



**AUDIT OF THE
INLAND REGIONAL CENTER
FOR FISCAL YEARS 2012-13 AND 2013-14**

Department of Developmental Services

April 17, 2018

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EXECUTIVE SUMMARY

The Department of Developmental Services (DDS) conducted a fiscal compliance audit of Inland Regional Center (IRC) to ensure IRC 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 IRC maintains accounting records and supporting documentation for transactions in an organized manner.

The audit period was July 1, 2012, through June 30, 2014, with follow-up, as needed, into prior and subsequent periods. This report identifies some areas where IRC'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 IRC's operations. A follow-up review was performed to ensure IRC has taken corrective action to resolve the findings identified in the prior DDS audit report.

Findings that need to be addressed.

Finding 1: Unsupported Transportation Assessment Contract Billing (Repeat)

The two prior audit reports identified that IRC has not been able to provide records to support Southwestern Transportation (SWT) assessments for 3,024 consumers totaling \$949,566.18. This is not in compliance with CCR, Title 17, Sections 50602(k), 54326(a)(3), (4) and (10), and 50604(d)(1), (2), (3)(B), and (e).

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 2: Unsupported Contract Billing (Repeat)

The two prior audit reports identified that IRC has not reimbursed DDS for overpayments made to one vendor, Pathway, Inc., Vendor Number PJ2311, Service Code 107. Pathway, Inc. was reimbursed at a rate of \$5,820 per month without any supporting documentation. This resulted in an overpayment totaling \$138,405 from November 2009 through November 2011. This is not in compliance with CCR, Title 17, Sections 50602(k), 54326(a)(3), (4), and (10), and 50604(d)(4), (5), (6)(B), and (f).

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 3: Circumvention of the Regulations

A. Rate Freeze (Repeat)

The review of the two prior audit reports identified that IRC paid SWT at a rate 40 percent higher than IRC paid its previous providers for transportation services. However, IRC appealed this finding to DDS and was granted a 10 percent Health and Safety Waiver, which reduced the unauthorized rate increase to 30 percent. As a result, the overpayment from both prior and current reviews is \$6,949,443.30 from July 2008 through December 2013. This is not in compliance with W&I Code, Sections 4648.4(b)(2) and 4648.1(e)(1).

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B. Median Rate (Repeat)

The prior audit report identified that IRC continued to reimburse one vendor, The Chicago Home, Vendor Number HJ0995, Service Code 113, at a rate of \$589.25 per day, when the Statewide Median Rate was \$474.68. This represents a difference of \$114.57 per day for Community Placement Program (CPP) consumers and a difference of \$292.88 per day for non-CPP consumers' services. As a result, the total overpayment from July 2012 through July 2015 is \$1,994,535.82. IRC also has \$694,834.57 still outstanding from November 2010 through June 2012 that was identified in the prior audit for both CPP and non-CPP consumers. This is not in compliance with W&I Code, Sections 4691.9(b) and 4648.1(e)(1).

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prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 4: Deleted

After further analysis of the additional documentation provided by IRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

Finding 5: Transportation Services Provided Under Transportation Broker, Service Code 883 (Repeat)

The two prior audit reports identified that IRC reimbursed SWT as a Transportation Broker for providing transportation services from April 2008, through December 2013. As of December 2013, IRC ceased utilizing SWT as a transportation provider, and re-vendorized the transportation service providers that were SWT sub-contractors. This is not in compliance with CCR, Title 17, Sections 58501(a)(11) and 54342(a)(83).

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 6: Whistleblower Policy Has Not Alleviated Employee Concerns (Repeat)

The review of the Whistleblower Policy identified that IRC employees continue to express fear of being intimidated, reprimanded, or retaliated against by IRC management for reporting suspected improprieties. This issue was also noted in the two prior audit reports. This is not in compliance with IRC's Whistleblower policy Section 510(2).

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

The two prior audit reports identified IRC has not taken action to reimburse DDS for POS funds paid to the Resource Library, Vendor Number PJ2424, Service Code 112, for Communications Aide payments from August 2005, through December 2011. Services provided by the

vendor included salaries, purchase of books, rental expenses, and other overhead costs. These services are considered administrative costs that should have been reimbursed through IRC's Operational funds. This resulted in an overpayment totaling \$1,406,565.88. This was not in compliance with the DDS description of Communications Aides, Service Code 112, and CCR, Title 17, Section 54340(c) and (d).

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Finding 8: Policies and Procedures for Procurement (Repeat)

The review of IRC's procurement policies and procedures revealed IRC has not included the provisions for fair and equitable recoupment of CPP funds should the vendor cease to provide services to consumers after a specified period of time. IRC stated that it has amended its procurement policies to include a provision for fair and equitable recoupment of CPP funds. However, the amended version of the policy has not been approved by IRC's Board. This is not in compliance with the State Contract, Article II, Section 2(c).

Finding 9: Overstated Claims

A. Payments Above the Median Rate (Repeat)

The two prior audit reports identified that IRC continued to reimburse three vendors above the Statewide/IRC Median Rate. This resulted in overpayments totaling \$34,294.74 from June 2010 through January 2015. IRC also has \$36,274.31 in outstanding overpayments from July 2008 through May 2010, resulting in overpayments totaling \$70,569.05. This is not in compliance with W&I Code, Section 4691.9(b).

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B. Payments Above the Authorized Number of Units (Repeat)

The two prior audit reports identified 20 instances where 13 vendors were paid above the authorized number of units. This resulted in overpayments totaling \$30,403.19. This is not in compliance with CCR, Title 17, Section 54326(a)(10).

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

C. Payments for Services Not Provided (Repeat)

The prior audit report revealed that IRC continued to reimburse eight transportation vendors for services not provided to consumers. As a result, IRC reimbursed the vendors \$51,553.18 in overpayments from July 2012 through July 2014. This is not in compliance with CCR, Title 17, Section 54326(a)(10).

IRC also has \$8,968.15 in overpayments still outstanding from September 2010 through March 2012, resulting in overpayments totaling \$60,521.33.

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

D. Rate Increase After the Rate Freeze

The sampled review of 20 Transportation vendor files revealed that IRC provided a rate increase to New Day Behavior, Vendor Number HP4042, Service Code 880. New Day Behavior's contract included a fuel stipend that was issued after the June 30, 2008 rate freeze was in effect. This resulted in overpayments totaling \$1,579.95. This is not in compliance with W&I Code, Section 4691.9(a)(1).

Finding 10: Improper Expenditure of CPP and POS Funds (Repeat)

The two prior audit reports identified that IRC 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 (DC) into the community. However, IRC has not taken action to resolve the \$3,205,739 that was expensed to Service Code 999 without a DDS approved community placement plan for the acquisition of housing.

Also, IRC has not reimbursed DDS \$1,222,678 for POS funds that were improperly allocated to CHF and expensed under Service Code 101 for consumer move-in costs and the purchase of household items. The expenses incurred were not tied to any consumer Unique Client Identification number (UCI) as required by the DDS service code definition. The total overstated claim is \$4,428,417. This was not in compliance with W&I Code, Section 4418.25(c), and (d), CCR, Title 17, Section 54326(a)(3), State Contract, Exhibit E (1), and (2), and Guidelines for Regional Center Community Placement Plan (I)(4).

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 11: Policies and Procedures for Vendor Audits and Reviews

The review of IRC's listing of 180 vendors who were required to contract with an independent accounting firm for an audit or review of its financial statements, revealed that 156 vendors did not submit an audit or review. It was found that IRC does not have procedures in place to follow up with vendors who have not submitted the required audit reports or reviews. This is not in compliance with W&I Code, Sections 4652.5(a)(1)(A)(B), and (b).

Finding 12: Parental Fee Program (PFP)

IRC is not performing its duties and responsibilities for the PFP. Specifically, IRC is not identifying children who are required to participate in the PFP and not informing parents about the PFP. This is not in compliance with CCR, Title 17, Section 50225.

Finding 13: Service Coordinator Caseload Ratio

The review of the Service Coordinator Caseload Survey revealed IRC incorrectly reported its caseload ratio for the DC Movers. IRC reported its DC Movers' ratios on a calendar year basis rather than reporting the survey using the March 1st caseload data. This is not in compliance with the State Contract, Article IX, Section 3.

Finding 14: Employee Conducting Fundraising Activities

The review of IRC's donations revealed that one employee's job duties included coordinating IRC's annual golf tournament. Fundraising should not be part of an employee's job duties as it is not essential in the delivery of IRC direct consumer or administration services. This is not in compliance with Article I, Sections 11(f), (g) and (h).

Finding 15: Ineligible Employee Receiving Medical Benefits

The review of the IRC's Retiree Medical Reimbursement Plan revealed one retired employee is receiving medical benefits without meeting the eligibility requirements to qualify for the plan. The plan requires that each retiree attain the age of 55 and 25 years of service, or the age of 65 and 20 years of service to be eligible to participate in the Plan. However, IRC granted eligibility to this retiree after 11.5 years of service. This is not in compliance with IRC's Retiree Medical Reimbursement Plan.

Finding 16: Retirement Bonus Policy Not Signed by the Board

The sample review of 23 employee files revealed that IRC's Human Resources Director amended IRC's Services Award Payment Policy and awarded one employee a bonus of \$200 for each year of service, totaling \$7,400. However, the amended policy was not approved by IRC's Executive Director or IRC's Board. This is not in compliance with Article III, Section 1(c) of IRC's bylaws.

Finding 17: Overstated General Ledger Account

The review of the lease agreements revealed IRC's general ledger account is overstated by \$31,725. This occurred when IRC did not adjust its general ledger after forfeiting its security deposit totaling \$31,725 for breaking its lease agreement with its landlord, Rancon Reality. This is not in compliance with the State Contract, Article X, Section 3.

Finding 18: Bank Signature Cards Not Updated

The review of the bank signature cards revealed IRC has not updated its signature cards since 2012. The signature cards are still in the names of prior or retired IRC and DDS Directors. This is not in compliance with the State Contract, Article III, Sections 3(f), and (g).

Finding 19: IRC Not Vendorizing Providers in its Catchment Area

The sampled review of IRC's Out-of-Area vendor listing revealed that 15 vendors are providing services to IRC consumers, when the vendors have locations within the IRC's catchment area. These vendors are required to be vendorized by IRC but are refusing to be vendorized by IRC in order, according to IRC, to utilize higher rates established by other regional centers. This is not in compliance with CCR, Title 17, Section 50603(s).

Finding 20: Conflict of Interest

The review of the IRC bylaws amended in April 2015 revealed that IRC's Board President serves as IRC's Chief Executive Officer (CEO), and is tasked with the day-to-day operations of IRC. This authority gives the Board President total control of IRC's operational functions.

For good business practices, the Board President's responsibilities should not include managing the day-to-day operations of IRC.

Findings that have been addressed and corrected.

Finding 21: Multiple Dates of Death

The review of the Uniform Fiscal System (UFS) Deceased Consumer's Report identified 20 consumers with multiple dates of death. This is not in compliance the State Contract, Article IV, Section 1(c)(1).

IRC has taken corrective action to resolve the multiple dates of death by researching and updating all 20 consumers' date of death in UFS.

Finding 22: Payments After the Date of Death

The sampled review of the accounts of 24 deceased consumer revealed that IRC reimbursed one vendor for services after a consumer's death. This resulted in overpayments totaling \$579.84. This is not in compliance CCR, Title 17, Section 54326(a)(10).

IRC has taken corrective action to resolve this issue by collecting the overpayments from the vendor.

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 Department of Health and Human Services, 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 Inland Counties Regional Center, Inc. entered into State Contract HD099008, effective July 1, 2009, through June 30, 2016. This contract specifies that Inland Counties Regional Center, Inc., will operate an agency known as the Inland Regional Center (IRC) to provide services to individuals with DD and their families in Riverside and San Bernardino Counties. The contract is funded by state and federal funds that are dependent upon IRC performing certain tasks, providing services to eligible consumers, and submitting billings to DDS.

This audit was conducted at IRC from April 20, 2015, through May 29, 2015, 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 IRC.

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 IRC, effective July 1, 2009.

AUDIT PERIOD

The audit period was July 1, 2012, through June 30, 2014, 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 IRC.

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 IRC's financial statements. DDS limited the scope to planning and performing audit procedures necessary to obtain reasonable assurance that IRC was in compliance with the objectives identified above.

Accordingly, DDS examined transactions on a test basis to determine whether IRC 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 IRC.

DDS' review of IRC'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 Years (FYs) 2012-13 and 2013-14, issued on June 9, 2014, and February 9, 2015, respectively. It was noted that a management letter was issued for IRC for FY 2012-13. 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 IRC. 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 IRC.
- DDS selected a sample of individual Consumer Trust Accounts to determine if there were any unusual activities and whether any account balances exceeded \$2,000, as prohibited by the Social Security Administration. In addition, DDS determined if any retroactive Social Security benefit payments received exceeded the \$2,000 resource limit for longer than nine months. DDS also reviewed these accounts to ensure that the interest earnings were distributed quarterly, personal and incidental funds were paid before the 10th of each month, and proper documentation for expenditures was maintained.
- The Client Trust Holding Account, an account used to hold unidentified consumer trust funds, was tested to determine whether funds received were properly identified to a consumer or returned to the Social Security Administration in a timely manner. An interview with IRC staff revealed that IRC has procedures in place to determine the correct recipient of unidentified consumer trust funds. If the correct recipient cannot be determined, the funds are returned to the Social Security Administration or other sources in a timely manner.
- 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 IRC'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 IRC'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 IRC'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. Targeted Case Management (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 IRC's Rate Study. DDS examined the month of March 2004 and traced the reported information to source documents.
- Reviewed IRC's TCM Time Study. DDS selected a sample of payroll timesheets for this review and compared timesheets to the Case Management Time Study Forms (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):

- “(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 services 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 sub paragraph (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 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 IRC was in compliance with CCR, Title 17, and the W&I Code, 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 IRC 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 IRC 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 a 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 IRC 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 that 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, as amended. To determine whether IRC implemented the required RFP process, DDS performed the following procedures during the audit review:

- Reviewed the IRC 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 IRC. 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 IRC notified the vendor community and the public of contracting opportunities available.
- Reviewed the contracts to ensure that IRC 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 IRC 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 IRC 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 IRC'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 IRC'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 IRC was in compliance with the Lanterman Act, DDS performed the following procedures during the audit review:

- Reviewed sample vendor files to determine whether IRC is using appropriately vendorized service providers and correct service codes, and that IRC 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 IRC 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 IRC 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

RCs may receive other sources of funding from DDS. DDS performed sample tests on identified sources of funds from DDS to ensure IRC'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:

- Start-Up Funds.
- CPP.
- Denti-Cal.
- Part C – Early Start Program.
- First Five.
- Family Resource Center.

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 IRC and reviewed supporting documentation to determine the degree of completeness of IRC's implementation of corrective actions.

CONCLUSIONS

Based upon the audit procedures performed, DDS has determined that except for the items identified in the Findings and Recommendations section, IRC 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 IRC for the audit period, July 1, 2013, through June 30, 2015.

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

From the review of prior audit findings, it has been determined that IRC has not taken appropriate corrective action to resolve three findings.

VIEWS OF RESPONSIBLE OFFICIALS

DDS issued the draft audit report on June 15, 2017. The findings in the draft audit report were discussed at a formal exit conference with IRC on June 19, 2017. The views of IRC's responsible officials are included in this final audit report.

RESTRICTED USE

This audit report is solely for the information and use of DDS, Department of Health Care Services, CMS, and IRC. 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 Transportation Assessment Contract Billing (Repeat)

The review of the two prior audit reports identified that IRC has not provided records to support SWT assessments for 3,024 consumers totaling \$949,566.18.

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

CCR, Title 17, Section 50602(k) states:

“(k) ‘Record’ means any book or document evidencing operational, financial, and service activities of a service provider or regional center pertaining to the service program and/or the provision of services to persons with developmental disabilities. Examples include books of account, general ledgers, subsidiary ledgers, check registers, canceled checks, contracts, correspondence, financial statements, internal reports, bank statements, standard cost statements, consumer files, purchase of service authorizations, and documents evidencing consumer services. All consumer records shall be treated as confidential.”

CCR, Title 17, Sections 54326(a)(3), (4) and (10) states in part:

“(a) All vendors shall:

- (3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed . . .
- (4) Make available any books and records pertaining to the vendored service, including those of the management organization and disclosure information required in Section 54311, if applicable, for audit, inspection or authorized agency representatives

- (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

CCR, Title 17, Sections 50604(d)(1), (2), (3)(B), and (e) states in part:

- “(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers’ billing/invoicing shall include but not be limited to:
- (1) Information identifying each regional center consumer including the Unique Client Identifier and consumer name;
 - (2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.
 - (3) A record of services provided to each consumer. The record should include:
 - (B) For transportation services, the dates of service, city or county where service was provided, and the number of miles driven or trips provided . . .
- (e) All service providers’ records shall be supported by source documentation.”

