

**DEPARTMENT OF DEVELOPMENTAL SERVICES**

1600 NINTH STREET, Room 240, MS 2-13  
SACRAMENTO, CA 95814  
TDD 654-2054 (For the Hearing Impaired)  
(916) 654-1897



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:

Thank you for submitting Inland Regional Center's (IRC) July 5, 2011, response to the Department of Developmental Services' (Department or DDS) May 20, 2011, correspondence. IRC's response included additional information and documentation, and revisions and clarification of several items IRC originally submitted March 30, 2011.

Below is a listing of each special contract language provision and the Department's analysis of IRC's July 5, 2011, response. The Board must take follow-up action as required below, within 45 days of the date of this letter, for each of the areas in which IRC's plan was found to be insufficient or incomplete.

**1. Board Fiscal Management, Oversight of Contractor and Stewardship of Public Dollars**

- a. Special Contract Language Requirement:** Contractor shall develop and submit to the State a plan of correction detailing how contractor will ensure compliance with Article IV, Section 4, State Property, of its contract with the State. Contractor shall also prepare an inventory of all state property maintained by the regional center and submit this information to the State by March 31, 2011.

*DDS Response: IRC did not provide documentation to substantiate that it conducted a complete inventory of all state property, including the date conducted, who conducted the inventory, who reviewed the inventory after it was conducted, and what items were added and disposed of since the last inventory, including copies of the forms for new equipment and disposed equipment, as supporting documentation. Follow-up on this issue is deferred to the Department's Fiscal Years (FY) 2008-09 and 2009-10 audit of IRC.*

**"Building Partnerships, Supporting Choices"**

- b. Special Contract Language Requirement:** Contractor shall conduct a review of all rates negotiated from July 1, 2008 to present, to ensure compliance with rate freezes, median rate requirements, and other applicable laws and regulations and submit by March 31, 2011, the outcomes of this assessment, a list of the rates negotiated by vendor, the vendor's corresponding service code and plans of corrective action, as needed.

*DDS Response:* IRC provided sufficient justification for the rates of the following vendors: PT1033-056, HD0167-880, PL0950-102, PQ0836-102, VJ6195-405, and VJ6138-405. However, IRC did not provide the Department its required plan to recover funds over-paid to vendors H96662-110, PJ3557-102, PJ3598-102, PJ3599-102, PJ3600-102, PJ3290-056 and P26834-063, as appropriate. Within 45 days of the date of this letter, IRC needs to provide the Department with a written plan for obtaining the funds overpaid to these vendors, in compliance with Department direction on recoveries. The plan must address actions taken to bring the rates into conformity with law, and IRC's plan (with timelines) to appropriately recover funds over-paid to the vendors specified above.

*While IRC submitted justifications for rates paid to vendor number PY3290-056 and P26834-063, they do not comport with law. With regard to vendor number PJ3290-056, because the vendorization occurred after June 30, 2008, IRC was required to use the statewide median rate or IRC's median rate, whichever was lower. Negotiating a rate prior to June 30, 2008, for a vendorization that occurs after this date, is not in compliance with statute.*

*For vendor number P26834-063, if as IRC states, the vendor record was closed prior to June 30, 2008, IRC was obligated to re-vendor the provider and use the statewide median rate or IRC's median rate, whichever was lower.*

- c. Special Contract Language Requirement:** Contractor shall conduct an analysis and accounting of all purchase of service funds used for start-up of new programs not approved in its community placement plan from Fiscal Year 2002-03 to present. The accounting is to include the amount expended, the recipient of the funding, the purpose of the funding and the date the funding was awarded, and must be submitted to the State by March 31, 2011.

*DDS Response:* IRC was unable to provide a complete accounting of all purchase of service funds used for start-up of new programs not approved in its community placement plan from FY 2002-03 to present. Recovery of unapproved use of start-up funds will be addressed in the Department's FYs 2008-09 and 2009-10 fiscal

*audit of IRC. The Department will have further discussion on this item in a meeting with the IRC Board and executive director, pursuant to special contract language provisions.*

- d. Special Contract Language Requirement:** Contractor shall conduct an analysis and accounting of all purchase of service funds used for Housing Services (Service Code 101) from Fiscal Year 2002-03 to present. The accounting is to include the amount expended, recipient of the funding, the UCI numbers of the consumers for whom the Housing Services was sought, the purpose of the funding and the date the funding was awarded, and must be submitted to the State by March 31, 2011.

