contact Edward Yan, Manager,
Audit Branch, at (916) 654-3695.

Sincerely,



BRIAN WINFIELD
Acting Deputy Director
Community Operations Division

Enclosures

cc: Carol Fitzgibbons, IRC
John Hunt, IRC
Evie Correa, DHCS
Karyn Meyreles, DDS
Edward Yan, DDS
Luciah Ellen Nzima, DDS
Greg Saul, DDS
Ann Gray, DDS

California Code of Regulations
Title 17, Division 2
Chapter 1 - General Provisions
SubChapter 7 - Fiscal Audit Appeals
Article 2 - Administrative Review

§50730. Request for Administrative Review.

(a) An individual, entity, or organization which disagrees with any portion or aspect of an audit report issued by the Department or regional center may request an administrative review. The appellant's written request shall be submitted to the Department within 30 days after the receipt of the audit report. The request may be amended at any time during the 30-day period.

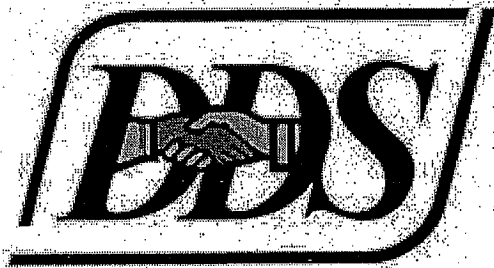
(b) If the appellant does not submit the written request within the 30-day period, the appeals review officer shall deny such request, and all audit exceptions or findings in the report shall be deemed final unless the appellant establishes good cause for late filing.

(c) The request shall be known as a "Statement of Disputed Issues." It shall be in writing, signed by the appellant or his/her authorized agent, and shall state the address of the appellant and of the agent, if any agent has been designated. An appellant shall specify the name and address of the individual authorized on behalf of the appellant to receive any and all documents, including the final decision of the Director, relating to proceedings conducted pursuant to this subchapter. The Statement of Disputed Issues need not be formal, but it shall be both complete and specific as to each audit exception or finding being protested. In addition, it shall set forth all of the appellant's contentions as to those exceptions or findings, and the estimated dollar amount of each exception or finding being appealed.

(d) If the appeals review officer determines that a Statement of Disputed Issues fails to state the grounds upon which objections to the audit report are based, with sufficient completeness and specificity for full resolution of the issues presented, he/she shall notify the appellant, in writing, that it does not comply with the requirements of this subchapter.

(e) The appellant has 15 days after the date of mailing of such notice within which to file an amended Statement of Disputed Issues. If the appellant does not amend his/her appeal to correct the stated deficiencies within the time permitted, all audit exceptions or findings affected shall be dismissed from the appeal, unless good cause is shown for the noncompliance.

(f) The appellant shall attach to the Statement of Disputed Issues all documents which he/she intends to introduce into evidence in support of stated contentions. An appellant that is unable to locate, prepare, or compile such documents within the appeal period specified in Subsection (a) above, shall include a statement to this effect in the Statement of Disputed Issues. The appellant shall have an additional 30 days after the expiration of the initial 30-day period in which to submit the documents. Documents that are not submitted within this period shall not be accepted into evidence at any stage of the appeal process unless good cause is shown for the failure to present the documents within the prescribed period.



**AUDIT OF THE
INLAND REGIONAL CENTER
FOR FISCAL YEARS 2008-09 AND 2009-10 WITH
FOLLOW-UP REVIEW OF THE BSA AUDIT DATED
AUGUST 24, 2010**

Department of Developmental Services

This report was prepared by the
California Department of Developmental Services
1600 Ninth Street
Sacramento, CA 95814

Karyn A. Meyreles, Deputy Director, Administration Division
Edward Yan, Manager, Audit Branch
Luciah Ellen Nzima, Chief of Regional Center Audits, Audit Branch
Benny Gaona, Supervisor, Audit Branch

For more information, please call: (916) 654-3695

EXECUTIVE SUMMARY

The DDS fiscal compliance audit of Inland Regional Center (IRC) revealed that the IRC was in minimal compliance with the requirements set forth in Title 17 of the California Code of Regulations (Title 17), the Lanterman Developmental Disability Services Act (W&I), the Home and Community Based Services (HCBS) Waiver for the Developmentally Disabled, and the contract between IRC and the Department of Developmental Services. This report identifies areas where IRC's administrative and operational controls must be strengthened. This report supports issues outlined and identified in the probation report dated January 19, 2011 and further related correspondence regarding the probation report dated March 31, 2011 and May 20, 2011. These issues are of serious concern to DDS. IRC needs to take immediate action to resolve these findings. A follow-up review will be performed to ensure IRC has taken corrective action to resolve the findings identified by the current DDS and BSA Audits.