Recommendation:

IRC is responsible for operating its business in a manner consistent with the law and must remit to DDS the overpayment totaling \$949,566.18. IRC shall ensure that its contracts are adequate and in compliance with CCR, Title 17 requirements. In addition, IRC must ensure that proper documentation is maintained and on file to support payments for the services performed by its vendors.

Finding 2: Unsupported Contract Billing (Repeat)

The review of the two prior audit reports identified that IRC has not reimbursed DDS for overpayments made to one vendor, Pathway, Inc., Vendor Number PJ2311, Service Code 107. Pathway, Inc. was reimbursed at a rate of \$5,820 per month without any supporting documentation. This resulted in an overpayment totaling \$138,405 from

November 2009 through November 2011. As of November 2011, IRC has ceased utilizing this vendor.

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

CCR, Title 17, Section 50602(k) states:

“(k) ‘Record’ means any book or document evidencing operational, financial, and service activities of a service provider or regional center pertaining to the service program and/or the provision of services to persons with developmental disabilities. Examples include books of account, general ledgers, subsidiary ledgers, check registers, canceled checks, contracts, correspondence, financial statements, internal reports, bank statements, standard cost statements, consumer files, purchase of service authorizations, and documents evidencing consumer services. All consumer records shall be treated as confidential.”

CCR, Title 17, Section 54326(a)(3), (4), and (10) states in part:

“(a) All vendors shall:

- (3) Maintain records of service provided to consumers in sufficient detail to verify delivery of the units of service billed...
- (4) Make any books and records pertaining to the vendored service, including those of the management organization, if applicable for audit, inspection or authorized agency representatives...
- (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

CCR, Title 17, Section 50604(d)(4), (5), and (6)(B), and (f) states in part:

“(d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support

service providers' billing/invoicing shall include but not be limited to:

- (4) Information identifying each regional center consumer including the Unique Client Identifier and Consumer name;
- (5) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.
- (6) A record of services provided to each consumer. The record should include:
 - (B) For transportation services, the dates of service, city or county where service was provided, and the number of miles driven or trips provided . . .
- (f) All service providers' records shall be supported by source documentation."

Recommendation:

IRC is responsible for operating its business in a manner consistent with the law and must remit to DDS the overpayment totaling \$138,405. IRC shall closely monitor its vendors to ensure it has received the agreed upon services as stated in the contract. IRC shall ensure that its contracts are adequate and in compliance with CCR, Title 17 requirements. In addition, IRC must ensure that proper documentation is maintained and on file to support payments for the services performed by its vendors.

Finding 3: Circumvention of the Regulations

A. Rate Freeze (Repeat)

The two prior audit reports identified that IRC paid SWT at a rate 40 percent higher than IRC paid its previous providers for transportation services. However, IRC appealed this finding with DDS and was granted a 10 percent Health and Safety Waiver, which reduced the unauthorized rate increase to 30 percent. This resulted in an overpayment totaling \$4,669,562.72 from October 2008 through June 2012, which is still outstanding.

The current audit identified that IRC continued to pay transportation services through December 2013, when IRC ceased utilizing SWT

as a transportation provider. As a result, the overpayment totaled \$2,279,880.58 from July 2012 through December 2013, and overpayments from October 2008 through December 2013 totaled \$6,949,443.30. (See Attachment A)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

W&I Code, Section 4648.4(b)(2) states, in part:

“(b) Notwithstanding any other provision of law or regulation, except for subdivision (a), no regional center may pay any provider of the following services or supports a rate that is greater than the rate that is in effect on or after June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008, or the regional center demonstrates that the approval is necessary to protect the consumer’s health or safety and the department has granted prior written authorization:

(2) Transportation, including travel reimbursement.”

W&I Code, Section 4648.1(e)(1) states:

“(e) A regional center or the department may recover from provider funds paid for services when the department or the regional center determines that either of the following has occurred:

(1) The services were not provided in accordance with the regional center’s contract or authorization with the provider, or with applicable state laws or regulations.”

Recommendation:

IRC must reimburse DDS a total of \$6,949,443.30, pursuant to W&I Code, Section 4648.1, Subdivision (e), for the overpayment due to the 30 percent rate increase it granted SWT. In addition, IRC must

ensure that all rates to vendors comply with W&I Code, Section 4648.4(b)(2).

B. Median Rate (Repeat)

The review of the prior audit report revealed IRC continues to reimburse Chicago Home, Vendor Number HJ0995, Service Code 113, at a rate of \$589.25 per day when the Statewide Median Rate is \$474.68 per day for CPP consumers and \$296.37 per day for non-CPP consumer services. As a result, the total overpayment from July 2012 through July 2015 is \$1,994,535.82. IRC also has overpayments totaling \$694,834.57 still outstanding from November 2010 through June 2012 identified in the prior audit report.

The total overpayment from current and prior audits is \$2,689,370.39. (See Attachment B)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

W&I Code, Section 4691.9(b) states:

- “(b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center’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...”

W&I Code, Section 4648.1(e)(1) states:

- “(e) A regional center or the department may recover from provider funds paid for services when the department or the regional center determines that either of the following has occurred:
 - (1) The services were not provided in accordance with the regional center’s contract or authorization with

the provider, or with applicable state laws or regulations."

Recommendation:

IRC must reimburse DDS the \$2,689,370.39 pursuant to W&I Code, Section 4648.1(e). In addition, IRC must renegotiate the contract to ensure compliance with the Statewide Median Rates. IRC must also ensure that all rates negotiated after June 30, 2008, are either equal to or below the Statewide Median Rates.

Finding 4: Deleted

After further analysis of the additional documentation provided by IRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

Finding 5: Transportation Services Provided Under Transportation Broker, Service Code 883 (Repeat)

The two prior audit reports identified that IRC reimbursed SWT as a Transportation Broker for providing transportation services from April 2008 through December 2013. As of December 2013, IRC ceased utilizing SWT as a transportation provider, and re-vendorized the transportation service providers that were SWT sub-contractors.

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

CCR, Title 17, Section 58501(a)(11) states, in part:

- “(a) The following definitions shall apply to the regulations contained in this subchapter:
 - (11) ‘Transportation Service’ means the conveyance of a consumer including boarding and exiting the vehicle.”

CCR, Title 17, Section 54342(a)(83) states, in part:

- “(a) The following service codes shall be assigned to the following types of services:

(83) Transportation Broker – Service Code 883. A regional center shall classify a vendor as a transportation broker if the vendor:

- (A) Is not the transportation service provider; and
- (B) Develops routing and time schedules for the transport of consumers to and from their day program;
- (C) In addition to performing the duties specified in (A) and (B) above, a transportation broker may:
 - 1. Conduct monitoring and quality assurance activities; and/or
 - 2. Perform safety reviews; and/or
 - 3. Assist the regional center in implementing contracted transportation services.”

Recommendation:

IRC must ensure that its transportation broker agreements with its vendors are in compliance with the responsibilities and duties of a Transportation Broker pursuant to CCR, Title 17.

**Finding 6: Whistleblower Policy Has Not Alleviated Employee Concerns
(Repeat)**

The review of IRC's Whistleblower Policy revealed that employees continue to express fear of being intimidated, reprimanded, or retaliated against by management for reporting suspected improprieties. IRC stated that it has taken steps to alleviate employee concerns by notifying its employees of the Whistleblower Policy on the intranet and internet sites for easy access. In addition, IRC stated that it has communicated to its employees that the Whistleblower Policy allows individuals to report any issues directly to DDS or the Board; and will ensure any employees who report improprieties are not retaliated against. Also, IRC's Board has established a separate email account where its employees can directly report any issues to the board members.

IRC's Whistleblower Policy, Section 510(2) states in part:

“Inland Regional Center's (IRC) Code of Ethics ("Code") requires directors, officers and employees to observe high standards of

business and personal ethics in the conduct of their duties and responsibilities. This Policy is established to ensure that IRC's Board members, officers, employees, consumers, families, service providers, agencies, community members, and regional center staff report good faith suspicions, concerns, or evidence of illegal, unethical or other inappropriate activity without fear of retaliation.

- (2) No Retaliation. No director, officer, or employee who in good faith reports a violation of the IRC Code of Ethics (*Operations Manual, Chapter 2, 2.0(a)*) shall suffer harassment, retaliation or adverse employment consequence. An employee who retaliates against someone who has reported a violation in good faith is subject to discipline up to and including immediate termination of employment. This Whistleblower Policy is intended to encourage and enable employees and others to raise serious concerns within IRC prior to seeking resolution outside Inland Regional Center."

Recommendation:

IRC shall follow its implemented Whistleblower policy to ensure that all employees who participate in reporting improprieties are not intimidated, reprimanded, or retaliated against. IRC should also continue to communicate to its employees that the current Whistleblower policy in place allows individuals to report any issues directly to DDS and to the Board.

Finding 7: POS Funds Inappropriately Used for Operations Expenses (Repeat)

The two prior audit reports identified that IRC has not taken action to reimburse DDS for POS funds paid to the Resource Library, Vendor Number PJ2424, Service Code 112, for Communications Aide payments from August 2005 through December 2011. The total overpayment to the Resource Library from August 2005 through December 2011 was \$1,406,565.88. IRC reimbursed the Resource Library as a Communications Aide vendor using POS funds for the operation of the Resource Library. Services reimbursed included salaries, purchase of books, rental expenses, and other overhead costs. These services are considered administrative costs that should have been reimbursed through IRC's Operational funds. The services provided by this vendor were not specific to the service code's definition of a Communications Aide, to a consumer's IPP, nor tied to a specific consumer UCI number and authorization. As of December 2011, IRC has since ceased utilizing this vendor. (See Attachment C)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

DDS description of Services Codes states:

“112, Communications Aides:

A regional center shall only classify a vendor as Communications Aide vendor if they provide those human services necessary to facilitate and assist persons with hearing, speech, or vision impairment to be able to effectively communicate with service provider, family, friends, co-workers, and general public. The following are allowable communication aides, as specified in the consumer's IPP:

1. Facilitators
2. Interpreters and interpreter services
3. Translators and translator services
4. Readers and reading services

Communication aide services include evaluation for communication aides and training in use of communication aides, as specified in consumer IPP.”

CCR, Title 17, Sections 54340(c) and (d) states, in part:

- “(c) The vendoring regional center shall assign a service code to a vendor based upon the program design and/or the service provided.
- (d) All service providers shall maintain complete service records to support all billing/invoicing for each regional center consumer in the program. Service records used to support service providers' billing/invoicing shall include but not be limited to:
 - (1) Information identifying each regional center consumer including the Unique Client Identifier and Consumer name;

- (2) Documentation for each consumer reflecting the dates for program entrance and exit, if applicable, as authorized by a regional center.”

Recommendation:

IRC must reimburse DDS a total of \$1,406,565.88 for using POS funds for the operation of the IRC Resource Library.

Finding 8: Policies and Procedures for Procurement (Repeat)

The review of IRC’s procurement policies and procedures revealed that IRC had not included the provisions for fair and equitable recoupment of CPP funds should the vendor cease to provide services to consumers after a specified period of time. IRC indicated that it has amended its procurement policies to include a provision for fair and equitable recoupment of CPP funds; however, the amended version of the policy has not been approved by IRC’s Board.

Article II, Section 2(c) of the State Contract states:

- “(c) Such policies shall include provisions for fair and equitable recoupment of start-up funds should the vendor and/or fund recipient cease to provide services to consumers after a specified period of time. This includes start-up funds to purchase real property.”

Recommendation:

IRC must ensure that its amended policy has been approved by IRC’s Board.

Finding 9: Overstated Claims

A. Payments Above the Median Rate (Repeat)

The two prior audit reports identified that IRC continued to reimburse two vendors, above the Statewide Median Rate, resulting in overpayments totaling \$34,294.74 from June 2010 through January 2015. IRC also has \$36,274.31 in overpayments outstanding from the two prior audits. This resulted in overpayments totaling \$70,569.05 from July 2008 through

January 2015, for payments above the Statewide Median Rate.
(See Attachment D)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

W&I Code, Section 4691.9(b) states:

“(b) No regional center may negotiate a rate with a new service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center’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.”

Recommendation:

IRC must reimburse DDS the \$70,569.05 in total overpayments made to the vendors. IRC shall immediately renegotiate the rates for the vendors in order to comply with the W&I Code, Section 4691.9. In addition, IRC must ensure that all rates negotiated after June 30, 2008, are at, or below, the Statewide/IRC Median Rates.

B. Payments Above the Authorized Number of Units (Repeat)

The prior audit report identified that IRC overpaid 13 vendors for services that were above the authorized number of units. This resulted in overpayments totaling \$30,403.19 from April 2009 through November 2012, which remains outstanding.
(See Attachment E)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

CCR, Title 17, Section 54326(a)(10) states, in part:

“(a) All vendors shall:

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

Recommendation:

IRC must reimburse to DDS the \$30,403.19 in total overpayments made to the 13 vendors.

C. Payments for Services Not Provided (Repeat)

The two prior audit reports identified that IRC continued to reimburse eight transportation vendors for services that were not provided to consumers. This resulted in overpayments from July 2012 through July 2014 totaling \$51,553.18. Since these are individual authorizations for consumer services, IRC must reimburse transportation vendors only when the consumer utilizes these services. IRC stated that it did not want to penalize the transportation vendors if it was not known beforehand that the consumer would not utilize the transportation services. The outstanding overpayment from the prior audit is \$8,968.15, resulting in total overpayments of \$60,521.33. (See Attachment F)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

CCR, Title 17, Section 54326(a)(10) states:

“(a) All vendors shall . . .

(10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center.”

Recommendation:

IRC must reimburse DDS \$60,521.33 in total overpayments made to the eight vendors. In addition, IRC must comply with CCR, Title 17, Section 54326(a) and ensure that vendors are paid only for services provided.

D. Rate Increase After the Rate Freeze

The sampled review of 20 POS Transportation vendor files revealed IRC provided a rate increase to one vendor, New Day Behavior, Vendor Number HP4042, Service Code 880. The contract for New Day Behavior included a fuel stipend of \$0.12 per mile that was issued after the June 30, 2008 rate freeze was in effect. IRC indicated it is using New Day Behavior as a courtesy vendor and that the fuel stipend was issued by the vendoring regional center. IRC was not aware that this rate was issued after the rate freeze was in effect. This resulted in overpayments totaling \$1,579.95. (See Attachment G)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

W&I Code, Section 4691.9(a)(1), states:

- “(1) A regional center shall not pay an existing service provider, for services where rates are determined through a negotiation between the regional center and the provider, a rate higher than the rate in effect on June 30, 2008, unless the increase is required by a contract between the regional center and the vendor that is in effect on June 30, 2008, or the regional center demonstrates that the approval is necessary to protect the consumer's health or safety and the department has granted prior written authorization.

Recommendation:

IRC must reimburse DDS \$1,579.95 in total overpayments made to New Day Behavior. In addition, IRC should contact the vendoring RC to ensure the vendor rate is reverted to the payment rate in effect as of June 30, 2008.

Finding 10: Improper Expenditure of CPP and POS Funds (Repeat)

The two prior audit reports identified that \$3,205,739 in CPP and POS funds were expensed to Service Codes 999 without a DDS-approved community placement plan for the acquisition of housing.

Also, IRC improperly allocated \$1,222,678 in POS funds to CHF which was expensed under Service Code 101, for move-in costs and the purchasing of household items. However, the expenses incurred were not tied to any consumer UCI numbers as required by the DDS service code definition. The total overstated claim amount expensed under Service Codes 999 and 101 is \$4,428,417. (See Attachment H)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

W&I Code, Sections 4418.25(c) and (d) states, in part:

- “(c) The department shall review, negotiate, and approve regional center community placement plans for feasibility and reasonableness, including recognition of each regional centers’ current developmental center population and their corresponding placement level, as well as each regional centers’ need to develop new and innovative service models. The department shall hold regional centers accountable for the development and implementation of their approved plans. The regional centers shall report, as required by the department, on the outcomes of their plans. The department shall make aggregate performance data for each regional center available, upon request, as well as data on admissions to, and placements from, each developmental center.
- (d) Funds allocated by the department to a regional center for a community placement plan developed under this section shall be controlled through the regional center contract to ensure that the funds are expended for the purposes allocated. Funds allocated for community placement plans that are not used for that purpose may be transferred to Item 4300-003-0001 for expenditure in the state developmental centers if their population exceeds the budgeted level. Any unspent funds shall revert to the General Fund.”

CCR, Title 17, Section 54326(a)(3) states, in part:

“(a) All vendors shall:

- (3) Maintain records of services provided to consumers in sufficient detail to verify delivery of the units of service billed.”

The State Contract, Exhibit E states, in part:

“(1) Community Placement Plan

Contractor shall develop and submit an approved Community Placement Plan in accordance with Welfare & Institution Code [Sections] 4418.25, 4418.3, and 4418.7 for approval by the State.