*DDS Response: IRC provided copies of contracts entered into with Developmental Services Support Foundation in 2001, and with California Housing Foundation in 2005 and 2007. IRC also provided an accounting of funds issued to these entities, the amounts the entities expended and for which consumers. IRC remitted the unspent funds (\$18,929.97) to the Department. IRC also informed the Department that they have ceased the practice of providing purchase of service funds to a service provider to offer grants for housing assistance to consumers. Follow-up regarding the recovery of funds will be pursued through the Department's FYs 2008-09 and 2009-10 fiscal audit of IRC.*

- e. Special Contract Language Requirement:** Contractor shall advise the State by March 31, 2011, of its intent and action relative to the continuation of the Bungalows project.

*DDS Response: IRC provided the Department with assurance that, in the future, they will obtain the Department's approval, as required by contract language, prior to providing start up funding to a service provider. IRC remitted the unspent funds (\$143,887) to the Department. Recovery of unapproved use of these start-up funds is addressed in the Department's FYs 2008-09 and 2009-10 fiscal audit of IRC. The Department will have further discussion on this item in a meeting with the IRC Board and executive director, pursuant to special contract language provisions.*

- f. Special Contract Language Requirement:** Contractor shall develop a plan to ensure it has adequate processes and safeguards in place to guarantee it expends community placement plan funding allocated by the State solely for its approved purpose. Contractor shall submit this plan of correction to the State by March 31, 2011.

*DDS Response: IRC provided a plan that demonstrates how they will expend community placement plan funding solely for its approved purpose. IRC's plan includes placement, start-up, deflection and operations funding. No additional action is needed at this time.*

- g. Special Contract Language Requirement:** Contractor shall submit to the Department by February 15, 2011, the Board approved procurement policy.

*DDS Response: IRC revised its procurement policy in accordance with the Department's recommendations. This issue is resolved.*

- h. Special Contract Language Requirement:** Contractor shall submit to the State its board training materials pursuant to Welfare and Institutions Code 4622 (g) by March 31, 2011. Contractor shall also assess whether unmet Board training needs exist, develop a plan of correction and submit to the State by March 31, 2011, the results of this assessment and corresponding plan of action.

*DDS Response: IRC provided the Department with a copy of its board training materials and associated training calendar. No additional action is needed at this time. However, the Department will continue to monitor implementation of board training activity to ensure needs are met.*

## **2. Employee and Community Complaints**

### **a. and c.**

**Special Contract Language Requirement:** The Board must take swift action to address and remediate the culture within the organization which has discouraged employees from raising issues for fear of intimidation and retaliation and improve its relationship with the community.

**Special Contract Language Requirement:** Contractor shall develop and submit to the State by March 31, 2011, its plan to fully identify and address community concerns and to develop an open and collaborative relationship.

*DDS Response: IRC amended their "Communications Plan" to include specific activities and expanded its survey contents. IRC developed a chart that lists tasks and activities, and the timing of each task to improve relationships within and outside the organization. IRC also provided a general summary of the results of a staff*

*survey completed in March-April 2011, a summary of 4731 complaints received since July 1, 2010, and a summary of other complaints/inquiries received by IRC since May 2011.*

*The success of IRC's plan will be evident as time passes. IRC should provide the Department with a status update within 45 days of the date of this letter. The Department will continue to monitor IRC's progress, and have further discussion on this item in a meeting with the IRC Board and executive director, pursuant to special contract language provisions.*

- b. Special Contract Language Requirement:** Contractor shall develop and submit to the State by March 31, 2011, the actions to be taken to ensure the working environment at the regional center is in compliance with the contract and law.