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

I. Findings that need to be addressed.

Finding 1: Unsupported Transportation Assessment Contract Billing

IRC awarded Southwestern Transportation (SWT) a contract in the amount of \$949,566.18 to assess, develop, implement and manage routing and time schedules to meet consumer transportation needs for 3,024 consumers. However, the review of billings submitted by SWT for payment lacked supporting documentation to substantiate the work performed. In addition, IRC could not provide records, as defined in CCR, title 17, section 50602(k), detailing the amount paid to SWT. This is not in compliance with CCR, title 17, sections 54326(a)(3), (4) and (10) and 50604(d)(1), (2), and (e).

Finding 2: Service Provided Before Vendorization

The review of SWT's vendorization documents revealed that IRC approved SWT's application for vendorization on June 12, 2008. However, during the review of SWT's Purchase of Service (POS) payments for the months of April, May, and June of 2008, it was found that IRC made payments to SWT prior to vendorization. This is not in compliance with CCR, title 17, sections 54310(a)(10)(A) and 54326(d)(4) and 50612(a) and (b).

Finding 3: Circumvention of the Rate Freeze

A review of IRC's Transportation Broker contract with SWT revealed that IRC agreed to pay SWT at a rate 40 percent higher than IRC paid its previous transportation providers for transportation services. This negotiated increase in the transportation rate occurred in October 2008 when a statewide rate freeze was in effect. The 40 percent rate increase IRC paid SWT from October 2008 through

September 2010 amounted in SWT being paid \$3,189,102.56 more than it should have been. This is not in compliance with W&I Code, sections 4648.4(b)(2) and 4648.1(e)(1).

Finding 4: Transportation Services Provided Under the Transportation Broker Service Code 883

The review of Transportation vendor files revealed that IRC vendored SWT as a Transportation Broker, Service Code 883, to provide broker services to IRC. These broker services included the developing of routes and time schedules for the transportation of consumers, as well as safety reviews, and quality assurance. CCR title 17, section 54342, specifically mandates that a regional center must classify a vendor as a transportation broker only if the vendor is not the transportation provider. It was found that while IRC had vendored SWT as a transportation broker, it issued POS authorizations for SWT to provide transportation services. It was also found that IRC de-vendored 25 of its transportation services providers who subsequently became SWT subcontractors paid by SWT to provide transportation services. This is not in compliance with CCR, title 17, sections 58501(a)(11) and 54342(a)(83).

Finding 5: Whistleblower Policy Has Not Alleviated Employee Concerns

IRC instituted a Board approved Whistleblower policy in September 2009 and a revised Board approved policy on November 15, 2010. The policy states that employees who report improprieties will not be retaliated against. However, during the DDS audit, IRC employees expressed that they still feared the possibility of being intimidated, reprimanded, or retaliated against by IRC management for reporting suspected improprieties. This issue was also noted in the BSA audit report. This is not in compliance with IRC's Whistleblower Policy, section 510(2) and (3).

In IRC's response to the probation report, IRC provided a new revised version of the Whistleblower policy to address the concerns raised by its employees for reporting suspected improprieties. In DDS's response dated May 20, 2011, it was noted that IRC's Whistleblower policy contains new areas of non-compliance with contract language.

Finding 6: Policies and Procedures for Procurement

The review of the IRC's Community Placement Plan (CPP) contract process revealed that IRC's Request for Proposal (RFP) process was not properly followed. IRC did not properly document the process of awarding CPP contracts nor could it provide documentation as to how the vendors were chosen. This is not in compliance with IRC's Request for Proposal (RFP) Procedures, sections 4, 5, and 6, dated May 2010.

Finding 7: Purchase of Service (POS) Funds Inappropriately Used for Operations Expenses

The review of IRC's Resource Library vendor contract revealed that from August 2005 to November 2010, IRC reimbursed Vendor PJ2424, a Communications Aide, under service code 112, a total of \$1,082,838.82 in POS funds. The service code used is specifically designated for assisting persons with hearing, speech, and/or vision impairment; however, the contract amount allocated to this vendor was not for Communication Aide services, but for the operation of the IRC Library which included salaries, the purchase of books, payment of rental expenses and other overhead costs. In addition, these services were not specific to the service code's definition of a Communications Aide, consumer's Individual Program Plan (IPP), nor tied to a specific consumer UCI number and authorization. This is not in compliance with DDS' service code definition and CCR, title 17, section 54340(c) and (d)(1) and (2).