Contractor’s Community Placement Plan shall, where appropriate, include budget requests for regional center operations, consumer assessments, resource development, deflections and ongoing placements.

(2) Dedicated Funding

Contractor shall use funds allocated to the regional center’s approved Community Placement Plan only for the purposes allocated. The State shall reduce the contract in the amount of any unspent funds allocated for the Community Placement Plan that are not used for that purpose. Any unspent funds shall revert to the General Fund or be transferred to another regional center for Community Placement Plan activities.”

Guidelines for Regional Center Community Placement Plan (I)(4) states:

“For Deflection POS, the RC will be reimbursed only for placement costs of individuals projected to be placed in CPP-funded deflection living arrangements during the facilities’ initial fiscal year of service provision.”

Recommendation:

IRC must reimburse DDS the \$4,428,417 that was improperly expensed. In addition, IRC must ensure that all CPP projects comply with W&I Code, Section 4418.25; the State Contract, Exhibit E; CCR, Title 17, Section 54326(a)(3); and the Guidelines for Regional Center Community Placement Plan (I)(4).

Finding 11: Policies and Procedures for Vendor Audits and Reviews

The review of IRC's listing of 180 vendors who were required to contract with an independent accounting firm for an audit or review of its financial statements revealed that 156 vendors did not submit an audit or review. It was found that IRC does not have procedures in place to follow up with vendors who have not submitted the required audit reports or reviews.

W&I Code, Sections 4652.5(a)(1)(A)(B), and (b) states in part:

- “(a)(1) An entity receiving payments from one or more regional centers shall contract with an independent accounting firm for an audit or review of its financial statements subject to all of the following:
 - (A) When the amount received from the regional center or regional centers during the entity's fiscal year is more than or equal to two hundred fifty thousand dollars (\$250,000) but less than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit or independent review report of its financial statements for the period.
 - (B) When the amount received from the regional center or regional centers during the entity's fiscal year is equal to or more than five hundred thousand dollars (\$500,000), the entity shall obtain an independent audit of its financial statements for the period.
- (b) An entity subject to subdivision (a) shall provide copies of the independent audit or independent review report required by subdivision (a), and accompanying management letters, to the vendoring regional center within 30 days after completion of the audit or review.”

Recommendation:

IRC must develop policies and procedures to ensure it is properly tracking and following-up with vendors who are required to, but have not yet, submitted audit reports or reviews. Failure to receive these reports limits IRC's ability to detect issues that may have an impact on regional center services.

Finding 12: Parental Fee Program (PFP)

The review of the PFP revealed that IRC is not complying with the PFP regulations. IRC is not identifying children with developmental disabilities who are required to participate in the PFP program, or providing DDS with a listing of new placements and terminated cases. Also, IRC is not informing parents of children receiving services eligible for PFP, which DDS requires to determine and assess parents' ability to pay, bill, and collect parental fees. Further, IRC is not providing the parents an PFP package containing a return envelope, informational letter, and the FFS that needs to be completed and mailed to DDS. IRC indicated it was not aware of the PFP requirements and had no procedures in place for PFP.

CCR, Title 17, Sections 50225(a), (b), (c), (d), and (e) states in part:

“Regional centers shall have the following duties and responsibilities:

- (a) Identify all children with developmental disabilities who are receiving services as specified in Section 50223.
- (b) Provide the Department of Developmental Services with a listing of new placements, terminated cases, and client deaths for those clients identified in paragraph (a) of this section. Such listing shall be provided not later than the 20th day of the month following the month of such occurrence and shall be provided in the format as determined by the Department of Developmental Services.
- (c) Inform parents of children who will be receiving services as identified in Section 50223 that the Department of Developmental Services is required to determine parents' ability to pay, and to assess, bill, and collect parental fees pursuant to Chapter 9 of Division 4.5 of the Welfare and Institutions Code.
- (d) Within 10 working days after placement of a minor child, provide the parent(s) a package containing an informational letter, a Family Financial Statement (FFS), and a return envelope. The informational letter, FFS, and envelope shall be provided to the centers by the Department of Developmental Services.
- (e) A copy of each informational letter given or sent to parent(s), indicating the addressee and the date given or

mailed, shall be attached to and submitted with the report identified in paragraph (b) of this section.”

Recommendation:

IRC must implement policies and procedures to ensure that it complies with the PFP requirements set forth in CCR, Title 17, Section 50225.

Finding 13: Service Coordinator Caseload Ratio

The review of the Service Coordinator Caseload Survey revealed IRC incorrectly reported its caseload ratio for the DC Movers. IRC reported its DC Mover ratios on a calendar year basis rather than reporting the caseload information starting on March 1st. IRC indicated it was not aware reporting its caseload for DC Movers on a calendar year was incorrect.

Article II, Section 2(c) of the State Contract states:

“Contractor shall provide service coordinator caseload data, as of March 1st, to the State annually by March 10th. The data shall be submitted in a format prescribed by the State that shall meet, but not exceed, the data collection requirements imposed by Welf. & Inst. Code Section 4640.6(e).”

Recommendation:

IRC must ensure that the Service Coordinator Caseload Survey data reported reflects the caseload information as of March 1st, as required by the DDS instructions.

Finding 14: Employee Conducting Fundraising Activities

The review of IRC’s donations revealed that one employee’s job duties include coordinating IRC’s annual golf tournament. Fundraising should not be part of an employee’s job duties, as it is not essential in the delivery of direct consumer or administration services that support activities of IRC’s operations.

Article I, Sections 11(f), (g) and (h) of the State Contract states:

“(f) Operations Budget means that portion of a Contractor’s budget allocation set forth in Exhibit A, that is intended for the delivery of regional center “direct consumer services” and administration.”

- (g) Direct Consumer Services means those direct services to persons with developmental disabilities delivered by Contractor. These services include but are not limited to case management, funds management for persons with developmental disabilities, rights assurance, diagnosis and assessment, intake, prevention, quality assurance, program development, and other services under the Lanterman Act provided directly by Contractor.
- (h) Administration means those support activities required of Contractor that are essential to the efficient conduct of business.”

Recommendation:

IRC must ensure that the job duties of personnel are essential to the delivery of RC services and should not include fundraising activities.

Finding 15: Ineligible Employee Receiving Medical Benefits

The review of IRC’s Retiree Medical Reimbursement Plan revealed one retired employee is receiving medical benefits without meeting the eligibility requirements to qualify for the plan. The plan requires that each retiree attain the age of 55 and 25 years of service, or the age of 65 and 20 years of service to be eligible to participate in the plan. However, IRC granted eligibility to this retiree after 11.5 years of service. IRC calculated the employee years of service as of 1993 when the employee was a consultant of IRC instead of the actual hire date as an IRC employee in 2001.

IRC’s Retiree Medical Reimbursement Plan Policy, IRCP 800/017, Participant Section states:

“Participant-A participant of the Retiree Medical Reimbursement Plan is defined as a qualifying employee, who has voluntarily separated after reaching a qualifying retirement age defined in at least one of the below categories:

- a. An employee who was hired before January 1, 1997 and separates from service with Corporation on or after attainment of age 55 and completion of 15 years (31,320 hrs.) of service or age 65 and 10 years of service (20,880 hrs), or
- b. An employee who was hired after January 1, 1997 and separates from service with Corporation on or after

attainment of age 55 and completion of 25 years (52,200 hours) or age 65 and 20 years of service (41,760 hours) of service.”

Recommendation:

IRC must adhere to its policies and procedures to ensure all employees meet the eligibility criteria for participation in its retiree plan. IRC must use the actual date the employee was hired as an IRC employee and not the date this person started as a consultant for participation into the retiree plan.

Finding 16: Retirement Bonus Policy Not Signed by the Board

The sample review of 23 employee files revealed that IRC’s Director of Employee Relations and Administrative Services amended IRC’s Service Award Payment Policy to award one employee who retired in October 2014, a bonus of \$200 for each year of service. This employee was given a bonus totaling \$7,400, even though the amended policy was not approved by IRC’s Executive Director or its Board.

Article III, Section 1(c) of IRC’s bylaws states:

“To conduct, manage and control the business and affairs of the Corporation, and to make such rules, and regulations therefore, including all policies and procedures;”

Recommendation:

IRC must reimburse DDS a total of \$7,400 for a service award that was issued to an employee without Board approval. In addition, IRC must adhere to its bylaws and ensure any policy changes are approved by its Board.

Finding 17: Overstated General Ledger Account

The review of the lease agreements revealed IRC’s general ledger account number 01-00-00-03040-00 is overstated by \$31,725. This occurred when IRC did not adjust its general ledger after it forfeited its \$31,725 security deposit for breaking its lease agreement with its landlord, Rancon Reality, located at 735 E. Carnegie Drive, San Bernadino, Ca. in September 2009. IRC indicated that it was an oversight on its part that it did not remove the security deposit from its records.

Article X, Section 3, of the State Contract states in part:

“Contractor is responsible for ensuring the integrity of the financial operations of the regional center including accountability and reporting of all revenues, expenditures, and effectiveness in carrying out its programs and fiscal responsibility. This responsibility includes the primary role of maintaining accurate financial records in accordance with generally accepted accounting principles.”

Recommendation:

IRC must adjust the general ledger account number 01-00-00-03040-00 to ensure security deposits are correctly reflected.

Finding 18: Bank Signature Cards Not Updated

The review of the bank signature cards revealed IRC has not updated its signature cards since 2012. The signature cards were still in the names of prior IRC and DDS Directors. As a result, current authorized signatories for IRC and DDS Directors are not on the bank signature cards. IRC indicated this occurred due to an oversight.

State Contract, Article III, Sections 3(f) and (g) states in part:

- “(f) All bank accounts and any investment vehicles containing funds from this contract and used for regional center operations, employee salaries and benefits or for consumers’ services and supports, shall be in the name of the State and Contractor.
- (g) For the bank account(s) above referenced, there shall be prepared three (3) alternative signature cards with riders attached to each indicating their use.”

Recommendation:

IRC must update the bank signature cards when authorized signatories retire or leave their positions. In addition, IRC should send the updated signature cards to DDS to comply with the State Contract provisions Article III, Section 3.

Finding 19: IRC Not Vendorizing Providers in its Catchment Area

The sampled review of IRC’s Out-of-Area vendor listing revealed 15 vendors are providing services to IRC consumers when they have locations within IRC’s catchment area. IRC must have these vendors go

through IRC's vendorization process to ensure they meet all legal and regulatory requirements to provide services to its consumers. IRC stated that these vendors are refusing to be vendorized by IRC in order to utilize higher rates from other regional centers. (See Attachment I)

CCR, Title 17, Sections 50603(s) states in part:

"Vendoring Regional Center" means the regional center in the service catchment area in which the service provider is located, and to which a potential service provider must submit an application for vendorization."

Recommendation:

IRC must ensure that vendors located within its catchment area are properly vendored through IRC. This will ensure rates paid to these vendors fall within the IRC median rate schedule.

Finding 20: Conflict of Interest

The review of the IRC's bylaws amended in April 2015 revealed that the Board President serves as the CEO of IRC and is tasked with the day-to-day operations of IRC. This authority gives the Board President total control of IRC's operational functions. As the President of the Board and CEO, a conflict is created as the Board President has authority to select, remove, and reinstate employees at his/her sole discretion.

For good business practices, the Board's responsibility should not include managing day-to-day operations of the regional center. The Board President may not have the core experiences and skills necessary to effectively manage a regional center.

Recommendation:

IRC must amend its bylaws to ensure the Board President is no longer IRC's CEO. This will ensure that the conflict of interest is removed and the Board President's duties do not extend to running the day-to-day operations of IRC.

Findings that have been addressed and corrected.

Finding 21: Multiple Dates of Death

The review of the UFS Deceased Consumers Report identified 20 consumers with multiple dates of death. Further review found that no payments were made beyond the actual date of death.

IRC has taken corrective action to resolve the issue of multiple dates of death by researching and updating all 20 consumers' date of death in UFS.

State Contract, Article IV, Section 1(c)(1) states in part:

“Contractor shall make available accurate and complete UFS and/or SANDIS information to the State. Accordingly Contractor shall:

- (1) Update changes to all mandatory items of the Client Master File at least annually except for the following elements, which must be updated within thirty (30) days of Contractor being aware of any of the following events:
 - (a) The death of a consumer;
 - (b) The change of address of a consumer; or
 - (c) The change of residence type of a consumer.”

For good internal controls and accounting practices, IRC should ensure the actual date of death is accurately recorded in UFS to avoid any potential payments after the date of death.

Recommendation:

IRC must ensure staff accurately records the consumer's date of death in UFS by utilizing the date stated on the consumer's certificate of death. In addition, IRC should review all current, deceased consumer files to ensure that only one date of death is recorded in UFS.

Finding 22: Payment After the Date of Death

The sampled review of 24 deceased consumer accounts revealed that IRC reimbursed one vendor for services after a consumer's death. This resulted in an overpayment totaling \$579.84.

IRC has taken corrective action to resolve this issue by collecting the overpayment from the vendor.

CCR, Title 17, Section 54326 (a)(10) states:

“(a) All vendors shall . . .

- (10) Bill only for services which are actually provided to consumers and which have been authorized by the referring regional center."

Recommendation:

IRC must continue to review all current, deceased consumer files to ensure that vendors are reimbursed only for services rendered.

EVALUATION OF RESPONSE

As part of the audit report process, IRC was provided with a draft audit report and requested to provide a response to the findings. IRC's response dated November 15, 2017, is provided as Appendix A.

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

Finding 1: Unsupported Transportation Assessment Contract Billing (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 2: Unsupported Contract Billing (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 3: Circumvention of the Regulations

A. Rate Freeze (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

B. Median Rate (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in

exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 4: Deleted

After further analysis of the additional documentation provided by IRC in its response to the draft report, it has been determined that this was not an issue and the finding has been deleted.

Finding 5: Transportation Services Provided Under Transportation Broker, Service Code 883 (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 6: Whistleblower Policy Has Not Alleviated Employee Concerns (Repeat)

IRC disagrees with the finding that its Whistleblower policy does not alleviate its employees' fear against retaliation by management. IRC stated that the Whistleblower policy is posted on its website and has also implemented corrective actions which led to a dramatic decline in anonymous complaints by employees. In addition, IRC submits on a monthly basis, a complaint log to DDS. Based on the review of IRC's response, and the additional follow-up conducted during the subsequent audit, DDS agrees and considers this issue resolved.

Finding 7: POS Funds Inappropriately Used for Operations Expenses (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 8: Policies and Procedures for Procurement (Repeat)

IRC indicated that it has corrected this issue and has developed a Board approved procurement policy that complies with the State contract. However, upon review of IRC's website, its current procurement policy

dated March 2011, still does not include the provisions for fair and equitable recoupment of CPP funds should the vendor cease to provide services. Therefore, this finding remains unresolved.

Finding 9: Overstated Claims

A. Payments Above the Median Rate (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

B. Payments Above the Authorized Number of Units (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

C. Payments for Services Not Provided (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

D. Rate Increase After the Rate Freeze

IRC does not agree with the finding. IRC stated that it reimbursed the vendor based on a contract negotiated by the vendoring regional center and the vendor. IRC stated it assumed the vendoring regional center complied with the rate freeze, and the rate negotiated was appropriate. In addition, IRC stated that it would put an undue burden on its staff to confirm the rates negotiated by the vendoring regional centers are in compliance with the W&I Code. Based on the review of IRC's response, DDS does

not agree. W&I Code explicitly states that RCs cannot pay service providers a rate higher than the rate in effect on June 30, 2008. Since the W&I Code does distinguish between vendoring RC's or user RC's; DDS does not agree with IRC, and considers this finding unresolved.

Finding 10: Improper Expenditure of CPP and POS Funds (Repeat)

IRC entered into a settlement agreement with DDS on February 8, 2017, to resolve the disputed audit findings identified in the three prior audit reports from FYs 2008-09 through 2013-14. As part of the agreement, IRC agrees to reimburse DDS \$6,588,703 in exchange for the release of any liabilities noted in the appeal. Therefore, based on the terms set forth in the settlement agreement, this finding is considered resolved.

Finding 11: Policies and Procedures for Vendor Audits and Reviews

IRC does not agree with the finding and stated that it sends follow-up letters to vendors reminding them to submit an audit or review of their financial statements. Also, IRC indicated that it is in the process of developing a new tracking methodology to better track and follow up with vendors who do not submit the required reports. Based on IRC's response, DDS will conduct further follow-up during the next scheduled audit to ensure the new process has been implemented.

Finding 12: Parental Fee Program (PFP)

IRC agrees with this finding and provided additional documentation indicating it has developed policies and procedures to comply with the PFP requirements. Therefore, this finding is considered resolved.