*DDS Response: IRC submitted a copy of its Operational Manual to the Department. In its prior response, IRC represented that its Operations Manual has the policy and procedure statements necessary for the corporation to operate in adherence with the applicable laws and regulations. Based on the Department's review, IRC's Operations Manual contains policies and procedures which do not comply with current law or recent audit findings. IRC needs to take expedient action to ensure it is compliant with all laws and this includes updating the Operations Manual.*

*In addition, the manual contains purchase of service policies that have not been submitted to the Department pursuant to Welfare & Institutions Code section 4434 (d). Within 45 days of the date of this letter, IRC needs to submit to the Department for review any purchase of service policies currently in use at the regional center, which have not already been approved by the Department. Also, the Department will have further discussion on this item in a meeting with the IRC Board and executive director, pursuant to special contract language provisions.*

- d. Special Contract Language Requirement:** Contractor shall conduct a complete review to ensure current conflict of interest disclosure statements are on file for all employees and Board members. Contractor will review such statements to identify any conflicts requiring elimination or request for a waiver from the State, and take appropriate action accordingly as required by law. Contractor shall provide documentation that such corrective action has been taken. Contractor shall submit to the State by March 31, 2011, documentation as to actions taken and outcomes.

*DDS Response: IRC provided assurance that conflict of interest statements for all regional center staff and board members were reviewed and that none required a request for waiver. IRC should ensure submission and review of subsequent conflict*

*of interest statements per Title 17 Regulations. The Department will be issuing emergency conflict of interest regulations to implement Welfare and Institutions Code Sections 4626 through 4627. Pursuant to this statute, the regional center executive director and board members of each regional center shall complete and submit conflict of interest statements to the Department, in addition to taking action to eliminate or seek a waiver from the Department for any identified conflicts of interest within the regional center.*

- e. Special Contract Language Requirement:** Contractor shall develop and submit to the State by March 31, 2011, a Board approved Conflict of Interest Policy addressing both employees and Board members. Contractor shall also submit along with this policy, an employee and Board member training plan on the policy, including implementation timelines.

*DDS Response: IRC provided the Department with assurance that the regional center provides annual conflict of interest training for staff and board members. IRC also informed the Department that it selected to ask its legal counsel to review its policy/procedure and forms used for employees and the Board of Trustees. IRC provided a copy of the legal counsel's response to IRC regarding the documents needed for compliance with statute and regulations. IRC stated that the proposed policies and procedures would be reviewed by staff and the Board for their approval at the Board's September 12, 2011, meeting. Department staff attended IRC's September 12, 2011, Board meeting and noted that the Board took action to approve IRC's conflict of interest policy. The Department will have further discussion on this item in a meeting with the IRC Board and executive director, pursuant to special contract language provisions.*

- f. Special Contract Language Requirement:** Contractor shall submit its Board approved Whistleblower Policy to the State by February 15, 2011, for review.

*DDS Response: IRC submitted a revised Whistleblower Policy and the changes are in compliance with the recommendations contained in the Department's May 20, 2011, letter. However, the Department will continue to monitor to ensure policy is implemented and issues are remedied.*

IRC responded to the Department's inquiry regarding the four residential facilities that were transitioned from one vendor to another vendor, with an original per unit cost of \$319 and a subsequent per unit cost of \$699. IRC selected and vendorized Benson House, Inc., to assume operations of the facilities when the contract for the previous vendor, Independent Options, Inc., ended in October 2006. In its July 5, 2011,

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response, IRC provided an accounting of the increased staffing, training, program supplies, etc., needed to successfully support the residents in the homes when they transitioned from Independent Options, Inc., to Benson House, Inc.

The Department remains concerned about IRC's performance relative to the issues that lead to the Department placing IRC on probation. Pursuant to IRC's special contract language, Department staff will meet with the IRC's Board and executive director in early November, 2011, and quarterly thereafter, consistent with the conditions of probation. The Department will also conduct an annual fiscal audit of IRC while they remain on probation. If you have any questions, please do not hesitate to contact me at (916) 654-1897, or Brian Winfield, Community Operations Division, at (916) 654-1958.

Sincerely,

A handwritten signature in black ink, appearing to read "Terri Delgadillo", with a long horizontal flourish extending to the right.

*for*  
TERRI DELGADILLO  
Director

cc: Carol Fitzgibbons, Director, IRC