Finding 8: Client Trust Funds Used to Offset Purchase of Service (POS) Claims (Repeat)

The review of the Client Trust disbursements revealed that IRC has continued to use consumers' excess balances to offset POS claims for Day Programs, Community Integration Training services and Work Activity services. These excess funds were an accumulation from the consumers' monthly Social Security Income (SSI) benefits. It was found that the amount of consumer excess funds used to offset POS claims from fiscal years 2008-09 and 2009-10 was \$38,442.38. This issue was also noted in the prior audit with \$47,528.65 still outstanding from the prior year. This is not in compliance with the Social Security Handbook 2009, sections 1618.1 and 1618.2. This issue was noted in the prior DDS audit report.

Finding 9: Over-Stated Claims

A detailed review of vendor contracts finalized after June 2008 revealed instances in which three vendors providing services under Service Codes 056, 110 and 612, were contracted above the Statewide/IRC Median Rate.

In addition, in IRC's response to the probation report, IRC provided a list of vendors with negotiated rates that were above the Statewide/IRC Median Rate and its justification for these negotiated rates. In DDS' response dated May 20, 2011, it was noted that IRC's justification for rates was not consistent with the law.

Further review also noted instances in which IRC paid two vendors, under Service Code 805, over the authorized number of units. The total overpayment for services provided by the five vendors was \$68,180.15. This is not in compliance with W&I Code, section 4691:9(a) and (b) and CCR, title 17, section 54326(a)(10).

Finding 10: Family Cost Participation (FCPP)

A. Late Assessments

The sample review of 40 FCPP files revealed two instances in which parents provided income documentation, but IRC did not assess the parents' share of cost within 10 working days. In addition, there were 12 instances in which parents did not provide income documentation and IRC did not assess the parents' share of cost at the maximum amount within 10 working days from the date of the parents' signatures on the Individual Program Plan (IPP). This is not in compliance with W&I Code, section 4783(g)(3) and (4) and CCR, title 17, section 50261(a).

B. Self-Certification of Income (Repeat)

IRC continues to only accept the most recent federal tax return as income documentation when assessing the family's share of cost participation. This finding was reported in the prior DDS audit report. This is not in compliance with W&I Code, section 4783(g)(2).

Finding 11: Equipment Inventory

The review of IRC's inventory area revealed that IRC has not followed the State's Equipment Management System Guidelines issued by DDS. It was found that IRC has not performed the required physical inventory in the last three years, nor completed the proper equipment inventory forms for the surveying and purchasing of equipment. The review found nine items that were reported stolen and some items that were sold. This is not in compliance with the State Contract, Article IV, section 4(a), the State Equipment Management System Guidelines, section III (F) and (E), and the State Administrative Manual (SAM), section 8652.

Finding 12: Improper Expenditure of Community Placement Program (CPP) and POS Funds

The review of Service Code 999 revealed that IRC had granted the California Housing Foundation (CHF) a total of \$6,129,823 of CPP and POS funds to develop housing for consumers moving from the developmental centers (DCs) into the community. It was found that \$3,205,739 of those funds were expensed to Service Code 999 without an approved community placement plan for the acquisition of housing.

Also, IRC improperly allocated \$1,222,678 in POS funds to CHF and expensed them under Service Code 101 for move in costs and for the purchase of household items. Additionally, expenses incurred were not tied to any consumer UCI numbers as required by the DDS service code definition.

This is not in compliance with W&I Code, section 4418.25(c) and (d), State Contract, Exhibit E(1) and (2) and CCR, title 17, section 54326(a)(3).

II. Finding has been addressed and corrected by IRC.

Finding 13: Home and Community-Based Services Provider Agreement Forms

The review of 23 Day Program vendor files revealed that Home and Community-Based Services Provider Agreement forms for six of the vendors were not properly completed by IRC. The forms were either missing the service code, vendor number, or had multiple vendor numbers and/or service codes. This is not in compliance with CCR, title 17, section 54326(a)(16).

IRC has taken corrective action by providing DDS with the properly completed Home and Community-Based Services Provider Agreement forms.