Finding 13: Service Coordinator Caseload Ratio

IRC agrees with the finding and now reports the DC Movers in the Service Coordinator Caseload Survey as of March 1st, as required by the State Contract. This finding is considered resolved.

Finding 14: Employee Conducting Fundraising Activities

IRC agrees with the finding and indicated that the compensation paid to the employee which relates to fundraising is now reimbursed to IRC. DDS will conduct a follow-up during the next scheduled audit to ensure IRC is offsetting their fundraising expenditures.

Finding 15: Ineligible Employee Receiving Medical Benefits

IRC does not agree with the finding that it provided medical benefits to an ineligible employee. IRC stated that this person met the criteria to be considered a common-law employee when she began working as a Medical Consultant on July 1, 1993, making her eligible for the Retiree Medical Reimbursement Plan. In addition, IRC stated that as part of her employment agreement, the consultant negotiated her participation in the plan with IRC's Executive Director, who agreed to use July 1, 1993, as her start date.

DDS does not agree with IRC that this person should be considered a common-law employee, as she was paid as a consultant, rather than an employee from July 1, 1993, through September 1, 2000. DDS acknowledges that the consultant's participation in the Retiree Medical Reimbursement Plan violates the eligibility requirements stipulated in IRC's Retiree Medical Reimbursement Plan Policy. Nonetheless, IRC must ensure it follows the Retiree Medical Reimbursements Plan's policies and use the employee's years of service to determine eligibility.

Finding 16: Retirement Bonus Policy Not Signed by the Board

IRC does not agree with the finding and cites the court case, *Association for Retarded Citizens v. California Department of Developmental Services* (1985) 38 Cal. 3d 384, 389-395, which held that DDS is not allowed to control how IRC uses its operations funds. IRC also states that it did not require Board approval to make the payment, and considers the \$7,400 immaterial. DDS does not agree, as the same court case also states "...the responsibility of DDS, as the Attorney General has concluded on other occasions, is basically limited to promoting the cost-effectiveness of the operations of the regional centers, and does not extend to the control of the manner in which they provide services or in general [38 Cal. 3d 390] operate their programs (64 Ops.Cal.Atty.Gen., supra, 910, 916; 62 Ops.Cal.Atty.Gen. 229, 230-231 (1979); see §§ 4629, 4631, 4751-4753)." Therefore, DDS is still responsible for overseeing the cost-effectiveness of IRC's operations.

IRC had a process in place where employees would receive \$10 per year of service upon retiring. However, due to management override, the Director of Employee Relations and Administrative Services amended its Service Award Payment policy, approving an increase from \$10 per year to \$200 per year. IRC's bylaws require all policies and procedures to be approved by the Board; however, the amendment did not go to the Board prior to payment. It was noted during the follow-up conducted in the subsequent audit that the policy reverted back to \$10 per year. In addition, IRC stated it would ask its Board to ratify the payment to resolve the finding. However,

IRC must ensure that all staff including management abide by the policies that have been established. Any changes to the policies must be approved by the Board in accordance to IRC's bylaws to prevent management override.

Finding 17: Overstated General Ledger Account

IRC agrees with the finding and provided additional documentation with its response that show the security deposits are accurately reflected in the general ledger. This finding is considered resolved.

Finding 18: Bank Signature Cards Not Updated

IRC agrees with the finding and sent updated signature cards to DDS. Therefore, this finding is considered resolved.

Finding 19: IRC Not Vendorizing Providers in its Catchment Area

IRC agrees with the finding and stated it has implemented a corrective action plan to resolve this issue. IRC stated five vendors have been closed and IRC is in the process of contacting the other vendors to initiate the vendorization process. IRC stated if the vendors refuse, it will inform vendors that they will discontinue further referrals as they are not in IRC's catchment area. DDS will conduct further follow-up during the next scheduled audit to ensure this process has been corrected.

Finding 20: Conflict of Interest

IRC agrees with the finding and provided supporting documentation with its response showing it amended its bylaws effective March 30, 2016, eliminating the position of President of the Board, and creating the position of Chairperson of the Board, and designating IRC's Executive Director as Chief Executive Officer. Therefore, based on the review of the IRC's response, DDS considers this finding resolved.

**Inland Regional Center
Circumvention of the Regulations - Rate Freeze (Repeat)
Fiscal Years 2008-09 through 2013-14**

Vendor Number	Vendor Name	Service Code	Payment Period	Overpayment
Circumvention of the Rate Freeze for Fiscal Years 2008-09 and 2009-10				
PJ3262	Southwestern Transportation	883	Oct-08	\$91,905.68
			Nov-08	\$87,076.53
			Dec-08	\$98,829.25
			Jan-09	\$105,441.20
			Feb-09	\$103,051.87
			Mar-09	\$102,384.56
			Apr-09	\$96,886.29
			May-09	\$97,285.48
			Jun-09	\$97,144.15
			Jul-09	\$101,912.12
			Aug-09	\$101,859.04
			Sep-09	\$96,642.61
			Oct-09	\$101,077.05
			Nov-09	\$87,126.05
			Dec-09	\$85,648.64
			Jan-10	\$94,649.78
			Feb-10	\$100,852.74
			Mar-10	\$104,647.14
			Apr-10	\$104,940.07
			May-10	\$105,401.29
			Jun-10	\$109,314.75
			Jul-10	\$104,099.99
			Aug-10	\$108,768.92
			Sep-10	\$104,881.71
Total Overpayments for FY 2008-09 and 2009-10				\$2,391,826.92
Circumvention of the Rate Freeze for Fiscal Years 2010-11 and 2011-12				
PJ3262	Southwestern Transportation	883	Oct-10	\$105,021.64
			Nov-10	\$93,644.31
			Nov-10	\$87,504.44
			Dec-10	\$105,113.78
			Jan-11	\$106,349.69
			Jan-11	\$107,251.67
			Feb-11	\$111,657.07
			Mar-11	\$105,282.35
			Mar-11	\$111,649.70
			Apr-11	\$106,544.52

**Inland Regional Center
Circumvention of the Regulations - Rate Freeze (Repeat)
Fiscal Years 2008-09 through 2013-14**

Vendor Number	Vendor Name	Service Code	Payment Period	Overpayment
	Southwestern Transportation (Continued)	883	May-11	\$113,962.42
			May-11	\$109,137.97
			Jun-11	\$112,435.33
			Jul-11	\$103,525.53
			Aug-11	\$102,421.52
			Aug-11	\$110,189.38
			Sep-11	\$115,015.60
			Oct-11	\$113,961.28
			Oct-11	\$120,829.65
			Nov-11	\$115,107.19
			Dec-11	\$121,130.76
Total Overpayments for FY 2010-11 and 2011-12				\$2,277,735.80
Circumvention of the Rate Freeze for Fiscal Years 2012-13 and 2013-14				
PJ3262	Southwestern Transportation	883	Jul-12	\$119,870.52
			Aug-12	\$128,029.51
			Sep-12	\$123,957.00
			Oct-12	\$126,687.97
			Nov-12	\$111,572.04
			Dec-12	\$113,263.72
			Jan-13	\$122,017.46
			Feb-13	\$127,739.46
			Mar-13	\$135,534.09
			Apr-13	\$127,034.26
			May-13	\$129,596.97
			Jun-13	\$136,372.84
			Jul-13	\$130,996.00
			Aug-13	\$139,809.42
			Sep-13	\$131,492.54
			Oct-13	\$133,456.03
			Nov-13	\$121,518.06
			Dec-13	\$120,932.68
Total Overpayments for FY 2012-13 and 2013-14				\$2,279,880.58
Total Overpayments for Circumvention of Rate Freeze				\$6,949,443.30

**Inland Regional Center
Circumvention of the Regulations - Median Rate (Repeat)
Fiscal Years 2010-11 through 2013-14**

Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
Contract Rate Above the Median Rate for FY 2010-11 and 2011-12				
HJ0995	The Chicago Home	113	Nov-10	\$5,453.51
			Dec-10	\$14,206.60
			Jan-11	\$14,206.60
			Feb-11	\$12,831.77
			Mar-11	\$14,206.60
			Apr-11	\$25,170.82
			May-11	\$32,365.45
			Jun-11	\$31,321.40
			Jul-11	\$54,476.54
			Aug-11	\$45,397.11
			Sep-11	\$43,932.69
			Oct-11	\$45,397.11
			Nov-11	\$43,932.69
			Dec-11	\$45,397.11
			Jan-12	\$45,399.42
			Feb-12	\$42,470.43
			Mar-12	\$45,399.42
			Apr-12	\$43,934.93
			May-12	\$45,399.42
			Jun-12	\$43,934.93
Total Overpayments for FY 2010-11 and 2011-12				\$694,834.57
Contract Rate Above the Median Rate for FY 2012-13 and 2013-14				
HJ0995	The Chicago Home	113	Jul-12	\$43,962.65
			Aug-12	\$55,944.25
			Sep-12	\$46,496.55
			Oct-12	\$44,968.30
			Nov-12	\$46,496.55
			Dec-12	\$49,444.96
			Jan-13	\$53,962.74
			Feb-13	\$59,464.44
			Mar-13	\$57,019.24
			Apr-13	\$57,019.24
			May-13	\$56,407.94
			Jun-13	\$57,630.54
			Jul-13	\$56,427.36
			Aug-13	\$56,427.36
			Sep-13	\$59,213.04
			Oct-13	\$57,046.40
			Nov-13	\$60,141.60

**Inland Regional Center
Circumvention of the Regulations - Median Rate (Repeat)
Fiscal Years 2010-11 through 2013-14**

Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments
HJ0995	The Chicago Home (Continued)	113	Dec-13	\$57,355.92
			Jan-14	\$56,117.84
			Feb-14	\$62,308.24
			Mar-14	\$55,808.32
			Apr-14	\$57,974.96
			May-14	\$55,220.28
			Jun-14	\$54,277.84
			Jul-14	\$55,238.73
			Aug-14	\$54,152.61
			Sep-14	\$54,006.31
			Oct-14	\$53,319.57
			Nov-14	\$46,394.48
			Dec-14	\$51,923.93
			Jan-15	\$51,191.27
			Feb-15	\$43,755.20
			Mar-15	\$49,003.30
			Apr-15	\$52,822.56
			May-15	\$54,969.04
			Jun-15	\$54,549.93
			Jul-15	\$56,072.33
Total Overpayment for FY 2012-13 and 2013-14				\$1,994,535.82
Total Overpayments Due to Contract Rate Above the Median Rate				\$2,689,370.39

Inland Regional Center
Purchase of Service Funds Inappropriately Used for Operations Expe
Fiscal Years 2005-06 through 2011-12

Vendor Number	Vendor Name	Service Code	Authorization Number	Payment Period
PJ2424	Vicki Gonzales	112	06277195	Jul-05
			06277195	Sep-05
			07295256	Jul-06
			07295256	Aug-06
			08315282	Jul-07
			09341782	Jul-08
			10363968	Jul-10
			10363968	Aug-10
			10363968	Sep-10
			10363968	Oct-10
			10363968	Nov-10
			10363968	Dec-10
			10363968	Jan-11
			10363968	Feb-11
			10363968	Mar-11
			10363968	Apr-11
			10363968	May-11
			10363968	Jun-11
			11382657	Jul-11
			11382657	Aug-11
			11382657	Sep-11
			11382657	Oct-11
			11382657	Nov-11
			11382657	Dec-11
			11382657	Jan-12
			11382657	Feb-12
			11382657	Mar-12
			11382657	Apr-12
			11382657	May-12
			11382657	Jun-12
			12405517	Jul-12
			12405517	Aug-12
			12405517	Sep-12
			12405517	Oct-12
			12405517	Nov-12
			12405517	Dec-12
Purchase of Service Funds Inappropriately Used for Operations Expenses				

nses (Repeat)

Overpayments
\$95,474.01
\$47,114.54
\$165,200.67
\$51,421.75
\$240,162.61
\$231,830.20
\$21,312.90
\$17,845.56
\$17,844.58
\$18,251.48
\$18,398.96
\$22,658.67
\$18,664.47
\$22,437.70
\$18,232.48
\$18,779.98
\$18,399.55
\$18,534.49
\$20,936.06
\$18,489.87
\$19,134.15
\$18,404.96
\$19,211.14
\$21,100.79
\$19,748.64
\$23,608.69
\$18,509.81
\$21,385.37
\$20,293.19
\$21,948.70
\$17,847.15
\$18,604.60
\$17,540.83
\$19,345.27
\$17,304.69
\$10,587.37
\$1,406,565.88

Inland Regional Center
Overstated Claims-Payments Above the Median Rate (Repeat)
Fiscal Years 2008-09 through 2013-14

Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Resolved	Outstanding Overpayment
Overpayment Due to Payment Above the Median Rate For Fiscal Years 2008-09 and 2009-10						
1	H96662	110	Jul-08	\$55.62	\$0.00	\$55.62
			Aug-08	\$54.32	\$0.00	\$54.32
			Sep-08	\$54.32	\$0.00	\$54.32
			Oct-08	\$60.72	\$0.00	\$60.72
			Nov-08	\$47.51	\$0.00	\$47.51
			Dec-08	\$54.78	\$0.00	\$54.78
			Jan-09	\$53.24	\$0.00	\$53.24
			Feb-09	\$15.96	\$0.00	\$15.96
			Mar-09	\$17.64	\$0.00	\$17.64
			Apr-09	\$18.48	\$0.00	\$18.48
			May-09	\$16.73	\$0.00	\$16.73
			Jun-09	\$18.06	\$0.00	\$18.06
			Jul-09	\$18.06	\$0.00	\$18.06
			Aug-09	\$16.56	\$0.00	\$16.56
			Sep-09	\$17.64	\$0.00	\$17.64
			Oct-09	\$18.03	\$0.00	\$18.03
			Nov-09	\$14.14	\$0.00	\$14.14
			Dec-09	\$15.30	\$0.00	\$15.30
2	PJ3290	056	Jan-10	\$8.23	\$0.00	\$8.23
			Feb-10	\$12.36	\$0.00	\$12.36
			Mar-10	\$18.06	\$0.00	\$18.06
			Apr-10	\$16.66	\$0.00	\$16.66
			May-10	\$14.74	\$0.00	\$14.74
			Aug-08	\$1,912.50	\$0.00	\$1,912.50
			Sep-08	\$1,462.50	\$0.00	\$1,462.50
			Oct-08	\$1,665.00	\$0.00	\$1,665.00
			Nov-08	\$1,170.00	\$0.00	\$1,170.00

Inland Regional Center
Overstated Claims-Payments Above the Median Rate (Repeat)
Fiscal Years 2008-09 through 2013-14

	Vendor Number	Vendor Name	Service Code	Payment Period	Overpayment \$	Resolved	Outstanding Overpayment
	PJ3290	Sanders, Adriana M (Continued)	056	Dec-08	\$967.50	\$0.00	\$967.50
				Jan-09	\$1,878.75	\$0.00	\$1,878.75
				Feb-09	\$1,800.56	\$0.00	\$1,800.56
				Mar-09	\$1,953.34	\$0.00	\$1,953.34
				Apr-09	\$2,269.80	\$0.00	\$2,269.80
				May-09	\$1,549.58	\$0.00	\$1,549.58
				Jun-09	\$1,527.75	\$0.00	\$1,527.75
				Sep-09	\$818.44	\$0.00	\$818.44
				Oct-09	\$2,084.29	\$0.00	\$2,084.29
				Nov-09	\$1,658.70	\$0.00	\$1,658.70
				Dec-09	\$1,746.00	\$0.00	\$1,746.00
				Jan-10	\$2,095.20	\$0.00	\$2,095.20
	Feb-10	\$1,942.43	\$0.00	\$1,942.43			
	Mar-10	\$2,095.20	\$0.00	\$2,095.20			
	Apr-10	\$2,095.20	\$0.00	\$2,095.20			
	May-10	\$2,095.20	\$0.00	\$2,095.20			
Total Overpayment for 2008-09 and 2009-10					\$35,425.06	\$0.00	\$35,425.06
Overpayment Due to Payment Above the Median Rate For Fiscal Years 2010-11 and 2011-12							
1	VJ6138	Andal, Amelita	405	Aug-08	\$296.50	\$0.00	\$296.50
				Sep-08	\$296.50	\$0.00	\$296.50
				Oct-08	\$256.25	\$0.00	\$256.25
Total Overpayment For 2010-11 and 2011-12					\$849.25	\$0.00	\$849.25
Overpayment Due to Payment Above the Median Rate For Fiscal Years 2012-13 and 2013-14							
1	H96662	First Step Independent Living Program, Inc.	110	Jun-10	\$17.40	\$0.00	\$17.40
				Jul-10	\$47.67	\$0.00	\$47.67
				Aug-10	\$21.53	\$0.00	\$21.53
				Sep-10	\$48.62	\$0.00	\$48.62

Inland Regional Center
Overstated Claims-Payments Above the Median Rate (Repeat)
Fiscal Years 2008-09 through 2013-14

Vendor Number	Vendor Name	Service Code	Payment Period	Overpayment s	Resolved	Outstanding Overpayment
H96662	First Step Independent Living Program, Inc. (Continued)	110	Oct-10	\$47.25	\$0.00	\$47.25
			Nov-10	\$46.20	\$0.00	\$46.20
			Dec-10	\$38.64	\$0.00	\$38.64
			Jan-11	\$41.58	\$0.00	\$41.58
			Feb-11	\$38.96	\$0.00	\$38.96
			Mar-11	\$50.51	\$0.00	\$50.51
			Apr-11	\$44.73	\$0.00	\$44.73
			May-11	\$48.30	\$0.00	\$48.30
			Jun-11	\$8.40	\$0.00	\$8.40
			Oct-11	\$49.77	\$0.00	\$49.77
			Nov-11	\$45.36	\$0.00	\$45.36
			Dec-11	\$47.15	\$0.00	\$47.15
			Jan-12	\$50.40	\$0.00	\$50.40
			Feb-12	\$45.36	\$0.00	\$45.36
			Mar-12	\$50.09	\$0.00	\$50.09
			May-12	\$41.55	\$0.00	\$41.55
			Jun-12	\$52.40	\$0.00	\$52.40
			Jul-12	55.33	\$0.00	\$55.33
			Aug-12	54.45	\$0.00	\$54.45
			Sep-12	45.87	\$0.00	\$45.87
			Oct-12	57.97	\$0.00	\$57.97
			Nov-12	44.55	\$0.00	\$44.55
			Dec-12	46.64	\$0.00	\$46.64
			Jan-13	55.33	\$0.00	\$55.33
			Feb-13	47.52	\$0.00	\$47.52
			Mar-13	55.11	\$0.00	\$55.11
			Apr-13	52.58	\$0.00	\$52.58
			May-13	57.53	\$0.00	\$57.53

Inland Regional Center
Overstated Claims-Payments Above the Median Rate (Repeat)
Fiscal Years 2008-09 through 2013-14

Vendor Number	Vendor Name	Service Code	Payment Period	Overpayments	Resolved	Outstanding Overpayment
			Jun-13	51.92	\$0.00	\$51.92
			Jul-13	57.97	\$0.00	\$57.97
			Aug-13	57.75	\$0.00	\$57.75
			Sep-13	47.52	\$0.00	\$47.52
			Oct-13	57.97	\$0.00	\$57.97
			Jun-10	2,095.20	\$0.00	\$2,095.20
			Jul-10	\$2,392.05	\$0.00	\$2,392.05
			Aug-10	\$2,747.63	\$0.00	\$2,747.63
			Sep-10	\$2,801.50	\$0.00	\$2,801.50
			Oct-10	\$2,650.65	\$0.00	\$2,650.65
			Nov-10	\$2,316.62	\$0.00	\$2,316.62
			Dec-10	\$689.60	\$0.00	\$689.60
			Jan-11	\$2,155.00	\$0.00	\$2,155.00
			Feb-11	\$2,650.65	\$0.00	\$2,650.65
			Mar-11	\$2,542.90	\$0.00	\$2,542.90
			Apr-11	\$2,392.05	\$0.00	\$2,392.05
			May-11	\$2,392.05	\$0.00	\$2,392.05
			Jun-11	\$2,564.45	\$0.00	\$2,564.45
			Jul-11	\$2,176.55	\$0.00	\$2,176.55
			Total Overpayment for 2012-13 and 2013-14		\$34,294.74	\$34,294.74
			Total Overpayment Due to Payments Above the Median Rate		\$70,569.05	\$70,569.05

Inland Regional Center
Overstated Claims-Payments Above the Authorized Number of Units (Repeat)
Fiscal Years 2008-09 through 2011-12

Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Over/Under Payments	Corrected Amount	Outstanding Balance
Overpayment Due to Payments Over the Authorized Units for FY 2008-09 and 2009-10							
1	H05201	Carolyn E Wylie Ctr for Children, Youth & Families	805	Apr-09	\$32.63	\$0.00	\$32.63
				Apr-09	\$130.50	\$0.00	\$130.50
				Apr-09	\$708.48	\$0.00	\$708.48
				Apr-09	\$522.00	\$0.00	\$522.00
				Apr-09	\$130.50	\$0.00	\$130.50
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$97.88	\$0.00	\$97.88
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$261.00	\$0.00	\$261.00
				Apr-09	\$130.50	\$0.00	\$130.50
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$32.63	\$0.00	\$32.63
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$32.63	\$0.00	\$32.63
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$130.50	\$0.00	\$130.50
				Apr-09	\$391.50	\$0.00	\$391.50
				Apr-09	\$261.00	\$0.00	\$261.00
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$206.64	\$0.00	\$206.64
				Apr-09	\$65.25	\$0.00	\$65.25
				Apr-09	\$65.25	\$0.00	\$65.25

Inland Regional Center
Overstated Claims-Payments Above the Authorized Number of Units (Repeat)
Fiscal Years 2008-09 through 2011-12

Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Over/Under Payments	Corrected Amount	Outstanding Balance
H05201	Carolyn E Wylie Ctr for Children, Youth & Families (Continued)	805	9345325	Apr-09	\$32.63	\$0.00	\$32.63
			9341658	Apr-09	\$130.50	\$0.00	\$130.50
			9350054	Apr-09	\$261.00	\$0.00	\$261.00
			9354253	Apr-09	\$65.25	\$0.00	\$65.25
			9309854	Apr-09	\$261.00	\$0.00	\$261.00
			9355514	Apr-09	\$65.25	\$0.00	\$65.25
			9338774	Apr-09	\$295.20	\$0.00	\$295.20
			9299787	Apr-09	\$65.25	\$0.00	\$65.25
			9302518	Apr-09	\$456.75	\$0.00	\$456.75
			9344067	Apr-09	\$118.08	\$0.00	\$118.08
			9352402	Apr-09	\$65.25	\$0.00	\$65.25
			9311412	Apr-09	\$65.25	\$0.00	\$65.25
			9339690	Apr-09	\$326.25	\$0.00	\$326.25
			9349912	Apr-09	\$391.50	\$0.00	\$391.50
			9344112	Apr-09	\$391.50	\$0.00	\$391.50
			9312537	Apr-09	\$391.50	\$0.00	\$391.50
			9345840	Apr-09	\$195.75	\$0.00	\$195.75
			9317496	Apr-09	\$65.25	\$0.00	\$65.25
			9344114	Apr-09	\$391.50	\$0.00	\$391.50
			9352369	Apr-09	\$65.25	\$0.00	\$65.25
			9354394	Apr-09	\$130.50	\$0.00	\$130.50
			9342436	May-09	\$531.36	\$0.00	\$531.36
			9352157	May-09	\$236.16	\$0.00	\$236.16
			9312537	May-09	\$522.00	\$0.00	\$522.00
			9335347	May-09	\$293.63	\$0.00	\$293.63
			9302518	May-09	\$391.50	\$0.00	\$391.50
			9348955	May-09	\$619.88	\$0.00	\$619.88
			9338774	May-09	\$29.52	\$0.00	\$29.52

Inland Regional Center
Overstated Claims-Payments Above the Authorized Number of Units (Repeat)
Fiscal Years 2008-09 through 2011-12

Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Over/Under Payments	Corrected Amount	Outstanding Balance
H05201	Carolyn E Wylie Ctr for Children, Youth & Families (Continued)	805	9323024	May-09	\$195.75	\$0.00	\$195.75
			9301001	May-09	\$65.25	\$0.00	\$65.25
			9352369	May-09	\$326.25	\$0.00	\$326.25
			9352368	May-09	\$391.50	\$0.00	\$391.50
			9351586	May-09	\$195.75	\$0.00	\$195.75
			9326816	May-09	\$195.75	\$0.00	\$195.75
			9343496	May-09	\$130.50	\$0.00	\$130.50
			9334665	May-09	\$130.50	\$0.00	\$130.50
			9345876	May-09	\$130.50	\$0.00	\$130.50
			9357025	May-09	\$65.25	\$0.00	\$65.25
			9357487	May-09	\$65.25	\$0.00	\$65.25
			9356898	May-09	\$65.25	\$0.00	\$65.25
			9318671	May-09	\$65.25	\$0.00	\$65.25
			9358176	May-09	\$65.25	\$0.00	\$65.25
			9345325	May-09	\$163.13	\$0.00	\$163.13
			9356366	May-09	\$130.50	\$0.00	\$130.50
			9353679	May-09	\$130.50	\$0.00	\$130.50
			9352071	May-09	\$130.50	\$0.00	\$130.50
			9350837	May-09	\$130.50	\$0.00	\$130.50
			9342818	May-09	\$65.25	\$0.00	\$65.25
			9349912	May-09	\$65.25	\$0.00	\$65.25
			9350196	May-09	\$65.25	\$0.00	\$65.25
			9348972	May-09	\$65.25	\$0.00	\$65.25
			9349910	May-09	\$32.63	\$0.00	\$32.63
			10352699	Aug-09	\$130.50	\$0.00	\$130.50
			10349460	Aug-09	\$32.63	\$0.00	\$32.63
			10359424	Aug-09	\$65.25	\$0.00	\$65.25
			10351235	Aug-09	\$65.25	\$0.00	\$65.25

Inland Regional Center
Overstated Claims-Payments Above the Authorized Number of Units (Repeat)
Fiscal Years 2008-09 through 2011-12

Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Over/Under Payments	Corrected Amount	Outstanding Balance
H05201	Carolyn E Wylie Ctr for Children, Youth & Families (Continued)	805	10354219	Aug-09	\$65.25	\$0.00	\$65.25
			10355305	Aug-09	\$195.75	\$0.00	\$195.75
			10349456	Aug-09	\$65.25	\$0.00	\$65.25
			10363275	Aug-09	\$65.25	\$0.00	\$65.25
			10341658	Aug-09	\$293.63	\$0.00	\$293.63
			10309854	Aug-09	\$65.25	\$0.00	\$65.25
			10319550	Sep-09	\$177.12	\$0.00	\$177.12
			10323080	Sep-09	\$456.75	\$0.00	\$456.75
			10323378	Sep-09	\$65.25	\$0.00	\$65.25
			10345325	Sep-09	\$146.81	\$0.00	\$146.81
			10345992	Sep-09	\$324.72	\$0.00	\$324.72
			10346169	Sep-09	\$130.50	\$0.00	\$130.50
			10349106	Sep-09	\$456.75	\$0.00	\$456.75
			10351586	Sep-09	\$456.75	\$0.00	\$456.75
			10352368	Sep-09	\$130.50	\$0.00	\$130.50
			10352369	Sep-09	\$587.25	\$0.00	\$587.25
			10356898	Sep-09	\$195.75	\$0.00	\$195.75
			10358176	Sep-09	\$130.50	\$0.00	\$130.50
			10359655	Sep-09	\$944.64	\$0.00	\$944.64
			10360315	Sep-09	\$130.50	\$0.00	\$130.50
			10361150	Sep-09	\$522.00	\$0.00	\$522.00
2	V.I.P. Tots	805	10364125	Sep-09	\$228.38	\$0.00	\$228.38
			10365795	Sep-09	\$195.75	\$0.00	\$195.75
			9321977	Apr-09	\$61.09	\$0.00	\$61.09
			9355804	Apr-09	\$61.09	\$0.00	\$61.09
			9351256	Apr-09	\$137.45	\$0.00	\$137.45
			9350429	Apr-09	\$61.09	\$0.00	\$61.09
			9329606	Apr-09	\$30.55	\$0.00	\$30.55

Inland Regional Center
Overstated Claims-Payments Above the Authorized Number of Units (Repeat)
Fiscal Years 2008-09 through 2011-12

Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Over/Under Payments	Corrected Amount	Outstanding Balance
H07885	V.I.P. Tots (Continued)	805	9324869	Apr-09	\$61.09	\$0.00	\$61.09
			9324871	Apr-09	\$61.09	\$0.00	\$61.09
			9348853	Apr-09	\$137.45	\$0.00	\$137.45
			9351254	Apr-09	\$320.72	\$0.00	\$320.72
			9333187	Apr-09	\$351.27	\$0.00	\$351.27
			9322318	Apr-09	\$45.82	\$0.00	\$45.82
			9348060	Apr-09	\$76.36	\$0.00	\$76.36
			9329461	Apr-09	\$519.27	\$0.00	\$519.27
			9324451	Apr-09	\$168.00	\$0.00	\$168.00
			9306536	Apr-09	\$15.27	\$0.00	\$15.27
			9351890	Apr-09	\$259.63	\$0.00	\$259.63
			9321784	Apr-09	\$61.09	\$0.00	\$61.09
			9341285	Apr-09	\$443.85	\$0.00	\$443.85
			9341074	Apr-09	\$355.08	\$0.00	\$355.08
			9312712	Apr-09	\$30.55	\$0.00	\$30.55
			9345887	Apr-09	\$30.55	\$0.00	\$30.55
			9312941	Apr-09	\$61.09	\$0.00	\$61.09
			9345938	Apr-09	\$106.91	\$0.00	\$106.91
			9327945	Apr-09	\$259.63	\$0.00	\$259.63
			9342424	Apr-09	\$168.00	\$0.00	\$168.00
			9350839	Apr-09	\$106.91	\$0.00	\$106.91
			9323615	Apr-09	\$61.09	\$0.00	\$61.09
			9355478	Apr-09	\$118.36	\$0.00	\$118.36
			9308957	Apr-09	\$61.09	\$0.00	\$61.09
			9307553	Apr-09	\$76.36	\$0.00	\$76.36
			9312586	Apr-09	\$15.27	\$0.00	\$15.27
			9323112	Apr-09	\$61.09	\$0.00	\$61.09
			9324894	Apr-09	\$168.00	\$0.00	\$168.00

Inland Regional Center
Overstated Claims-Payments Above the Authorized Number of Units (Repeat)
Fiscal Years 2008-09 through 2011-12

Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Over/Under Payments	Corrected Amount	Outstanding Balance
H07885	V.I.P. Tots (Continued)	805	9307089	Apr-09	\$137.45	\$0.00	\$137.45
			9357320	May-09	\$274.91	\$0.00	\$274.91
			9332461	May-09	\$137.45	\$0.00	\$137.45
			9350839	May-09	\$137.45	\$0.00	\$137.45
			9327945	May-09	\$76.36	\$0.00	\$76.36
			9349720	May-09	\$76.36	\$0.00	\$76.36
			9351249	May-09	\$61.09	\$0.00	\$61.09
			9312712	May-09	\$61.09	\$0.00	\$61.09
			9332944	May-09	\$45.82	\$0.00	\$45.82
			9307553	May-09	\$45.82	\$0.00	\$45.82
			9358496	May-09	\$30.55	\$0.00	\$30.55
			9321784	May-09	\$30.55	\$0.00	\$30.55
			9321638	May-09	\$30.55	\$0.00	\$30.55
			9324451	May-09	\$15.27	\$0.00	\$15.27
			9358082	May-09	\$15.27	\$0.00	\$15.27
			10350429	Aug-09	\$30.55	\$0.00	\$30.55
			10359767	Aug-09	\$61.09	\$0.00	\$61.09
			10332461	Aug-09	\$30.55	\$0.00	\$30.55
			10334828	Aug-09	\$45.82	\$0.00	\$45.82
			10360400	Aug-09	\$30.55	\$0.00	\$30.55
			10307089	Sep-09	\$45.82	\$0.00	\$45.82
			10312941	Sep-09	\$138.67	\$0.00	\$138.67
			10321977	Sep-09	\$137.45	\$0.00	\$137.45
			10323615	Sep-09	\$137.45	\$0.00	\$137.45
			10324910	Sep-09	\$61.09	\$0.00	\$61.09
			10329461	Sep-09	\$122.18	\$0.00	\$122.18
			10329606	Sep-09	\$61.09	\$0.00	\$61.09
			10332944	Sep-09	\$76.36	\$0.00	\$76.36

Inland Regional Center
Overstated Claims-Payments Above the Authorized Number of Units (Repeat)
Fiscal Years 2008-09 through 2011-12

	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Over/Under Payments	Corrected Amount	Outstanding Balance
	H07885	V.I.P. Tots (Continued)	805	10334828	Sep-09	\$61.09	\$0.00	\$61.09
				10344612	Sep-09	\$137.45	\$0.00	\$137.45
				10349671	Sep-09	\$62.92	\$0.00	\$62.92
				10350429	Sep-09	\$30.55	\$0.00	\$30.55
				10350839	Sep-09	\$76.36	\$0.00	\$76.36
				10350846	Sep-09	\$61.09	\$0.00	\$61.09
				10352637	Sep-09	\$91.64	\$0.00	\$91.64
				10355388	Sep-09	\$45.82	\$0.00	\$45.82
				10355478	Sep-09	\$123.39	\$0.00	\$123.39
				10356083	Sep-09	\$122.18	\$0.00	\$122.18
				10361260	Sep-09	\$213.82	\$0.00	\$213.82
				10362994	Sep-09	\$61.09	\$0.00	\$61.09
				10363383	Sep-09	\$137.45	\$0.00	\$137.45
				10364947	Sep-09	\$61.09	\$0.00	\$61.09
				10365459	Sep-09	\$58.65	\$0.00	\$58.65
				10365589	Sep-09	\$73.68	\$0.00	\$73.68
	10366404	Sep-09	\$213.82	\$0.00	\$213.82			
	10366420	Sep-09	\$15.27	\$0.00	\$15.27	\$28,548.56		
Total Overpayment for FY 2008-09 and 2009-10 \$28,548.56 \$0.00 \$28,548.56								
Overpayment Due to Payments Over the Authorized Units for FY 2010-11 and 2011-12								
1	VJ6261	Avalos, Carina	410	11396572	Apr-11	\$65.27	\$0.00	\$65.27
				11382159	Aug-10	\$44.03	\$0.00	\$44.03
2	PP3697	Cheung, Danielle Simone	772	11382159	Aug-10	\$177.45	\$0.00	\$177.45
				11382159	Dec-10	\$142.03	\$0.00	\$142.03
				11382159	08/10-12/10	\$91.98	\$0.00	\$91.98
				11382159	08/10-12/10	\$142.03	\$0.00	\$142.03
3	Z96279	City of Corona	895	11348414	Jul-10	\$10.30	\$0.00	\$10.30
				11348414	Sep-10	\$5.00	\$0.00	\$5.00

Inland Regional Center
Overstated Claims-Payments Above the Authorized Number of Units (Repeat)
Fiscal Years 2008-09 through 2011-12

	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Over/Under Payments	Corrected Amount	Outstanding Balance
4	H68993	Independent Living System	896	11377700	Jul-10	\$178.32	\$178.32	\$0.00
5	PJ2378	Inland's Childrens Therapy Inc	56	11381659	Nov-10	\$851.49	\$0.00	\$851.49
6	HJ0066	Inland Respite Inc	862	11314263	Apr-11	\$6.24	\$6.24	\$0.00
7	H25906	LLUSD	715	11388179	11/10-12/10	\$125.65	\$0.00	\$125.65
8	PJ3426	Namahoe, Jamie	24	11382189	Jul-10	\$18.80	\$0.00	\$18.80
				11382189	Aug-10	\$28.20	\$0.00	\$28.20
				11382189	Sep-10	\$28.20	\$0.00	\$28.20
9	HJ0873	New Living Options	896	12346614	Nov-11	\$114.00	\$0.00	\$114.00
10	Z52115	Victor Valley Transit	895	11360656	Nov-10	\$10.20	\$0.00	\$10.20
11	HJ0689	We Care 4 You, LLC	862	11306649	Nov-10	\$73.98	\$73.98	\$0.00
Total Overpayment for FY 2010-11 and 2011-12						\$2,113.17	\$258.54	\$1,854.63
Grand Total Overpayment Due Payments Above the Authorized Number of Units						\$30,661.73	\$258.54	\$30,403.19

Inland Regional Center
Overstated Claims-Payments for Services not Provided (Repeat)
Fiscal Years 2010-11 through 2013-14

Vendor Number	Vendor Name	Service Code	Service Months	Overpayments
Overpayments for Services Not Provided For FY 2010-12 and 2011-12				
1	Care A Van Transit System	880	Oct-11	\$8.42
			Mar-12	\$176.17
2	Laramie House	880	Sep-10	\$76.24
			Dec-10	\$147.67
			May-11	\$279.39
			Jul-11	\$328.71
			Oct-11	\$127.78
			Mar-12	\$159.63
3	RSCR Inland Inc.	880	May-11	\$125.85
			Oct-11	\$246.79
			Mar-12	\$12.47
4	Mills, Kathryn E. & Douglas	880	Sep-10	\$12.62
5	Upchurch, Kimberly	880	Oct-11	\$19.75
6	Country Comfort Transportation	880	May-11	\$138.58
			Jul-11	\$18.33
			Oct-11	\$100.75
			Mar-12	\$892.04
7	Employment & Community Options	880	Sep-10	\$988.13
			Oct-10	\$18.72
			Dec-10	\$1,012.37
			May-11	\$646.56
			Jul-11	\$1,299.24
			Oct-11	\$703.16
			Mar-12	\$1,215.18

Inland Regional Center
Overstated Claims-Payments for Services not Provided (Repeat)
Fiscal Years 2010-11 through 2013-14

	Vendor Number	Vendor Name	Service Code	Service Months	Overpayments
8	VJ6265	Divine Residential Home	880	May-11	\$9.53
				Jul-11	\$10.36
	VJ6265	Divine Residential Home (Continued)	880	Oct-11	\$161.50
				Mar-12	\$32.22
Total Overpayment for FY 2010-11 and 2011-12					
\$8,968.15					
Overpayments for Services Not Provided For FY 2012-13 and 2013-14					
1	H96441	Care A Van Transit System	880	Jul-12	\$113.67
				Aug-12	\$184.47
				Sep-12	\$101.29
				Oct-12	\$156.16
				Nov-12	\$184.73
				Dec-12	\$244.00
				Jan-13	\$140.78
				Feb-13	\$42.48
				Mar-13	\$160.37
				Apr-13	\$156.66
				May-13	\$194.98
				Jun-13	\$153.23
				Jul-13	\$142.88
				Aug-13	\$138.88
				Sep-13	\$117.13
				Oct-13	\$228.18
				Nov-13	\$170.86
				Dec-13	\$267.34
				Jan-14	\$204.32
				Feb-14	\$121.69
				Mar-14	\$155.13

Inland Regional Center
Overstated Claims-Payments for Services not Provided (Repeat)
Fiscal Years 2010-11 through 2013-14

	Vendor Number	Vendor Name	Service Code	Service Months	Overpayments
				Apr-14	\$271.43
				May-14	\$110.41
1	H96441	Care A Van Transit System (Continued)	880	Jun-14	\$84.08
				Jul-14	\$42.29
				Jul-12	\$14.00
				Aug-12	\$117.91
				Sep-12	\$382.85
				Oct-12	\$34.46
				Nov-12	\$292.61
				Dec-12	\$241.16
				Jan-13	\$338.46
				Feb-13	\$639.42
				Mar-13	\$835.14
2	V33939	Laramie House	880	Apr-13	\$380.71
				May-13	\$139.09
				Jun-13	\$171.18
				Jul-13	\$226.86
				Sep-13	\$67.67
				Oct-13	\$16.28
				Dec-13	\$118.59
				Jan-14	\$50.34
				Feb-14	\$367.01
				Apr-14	\$381.99
				Jun-14	\$231.88
				Jul-12	\$14.00
				Aug-12	\$24.18
3	V38839	RSCR Inland, Inc.	880	Oct-12	\$112.14

Inland Regional Center
Overstated Claims-Payments for Services not Provided (Repeat)
Fiscal Years 2010-11 through 2013-14

	Vendor Number	Vendor Name	Service Code	Service Months	Overpayments
				Nov-12	\$122.75
				Dec-12	\$115.94
				Jan-13	\$48.97
				Feb-13	\$53.43
				Mar-13	\$8.15
				Apr-13	\$123.29
				May-13	\$27.56
				Jun-13	\$8.56
				Jul-13	\$80.19
				Aug-13	\$35.43
				Sep-13	\$60.90
				Oct-13	\$120.71
				Nov-13	\$50.38
				Dec-13	\$25.40
				Jan-14	\$25.09
				Feb-14	\$8.67
				Mar-14	\$72.07
				Apr-14	\$63.04
				Jul-12	\$431.32
				Oct-12	\$60.09
				Feb-13	\$545.59
				Jul-14	\$403.33
				Oct-12	\$12.09
				Nov-12	\$44.91
				Jul-13	\$37.29
				Dec-13	\$17.24
				Jul-12	\$254.93
3	V38839	RSCR Inland, Inc. (Continued)	880		
4	V57250	Mills, Kathryn E. & Douglas	880		
5	VJ5555	Upchurch, Kimberly	880		

Inland Regional Center
Overstated Claims-Payments for Services not Provided (Repeat)
Fiscal Years 2010-11 through 2013-14

	Vendor Number	Vendor Name	Service Code	Service Months	Overpayments
6	VJ6096	Country Comfort Transportation	880	Aug-12	\$151.97
				Sep-12	\$136.96
				Oct-12	\$152.11
				Nov-12	\$150.10
				Dec-12	\$248.71
				Jan-13	\$151.42
				Feb-13	\$122.81
				Mar-13	\$121.49
				Apr-13	\$150.27
				May-13	\$125.53
				Jun-13	\$75.61
				Jul-13	\$179.97
6	VJ6096	Country Comfort Transportation (Continued)	880	Aug-13	\$130.46
				Sep-13	\$116.85
				Oct-13	\$257.73
				Nov-13	\$98.36
				Dec-13	\$190.04
				Jan-14	\$106.12
				Feb-14	\$138.70
				Mar-14	\$135.08
				Apr-14	\$130.46
				May-14	\$215.50
				Jun-14	\$136.67
				Jul-14	\$139.59
				Jul-12	\$1,051.93
7	VJ6132	Employment & Community Options	880	Aug-12	\$978.55
				Sep-12	\$539.93

Inland Regional Center
Overstated Claims-Payments for Services not Provided (Repeat)
Fiscal Years 2010-11 through 2013-14

	Vendor Number	Vendor Name	Service Code	Service Months	Overpayments
				Oct-12	\$706.33
				Nov-12	\$540.59
				Dec-12	\$1,045.79
				Jan-13	\$846.24
				Feb-13	\$1,333.94
				Mar-13	\$919.10
				Apr-13	\$700.05
				May-13	\$726.51
				Jun-13	\$1,383.44
				Jul-13	\$1,982.01
				Aug-13	\$1,726.22
				Sep-13	\$958.53
				Oct-13	\$1,083.16
				Nov-13	\$1,884.37
				Dec-13	\$1,676.17
				Jan-14	\$1,062.02
				Feb-14	\$932.20
				Mar-14	\$1,196.34
				Apr-14	\$1,105.70
				May-14	\$1,021.52
				Jun-14	\$1,683.53
				Jul-14	\$1,997.61
				Jul-12	\$194.22
				Aug-12	\$206.93
				Sep-12	\$99.76
				Oct-12	\$123.20
				Nov-12	\$468.10
7	VJ6132	Employment & Community Options	880		
8	VJ6265	Divine Residential Home	880		

Inland Regional Center
Overstated Claims-Payments for Services not Provided (Repeat)
Fiscal Years 2010-11 through 2013-14

	Vendor Number	Vendor Name	Service Code	Service Months	Overpayments
				Dec-12	\$357.05
				Jan-13	\$119.07
			880	Feb-13	\$242.24
				Mar-13	\$427.42
				Apr-13	\$534.09
				May-13	\$231.93
				Jun-13	\$140.41
				Jul-13	\$119.31
				Aug-13	\$160.01
				Sep-13	\$216.83
				Oct-13	\$431.22
				Nov-13	\$257.70
				Dec-13	\$223.63
				Jan-14	\$532.95
				Feb-14	\$418.08
				Mar-14	\$222.16
				Apr-14	\$325.89
				May-14	\$253.70
			Jun-14	\$219.21	
			Jul-14	\$441.07	
		Total Overpayments for FY 2012-13 and 2013-14			\$51,553.18
		Total Overpayments for Services Not Provided for FYs 2010-11 through 2013-14			\$60,521.33

**Inland Regional Center
Overstated Claims-Rate Increase After the Freeze
Fiscal Years 2010-11 through 2013-14**

	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overpayments
Rate Increase After Freeze						
1	HP4042	New Day Behavior	880	13383299	Feb-13	\$8.96
				13360483	Feb-13	\$10.02
				13383159	Feb-13	\$9.49
				13353779	Feb-13	\$9.49
				13383299	Mar-13	\$9.36
				13360483	Mar-13	\$10.92
				13383159	Mar-13	\$10.92
				13353779	Mar-13	\$10.40
				13434392	Mar-13	\$10.40
				13383299	Apr-13	\$8.31
				13360483	Apr-13	\$8.72
				13383159	Apr-13	\$7.89
				13353779	Apr-13	\$7.47
				13353779	May-13	\$8.86
				13434392	May-13	\$11.47
				13383159	May-13	\$9.38
				13383299	May-13	\$9.90
				13360483	May-13	\$11.47
				13353779	Jun-13	\$10.45
				13383299	Jun-13	\$11.07
				13360483	Jun-13	\$12.00
				13434392	Jun-13	\$12.00
				13383159	Jun-13	\$10.45
				14353779	Jul-13	\$13.76
				14383299	Jul-13	\$11.89
				14360483	Jul-13	\$13.76
				14383159	Jul-13	\$13.14
				14434392	Jul-13	\$13.76
				14360483	Aug-13	\$12.72
				14451695	Aug-13	\$5.78
				14383299	Aug-13	\$10.98
				14383159	Aug-13	\$11.56
				14353779	Aug-13	\$12.14
				14434392	Aug-13	\$12.72
				14353779	Sep-13	\$9.05
				14434392	Sep-13	\$10.65

**Inland Regional Center
Overstated Claims-Rate Increase After the Freeze
Fiscal Years 2010-11 through 2013-14**

	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overpayments
				14360483	Sep-13	\$10.11
				14383299	Sep-13	\$9.05
				14451695	Sep-13	\$10.65
				14434392	Oct-13	\$10.78
				14451695	Oct-13	\$10.78
				14457555	Oct-13	\$11.27
				14383159	Oct-13	\$9.80
				14383299	Oct-13	\$9.80
				14360483	Oct-13	\$9.80
				14454471	Oct-13	\$6.86
				14457556	Oct-13	\$0.49
				14353779	Oct-13	\$6.86
				14434392	Feb-14	\$11.40
				14458120	Feb-14	\$12.72
				14360483	Feb-14	\$12.05
				14459410	Feb-14	\$11.38
				14383159	Feb-14	\$10.71
				14383299	Feb-14	\$10.05
				14353779	Feb-14	\$12.05
				14457555	Feb-14	\$12.72
				14457556	Feb-14	\$12.72
				14451695	Feb-14	\$9.38
				14434392	Mar-14	\$11.75
				14360483	Mar-14	\$11.75
				14459410	Mar-14	\$12.37
				14383159	Mar-14	\$11.13
				14353779	Mar-14	\$12.37
				14458120	Mar-14	\$12.37
				14457555	Mar-14	\$12.37
				14457556	Mar-14	\$12.37
				14383299	Mar-14	\$11.75
				14451695	Mar-14	\$8.66
				14360483	Apr-14	\$12.11
				14459410	Apr-14	\$12.69
				14383159	Apr-14	\$12.11
				14476940	Apr-14	\$2.89
				14458120	Apr-14	\$12.69

**Inland Regional Center
Overstated Claims-Rate Increase After the Freeze
Fiscal Years 2010-11 through 2013-14**

	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overpayments
				14353779	Apr-14	\$12.69
				14434392	Apr-14	\$12.69
				14457555	Apr-14	\$12.11
				14457556	Apr-14	\$12.11
				14451695	Apr-14	\$10.96
				14468542	Apr-14	\$12.69
				14383299	Apr-14	\$12.11
				14383299	May-14	\$11.67
				14457555	May-14	\$12.90
				14457556	May-14	\$11.67
				14451695	May-14	\$12.29
				14468542	May-14	\$12.90
				14458120	May-14	\$12.90
				14360483	May-14	\$12.90
				14459410	May-14	\$12.90
				14383159	May-14	\$12.29
				14434392	May-14	\$12.19
				14476940	May-14	\$12.19
				14353779	May-14	\$12.90
				14458120	Jun-14	\$3.65
				14360483	Jun-14	\$12.16
				14459410	Jun-14	\$7.91
				14476265	Jun-14	\$3.04
				14383159	Jun-14	\$12.16
				14476940	Jun-14	\$12.60
				14353779	Jun-14	\$12.16
				14434392	Jun-14	\$11.55
				14383299	Jun-14	\$11.55
				14457555	Jun-14	\$12.77
				14457556	Jun-14	\$12.16
				14451695	Jun-14	\$12.77
				14468542	Jun-14	\$9.12
				15477710	Jul-14	\$9.86
				15434392	Jul-14	\$12.76
				15468542	Jul-14	\$12.76
				15353779	Jul-14	\$12.18
				15360483	Jul-14	\$12.76

**Inland Regional Center
Overstated Claims-Rate Increase After the Freeze
Fiscal Years 2010-11 through 2013-14**

	Vendor Number	Vendor Name	Service Code	Authorization Number	Service Period	Overpayments
				15383299	Jul-14	\$11.60
				15482970	Jul-14	\$1.16
				15459410	Jul-14	\$1.74
				15383159	Jul-14	\$11.60
				15483550	Jul-14	\$12.18
				15458120	Jul-14	\$10.44
				15451695	Jul-14	\$12.18
				15457555	Jul-14	\$12.76
				15457556	Jul-14	\$12.76
				15457555	Aug-14	\$11.42
				15457556	Aug-14	\$11.29
				15468542	Aug-14	\$11.88
				15383299	Aug-14	\$11.88
				15458120	Aug-14	\$11.29
				15451695	Aug-14	\$12.48
				15434392	Aug-14	\$12.48
				15360483	Aug-14	\$11.42
				15383159	Aug-14	\$11.88
				15483550	Aug-14	\$12.48
				15353779	Aug-14	\$12.48
				15477710	Aug-14	\$0.58
				15468542	Sep-14	\$13.09
				15482886	Sep-14	\$0.62
				15360483	Sep-14	\$13.09
				15459410	Sep-14	\$10.60
				15383159	Sep-14	\$13.09
				15483550	Sep-14	\$12.60
				15458120	Sep-14	\$13.09
				15353779	Sep-14	\$8.73
				15481496	Sep-14	\$13.09
				15434392	Sep-14	\$13.09
				15457555	Sep-14	\$13.09
				15457556	Sep-14	\$13.09
				15451695	Sep-14	\$13.09
				15383299	Sep-14	\$10.60
Total Overpayments Due to Fuel Stipend						\$1,579.95

Inland Regional Center
California Housing Foundation/Developmental Services Foundation
Improper Community Placement Program and POS Fund Expenditures
Fiscal Years 2004-05 through 2008-09

Unique Client	Service Code	Sub Code	Vendor Number	Vendor Name	Authorization Number	Service Month	Amount of Improper
Improper CPP Expenditures for Fiscal Year 2004-05							
CONTRAC	999	CPPST	HJ0114	California Housing Foundation	05276408	Jun-05	\$690,000.00
Total Amount For Fiscal Year 2004-05							\$690,000.00

Improper CPP Expenditures for Fiscal Year 2006-07							
CONTRAC	999	CPPST	HJ0114	California Housing Foundation	07308050	Mar-07	\$349,000.00
CONTRAC	999	CPPST	HJ0114	California Housing Foundation	07308635	Jul-06	\$1,380,000.00
CONTRAC	999	CPPST	HJ0114	California Housing Foundation	07314644	Jul-07	\$584,421.00
Total Amount for Fiscal Year 2006-07							\$2,313,421.00

Improper CPP Expenditures for Fiscal Year 2008-09							
CONTRAC	999	CPPST	HJ0114	California Housing Foundation	09362292	Jul-07	\$202,318.00
Total Amount For Fiscal Year 2008-09							\$202,318.00
Total Improperly Expended CPP Funds							\$3,205,739.00

Improper POS Expenditures for Fiscal Year 2005-06							
CONTRAC	101		PJ2830	California Housing Foundation	06294785	Jul-05	\$400,000.00
CONTRAC	101	01SRH	PJ2830	California Housing Foundation	06294852	Jul-05	\$450,000.00
Total Amount For Fiscal Year 2005-06							\$850,000.00

Improper POS Expenditures for Fiscal Year 2006-07							
6901610	101		PJ2830	California Housing Foundation	07312230	Jun-07	\$55,500.00
Total Amount for Fiscal Year 2006-07							\$55,500.00

Improper POS Expenditures for Fiscal Year 2007-08							
CONTRAC	101		PJ2830	California Housing Founding	08339689	Jul-11	\$317,178.00
Total Amount For Fiscal Year 2007-08							\$317,178.00
Total Improperly Expended POS Funds							\$1,222,678.00
Grand Total of Improper CPP and POS Expenditures For Fiscal Years 2004-05 Through 2008-09							\$4,428,417.00

Inland Regional Center
IRC not Vendorizing Providers in its Catchment Area
Fiscal Years 2013-14 and 2014-15

	Vendor Number	Vendor Name	Service Code	Vendoring RC	Vendor Location
1	H59152	Care-Rite Vocational	510	SDRC	Riverside County
			880		
2	HE0281	People's Care Inc.	062	ELARC	San Bernardino County
3	HP4637	People's Care Inc.	896	SGPRC	San Bernardino County
4	P72859	CARD	620	SDRC	Riverside County
5	PE1737	Familias First	620	ELARC	San Bernardino County
6	PH0337	Autism Behavior Consultants	620	HRC	Riverside County
7	PH0345	Autism Spectrum Therapies	102	HRC	San Bernardino County
8	PL0363	CARD	605	NLARC	Riverside County
9	PL0367	Applied Behavior Consultants	612	NLARC	San Bernardino County
10	PL0818	Applied Behavior Consultants	615	NLARC	San Bernardino County
11	PM0751	Coyne and Associates Edu. Corp.	612	SGPRC	Riverside County
12	PP1949	Counseling Solutions for Child. & Fam.	620	SGPRC	San Bernardino County
13	PP4482	Total Programs	612	SGPRC	San Bernardino County
14	PQ0661	Autism Spectrum Consultants	620	SDRC	Riverside County
15	PT0441	Behavior Respite In Action	062	TCRC	Riverside County

APPENDIX A

Inland Regional Center

RESPONSE TO AUDIT FINDINGS

(Certain documents provided by the Inland Regional Center as attachments to its response are not included in this report due to the detailed and sometimes confidential nature of the information)



INLAND REGIONAL CENTER

Enhancing Lives

...valuing independence, inclusion and empowerment

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

Telephone: (909) 890-3000

Fax: (909) 890-3001

November 15, 2017

Mr. Ed Yan
Manager, Audit Branch
Department of Developmental Services
1600 Ninth Street, Room 230, MS 2-10
Sacramento, CA 95814

Dear Mr. Ed Yan:

The purpose of this letter is to respond to the Department of Developmental Services' (DDS) Draft Audit Report of Findings of Inland Regional Center (IRC) for Fiscal Years 2012-13 and 2013-14 dated June 15, 2017. Members of the DDS audit team had a conference call with IRC's executive management on June 19, 2017 to review the findings contained in the audit report. The DDS' recommendations and IRC's responses and attached supporting documentations are included in the following pages.

The IRC's responses and attached supporting documentation contain confidential and sensitive information. Please handle them with care.

If you have any questions, please contact me at (909) 890-3455.

Sincerely,

Merissa Steuwer
Director, Finance
Inland Regional Center
1365 S Waterman Ave
San Bernardino, CA 92408
Phone: (909) 890-3455
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RESPONSES BY IRC TO DDS' DRAFT AUDIT REPORT FOR FY's 2012-13 & 2013-14

Finding 1: Unsupported Transportation Assessment Contract Billing (Repeat)

The review of the two prior audit reports identified that IRC has not provided records to support Southwestern Transportation (SWT) assessments for 3,024 consumers totaling \$949,566.18. The finding is currently under appeal and subject to an administrative hearing, reference number OAH 2012050524.

CCR, Title 17, Section 50602(k)

CCR, Title 17, Sections 54326(a)(3), (4) and (10)

CCR, Title 17, Sections 50604(d)(1), (2), (3)(B), and (e)

Recommendation:

IRC is responsible for operating its business in a manner consistent with the law and must remit to DDS the overpayment totaling \$949,566.18. IRC shall ensure that its contracts are adequate and in compliance with CCR, Title 17 requirements. In addition, IRC must ensure that proper documentation is maintained and on file to support payments for the services performed by its vendors.

IRC Response to Finding 1:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement.



DDS IRC SWTMS
Audit Appeal Settler



DDS Audit and
Settlement Proposal

Finding 2: Unsupported Contract Billing (Repeat)

The review of the two prior audit reports identified that IRC has not reimbursed DDS for overpayments made to one vendor, Pathway, Inc., Vendor Number PJ2311, Service Code 107. Pathway, Inc. was reimbursed at a rate of \$5,820 per month without any supporting documentation. This resulted in an overpayment totaling \$138,405 from November 2009 through November 2011. As of November 2011, IRC has ceased utilizing this vendor. The finding is currently under appeal and is subject to an administrative hearing, reference number OAH 2012050524.

CCR, Title 17, Section 50602(k)

CCR, Title 17, Section 54326(a)(3), (4), and (10)

CCR, Title 17, Section 50604(d)(4), (5), and (6)(B), and (f)(B)

Recommendation:

IRC is responsible for operating its business in a manner consistent with the law and must remit to DDS the overpayment totaling \$138,405. IRC shall closely monitor its vendors to ensure it has received the agreed upon services as stated in the contract. IRC shall ensure that its contracts are adequate and in compliance with CCR, Title 17 requirements. In addition, IRC must ensure that proper documentation is maintained and on file to support payments for the services performed by its vendors.

IRC Response to Finding 2:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under the IRC Response to Finding 1.

Finding 3: Circumvention of the Regulations

A. Rate Freeze (Repeat)

The two prior audit reports identified that IRC paid SWT at a rate 40 percent higher than IRC paid its previous providers for transportation services. However, IRC appealed this finding with DDS and was granted a 10 percent Health and Safety Waiver, which reduced the unauthorized rate increase to 30 percent. This resulted in an overpayment totaling \$4,669,562.72 from October 2008 through June 2012, which is still outstanding.

The current audit identified that IRC continued to pay transportation services through December 2013, when IRC ceased utilizing SWT as a transportation provider. As a result, the overpayment totaled \$2,279,880.58 from July 2012 through December 2013, and the total overpayments from October 2008, through December 2013 is \$6,949,443.30. The finding is currently under appeal and subject to an administrative hearing, reference number OAI-12012050524. (See Attachment A1)

W&I Code, Section 4648.4(b)(2)

W&I Code, Section 4648.1 (e)(1)

Recommendation:

IRC must reimburse DDS a total of \$6,949,443.30, pursuant to W&I Code, Section 4648.1, Subdivision (e), for the overpayment due to the 30 percent rate increase it granted SWT. In addition, IRC must ensure that all rates to vendors comply with W&I Code, section 4648.4(b)(2).

IRC Response to Finding 3A:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under the IRC Response to Finding 1.

B. Median Rate (Repeat)

The review of the prior audit report revealed IRC continues to reimburse Chicago Home, Vendor Number HJ0995, Service Code 113, at a rate of \$589.25 per day when the Statewide Median Rate is \$474.68 per day for CPP consumers and \$296.37 per day for non-CPP consumer services. As a result, the total overpayment from July 2012 through July 2015 is \$1,994,535.82. IRC also has overpayments totaling \$694,834.57 still outstanding from November 2010 through June 2012 identified in the prior audit report.

The total overpayment from current and prior audits is \$2,689,370.39. The finding is currently under appeal and is subject to an administrative hearing, reference number OAH 2012050524. (See Attachment A2)

W&I Code, Section 4691.9(b)
W&I Code, Section 4648.1(e)(1)

Recommendation:

IRC must reimburse DDS the \$2,689,370.39 pursuant to W&I Code, Section 4648.1(e). In addition, IRC must renegotiate the contract to ensure compliance with the Statewide Median Rates. IRC must also ensure that all rates negotiated after June 30, 2008, are either equal to or below the Statewide Median Rates.

IRC Response to Finding 3B:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. The total overpayment referenced in this finding is for the period of July 2012 through July 2014 and not through July 2015. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under the IRC Response to Finding 1.

Finding 4: Bus Aide Services not Tied to Individual Program Plan (IPP) or Individualized Family Services Program (IFSP)

The review of the transportation invoices revealed IRC provided a bus aide to 16 of the SWT sub contractors. However, these services were not included in the consumer's IPP or IFSP, and not tied to a specific consumer UCI number. IRC stated that it added a bus aide for the health and safety of the consumers; however, IRC did not request a health and safety waiver from DDS. This resulted in payments totaling \$1,183,859.70 for services that were not included in the consumer's IPP or IFSP. (See Attachment B)

W&I Code, Section 4646(d)
W&I Code, Section 4703.7

Recommendation:

IRC must reimburse DDS the overpayments totaling \$1,183,859.70 for the payments that were not included in consumers' IPP or IFSP. IRC must also ensure all services provided to its consumers are identified in the consumers' IPP or IFSP and tied to UCI number.

IRC Response to Finding 4:

IRC disputes this audit finding. An aide for each bus was put in place to ensure that IRC consumers being transported would get to their programs in a safe manner. IRC did not request a health and safety waiver from DDS since the rate paid to the vendors was not an issue. The bus aide service was provided by the transporters to IRC consumers as evidenced by the attendance sheets/forms received from the vendors that billed for this service. An IPP referencing the need for a bus aide was not needed for every consumer on the bus with a bus aide since collectively all consumers benefitted from the one (1) aide. IRC was and is of the opinion, that providing an aide that had the flexibility to attend to all consumers on the bus was more cost effective, innovative, and efficient than having multiple aides who were restricted to individual consumers who may not have needed attention throughout the trip or on every trip. Multiple aides would also have occupied more seats, potentially requiring more busses to accommodate the same number of consumers. Case managers did not feel the need to develop an additional IPP objective over and above the transportation objective because it was their assumption that the bus aide was already being provided. Nevertheless, IRC will be able to justify, with additional retroactive IPP addendums, the need for an aide for one or more consumers on each bus identified, if needed, to resolve this finding.

Finding 5: Transportation Services Provided Under Transportation Broker. Service Code 883 (Repeat)

The two prior audit reports identified that IRC reimbursed SWT as a Transportation Broker for providing transportation services from April 2008 through December 2013. As of December 2013, IRC ceased utilizing SWT as a transportation provider, and re-vendorized the transportation service providers that were SWT sub-contractors. The

finding is currently under appeal and subject to the administrative hearing, reference number OAH 2012050524

CCR, Title 17, Section 58501(a)(11)
CCR, Title 17, Section 54342(a)(83)

Recommendation:

IRC must ensure that its transportation broker agreements with its vendors are in compliance with the responsibilities and duties of a Transportation Broker pursuant to CCR, Title 17.

IRC Response to Finding 5:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under the IRC Response to Finding 1.

Finding 6: Whistleblower Policy Has Not Alleviated Employee Concerns (Repeat)

The review of IRC's Whistleblower Policy revealed that employees continue to express fear of being intimidated, reprimanded, or retaliated against by management for reporting suspected improprieties. IRC stated that it has taken steps to alleviate employee concerns by notifying its employees of the Whistleblower Policy on the intranet and internet sites for easy access. In addition, IRC stated that it has communicated to its employees that the Whistleblower Policy allows individuals to report any issues directly to DDS or the Board; and will ensure any employees who report improprieties are not retaliated against. Also, IRC's Board has established a separate email account where its employees can directly report any issues to the board members,

IRC's Whistleblower Policy, Section 510(2)

Recommendation:

IRC shall follow its implemented Whistleblower policy to ensure that all employees who participate in reporting improprieties are not intimidated, reprimanded or retaliated against. IRC should also continue to communicate to its employees that the current Whistleblower policy in place allows individuals to report any issues directly to DDS and to the Board.

IRC Response to Finding 6:

IRC already corrected and is in compliance with this recommendation. Since the Whistleblower policy was posted and corrective actions were implemented, the number of complaints have dramatically declined, anonymous, or otherwise, by our employees. This is directly related to the near-elimination of the fear of retaliation from management. IRC has been submitting, on a monthly basis, a complaint log to DDS.

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

The two prior audit reports identified that IRC has not taken action to reimburse DDS POS funds paid to the Resource Library, Vendor Number PJ2424, Service Code 112, for Communications Aide payments from August 2005 through December 2011. The total overpayment to the Resource Library from August 2005 through December 2011 was \$1,406,565.88. IRC reimbursed the Resource Library as a Communications Aide vendor using POS funds for the operation of the Resource Library. Services reimbursed included salaries, purchase of books, rental expenses and other overhead costs. These services are considered administrative costs that should have been reimbursed through IRC's Operational funds. The services provided by this vendor were not specific to the service code's definition of a Communications Aide, to a consumer's IPP, nor tied to a specific consumer UCI number and authorization. As of December 2011, IRC has since ceased utilizing this vendor. The finding is currently under appeal and is subject to the administrative hearing, reference number OAH 2012050524. (See Attachment C)

DDS description of Services Codes:

112, Communications Aides

CCR, Title 17, Sections 54340(c) and (d)

Recommendation:

IRC must reimburse DDS a total of \$1,406,565.88 for using POS funds for the operation of the IRC Resource Library.

IRC Response to Finding 7:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under the IRC Response to Finding 1.

Finding 8: Policies and Procedures for Procurement (Repeat)

The review of IRC's procurement policies and procedures revealed that IRC had not

included the provisions for fair and equitable recoupment of CPP funds should the vendor cease to provide services to consumers after a specified period of time. IRC indicated that it has amended its procurement policies to include a provision for fair and equitable recoupment of CPP funds; however, the amended version of the policy has not been approved by IRC's Board.

Article II, Section 2(c) of the State Contract

Recommendation:

IRC must ensure that its amended policy has been approved by IRC's Board.

IRC Response to Finding 8:

IRC already corrected and is in compliance with this recommendation. IRC has developed a Board approved Procurement Policy that complies with the requirements set forth in Article II, Section 2(c) of the State Contract.

Finding 9: Overstated Claims

A. Payments Above the Median Rate (Repeat)

The two prior audit reports identified that IRC continued to reimburse two vendors, above the Statewide Median Rate, resulting in overpayments totaling \$34,294.74 from June 2010 through January 2015. IRC also has \$36,274.31 in overpayments outstanding from the two prior audits. This resulted in overpayments totaling \$70,569.05 from July 2008 through January 2015, for payments above the Statewide Median Rate. The finding is currently under appeal and is subject to an administrative hearing, reference number OAH 2012050524. (See Attachment D)

W&I Code, Section 4691.9(b)

Recommendation:

IRC must reimburse DDS the \$70,569.05 in total overpayments made to the vendors. IRC shall immediately renegotiate the rates for the vendors to comply with the W&I Code, Section 4691.9. In addition, IRC must ensure that all rates negotiated after June 30, 2008, are at, or below, the Statewide/IRC Median Rates.

IRC Response to Finding 9A:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under

[the IRC Response to Finding 1.](#)

B. Payments Above the Authorized Number of Units (Repeat)

The prior audit report identified that IRC overpaid 13 vendors for services that were above the authorized number of units. This resulted in overpayments totaling \$30,403.19 from April 2009 through November 2012, which remains outstanding. The finding is currently under appeal and is subject to an administrative hearing, reference number OAH 2012050524. (See Attachment E)

CCR, Title 17, Section 54326(a)(10)

Recommendation:

IRC must reimburse to DDS the \$30,403.19 in total overpayments made to the 13 vendors.

IRC Response to Finding 9B:

[This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC \(SWTMS\) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under the IRC Response to Finding 1.](#)

C. Payments for Services not Provided (Repeat)

The two prior audit reports identified that IRC continued to reimburse eight transportation vendors for services that were not provided to consumers. This resulted in overpayments from July 2012 through July 2014 totaling \$51,553.18. Since these are individual authorizations for consumer services, IRC must reimburse transportation vendors only when the consumer utilizes these services. IRC stated that it did not want to penalize the transportation vendors if it was not known beforehand that the consumer would not utilize the transportation services. The outstanding overpayment from the prior audit is \$8,968.15, resulting in total overpayments of \$60,521.33. (See Attachment F)

CCR, Title 17, Section 54326(a)(10)

Recommendation:

IRC must reimburse DDS \$60,521.33 in total overpayments made to the eight vendors. In addition, IRC must comply with CCR, Title 17, Section 54326(a) and ensure that vendors are paid only for services provided.

IRC Response to Finding 9C:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under the IRC Response to Finding 1.

C. Rate Increase After the Rate Freeze

The sampled review of 20 POS Transportation vendor files revealed IRC provided a rate increase to one vendor, New Day Behavior, Vendor Number HP4042, Service Code 880. The contract for New Day Behavior included a fuel stipend of \$0.12 per mile that was issued after the June 30, 2008 rate freeze was in effect. IRC indicated it is using New Day Behavior as a courtesy vendor and that the fuel stipend was issued by the vendoring regional center. IRC was not aware that this rate was issued after the rate freeze was in effect. This resulted in overpayments totaling \$1,579.95. (See Attachment G)

W&I Code, Section 4681.6(a)

Recommendation:

IRC must reimburse DDS \$1,579.95 in total overpayments made to New Day Behavior. In addition, IRC should contact the vendoring RC to ensure the vendor rate is reverted to the payment rate in effect as of June 30, 2008.

IRC Response to Finding 9D:

IRC disputes this audit finding. This was not an IRC vendor and IRC only paid the rate that had been negotiated between the vendoring regional center and the vendor. IRC is allowed to assume that the vendoring regional center has complied with the rate freeze and that all rates were appropriate. To require otherwise would put an undue burden on IRC to confirm that the rates negotiated by the vendoring regional center are in compliance with the Lanterman Act.

Finding 10: Improper Expenditure of Community Placement Program and POS Funds (Repeat)

The two prior audits identified that \$3,205,739 in CPP and POS funds were expensed to Service Code 999 without a DDS-approved community placement plan for the acquisition of housing.

Also, IRC improperly allocated \$1,222,678 in POS funds to CHF which was expensed under Service Code 101, for move-in costs and the purchasing of

household items. However, the expenses incurred were not tied to any consumer UCI numbers as required by the DDS service code definition. The total overstated claim amount expensed under service code 999 and 101 is \$4,428,417. The finding is currently under appeal and is subject to an administrative hearing, reference number OAH 2012050524. (See Attachment H)

W&I Code, Sections 4418.25(c) and (d)
CCR, Title 17, Section 54326(a)(3)
Guidelines for Regional Center Community Placement Plan (I)(4)

Recommendation:

IRC must reimburse DDS the \$4,428,417 that was improperly expensed. In addition, IRC must ensure that all CPP projects comply with W&I Code, Section 4418.25, the State Contract, Exhibit E, CCR, Title 17, Section 54326(a)(3), and the Guidelines for Regional Center Community Placement Plan (I)(4).

IRC Response to Finding 10:

This audit finding was already settled with DDS in the Settlement Agreement and Mutual Release Re: Certain DDS Audit Findings FY's 2008-2014 between DDS, IRC and Southwestern Transportation Management Services LLC (SWTMS) dated February 8, 2017. We are requesting that this finding be removed from the subsequent draft audit reports for FY 2014/15 and FY 2015/16. Please see attached settlement agreement under the IRC Response to Finding 1.

Finding 11: Policies and Procedures for Vendor Audits and Reviews

The review of IRC's listing of 180 vendors who were required to contract with an independent accounting firm for an audit or review of its financial statements revealed that 156 vendors did not submit an audit or review. It was found that IRC does not have procedures in place to follow-up with vendors who have not submitted the required audit reports or reviews.

W&I Code, Sections 4652.5(a)(1)(A)(B), and (b)

Recommendation:

IRC must develop policies and procedures to ensure it is properly tracking and following-up with vendors who are required to, but have not yet, submitted audit reports or reviews. Failure to receive these reports limits IRC's ability to detect issues that may have an impact on regional center services.

IRC Response to Finding 11:

IRC did have a procedure in place to track and follow up with vendors that were not in

compliance with W&I Code, Sections 4652.5(a)(1)(A)(B), and (b). Every year, letters would go to the vendors reminding them to send to IRC by email or mail their audited financial report or reviewed financial report. A follow-up letter is sent to those vendors that are not in compliance with W&I Code Section 4652.5(a)(1)(A)(B), and (b). Although IRC does follow up with the non-compliance vendors, the statute does not impose any obligation on, or grant authority for, a regional center to compel a vendor to comply with W&I Code, Sections 4652.5(a)(1)(A)(B). IRC is developing a new tracking methodology; is in the process of writing revised procedures and guidelines to have a better tracking and follow-up of the vendors that meet the threshold set forth by this statute.

Finding 12: Parental Fee Program (PFP)

The review of the PFP revealed that IRC is not complying with the PFP regulations. IRC is not identifying children with developmental disabilities who are required to participate in the PPP program, or providing DDS with a listing of new placements and terminated cases. Also, IRC is not informing parents of children receiving services eligible for PFP, which DDS requires to determine and assess parents' ability to pay, bill, and collect parental fees.

Further, IRC is not providing the parents an PFP package containing a return envelope, informational letter, and the FPS that needs to be completed and mailed to DDS. IRC indicated it was not aware of the PPP requirements and had no procedures in place for PPP.

CCR, Title 17, Sections 50225(a), (b), (c), (d), and (e)

Recommendation:

IRC must implement policies and procedure to ensure that it complies with the PFP requirements set forth in CCR, Title 17, Section 50225.

IRC Response to Finding 12:

IRC has developed policies and procedures to comply with the PFP requirements set forth in CCR, Title 17, Section 50225.



Finding 13: Service Coordinator Caseload Ratio

The review of the Service Coordinator Caseload Survey revealed IRC incorrectly reported its caseload ratio for the DC Movers. IRC reported its DC Mover ratios on a calendar year basis rather than reporting the caseload information starting on March 1.

IRC indicated it was not aware reporting its caseload for DC Movers on a calendar year was incorrect.

Article II, Section 2(c) of the State Contract

Recommendation:

IRC must ensure that the Service Coordinator Caseload Survey data reported reflects the caseload information as of March 1, as required by the DDS instructions.

IRC Response to Finding 13:

IRC already corrected and is in compliance with this recommendation. The reporting of DC Movers in the Service Coordinator Caseload Ratio report was corrected. IRC is now utilizing the reporting of DC Movers using the March 1 caseload data.

Finding 14: Employee Conducting Fundraising Activities

The review of IRC's donations revealed that one employee's job duties include coordinating IRC's annual golf tournament. Fundraising should not be part of an employee's job duties, as it is not essential in the delivery of direct consumer or administration services that support activities of IRC's operations.

Article I, Sections 11(f), (g) and (h) of the State Contract

Recommendation:

IRC must ensure that the job duties of personnel are essential to the delivery of RC services and should not include fundraising activities.

IRC Response to Finding 14:

IRC already corrected and is in compliance with this recommendation. The specific employee's regular work hours are being tracked and reviewed every month. Compensation paid to the employee that are related to fundraising activities are reimbursed to IRC by Another Way.

Finding 15: Ineligible Employee Receiving Medical Benefits

The review of IRC's Retiree Medical Reimbursement Plan revealed one retired employee is receiving medical benefits without meeting the eligibility requirements to qualify for the plan. The plan requires that each retiree attain the age of 55 and 25 years of service, or the age of 65 and 20 years of service to be eligible to participate in the plan. However, IRC granted eligibility to this retiree after 11.5 years of service. IRC calculated the employee years of service as of 1993 when the employee was a consultant of IRC instead of the actual hire date as an IRC employee in 2001.

IRC's Retiree Medical Reimbursement Plan Policy, IRCP 800/017, Participant Section

Recommendation:

IRC must adhere to its policies and procedures to ensure all employees meet the eligibility criteria for participation in its retiree plan. IRC must use the actual date the employee was hired as an IRC employee and not the date this person started as a consultant for participation into the retiree plan.

IRC Response to Finding 15:

IRC disputes this finding. In reviewing the Participants in IRC's Retiree Medical Reimbursement Plan (the Plan), the only "Participant" that this draft audit finding could apply to is Maria Eliana Lois (Wenzel), M.D.

In order to be a Participant in the Plan, one must be an "employee" of IRC, with at least 70% of their salary and benefits being paid from IRC's operation's funds pursuant to our contract with DDS, and must have been a full-time employee with IRC for at least 5 years at the time they reach Retirement Age. For employees who were "hired" before January 1, 1997, their Retirement Age is either age 55 with 15 Years of Service or age 65 with 10 Years of Service. For employees who were "hired" on or after January 1, 1997, their Retirement Age is either age 55 with 25 Years of Service or age 65 with 20 Years of Service. Significantly, the term "employee" is not defined in the Plan.

A review of Dr. Lois' personnel file indicates that she began working with IRC on July 1, 1993 as a Medical Consultant and became Chief of Medical Services, as a regular employee, effective September 1, 2000. Dr. Lois retired from IRC effective March 17, 2012 at age 62. In determining her eligibility to be a Participant under the Plan, DDS contends that IRC must use the actual date she was hired as a regular IRC employee and not the date she started working as a Medical Consultant. However, DDS's position does not take into consideration whether or not Dr. Lois would have been considered a common-law employee of IRC, even though she was working as a consultant and not a regular employee. The various factors to consider in determining whether one is a common-law employee are set forth in 22 CCR § 4304.1. In reviewing the factors to be considered in the context of Dr. Lois' employment as a Medical Consultant, she met the criteria to be considered a common-law employee. Therefore, as a common-law employee, the date when she began working as a Medical Consultant would be the correct date to use in determining her eligibility to be a Participant under the Plan.

Dr. Lois' status as a common-law employee during the time she worked as a Medical Consultant was implicitly recognized by IRC in the July 6, 2001 interoffice Memorandum from Mary Lynn Clark, Exec. Dir., to John Popadak, Chief of Financial Services, in which Ms. Clark stated that Dr. Lois' eligibility to be a Participant under the Plan should be based on July 1, 1993, the date she began as a Medical Consultant for IRC. This was based on the fact that when Verlin Woolley, Exec. Dir., offered Dr. Lois

the position of Chief of Medical Services in 2000, she agreed to take a lower salary in exchange for participation in CalPERS and the Plan. Therefore, her participation in the Plan was a negotiated part of her employment and, by relying upon the date of July 1, 1993 when she began as a Medical Consultant, IRC acknowledged her status as a common-law employee as of that date. Therefore, since Dr. Lois' "hire" date as a common-law employee was before January 1, 1997, her Retirement Age under the Plan would have been either age 55 with 15 Years of Service or age 65 with 10 Years of Service. Dr. Lois retired on March 17, 2012 at age 62 with over 18 Years of Service. Therefore, she qualified as a Participant under the Plan.

In order to resolve Finding 15 concerning Dr. Lois' status as a Participant under the Plan, and to avoid any such dispute in the future, the definition of Participant in paragraph 1.1 of the Plan needs to be amended and a new paragraph 1.2 added to provide a definition of "Employee" in order to accommodate common-law employees who later become regular employees, such as Dr. Lois. However, paragraph 7 of the plan requires that IRC obtain the approval of DDS in order to amend paragraph 1.1.

Therefore, IRC has requested that DDS approve the attached proposed amendment to the Plan in order to include not only regular employees but also common-law employees who later become regular employees and who have been so employed for at least five years as regular employees before their time as a consultant would be counted in determining their eligibility to be a Participant under the Plan.

At its meeting on November 13, 2017, IRC's Board of Trustees approved the proposed plan amendment, subject to approval by DDS.



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Finding 16: Retirement Bonus Policy Not Signed by the Board

The sample review of 23 employee files revealed that IRC's Director of Employee Relations and Administrative Services amended IRC's Service Award Payment Policy to award one employee who retired in October 2014, a bonus of \$200 for each year of service. This employee was given a bonus totaling \$7,400, even though the amended policy was not approved by IRC's Executive Director or its Board.

Article III, Section 1(c) of IRC's Bylaws

Recommendation:

IRC must reimburse DDS a total of \$7,400 for a service award that was issued to an employee without Board approval. In addition, IRC must adhere to its Bylaws and ensure any policy changes are approved by its Board.

IRC Response to Finding 16:

IRC disputes this audit finding. In *Association for Retarded Citizens v. California Department of Developmental Services* (1985) 38 Cal. 3d 384, 389-395, the court held that DDS is not allowed to control how IRC uses its operations funding. The amount of \$7,400 is considered immaterial and IRC did not require Board approval to make the payment. Nevertheless, IRC's Board will be asked to ratify this payment retroactive to the date it was made, if necessary, to resolve this finding.

Finding 17: Overstated General Ledger Account

The review of the lease agreement revealed IRC's general ledger account number 01-00-00-03040-00 is overstated by \$31,725. This occurred when IRC did not adjust its general ledger after it forfeited its \$31,725 security deposit for breaking its lease agreement with its landlord, Rancon Reality, located at 735 E. Carnegie Drive in September 2009. IRC indicated that it was an oversight on its part that it did not remove the security deposit from its records.

Article X, section 3, of the State Contract

Recommendation:

IRC must adjust the general ledger account number 01-00-00-03040-00 to ensure security deposits are correctly reflected.

IRC Response to Finding 17:

IRC already corrected and is in compliance with this recommendation. The correct general ledger account should be 01-00-00-03030-00, and not 01-00-00-03040-00. IRC adjusted the general ledger account 01-00-00-03030-00 in October 2014. Attached is a copy of the correcting journal entry in the trial balance report for fiscal year 2014/2015.



finding-17
03030-00 correction.

Finding 18: Bank Signature Cards Not Updated

The review of the bank signature cards revealed IRC has not updated its signature cards since 2012. The signature cards were still in the names of prior IRC and DDS Directors. As a result, current authorized signatories for IRC and DDS Directors are not on the bank signature cards. IRC indicated this occurred due to an oversight.

State Contract, Article III, Sections 3(f) and (g)

Recommendation:

IRC must update the bank signature cards when authorized signatories retire or leave their positions. In addition, IRC should send the updated signature cards to DDS to comply with the State Contract provisions Article III, section 3.

IRC Response to Finding 18:

IRC already corrected and is in compliance with this recommendation. The bank signature cards were updated and sent to DDS since the last change in signatories. IRC will continue to comply with this recommendation when there is a change in signatories.

Finding 19: IRC Not Vendorizing Providers in its Catchment Area

The sampled review of IRC's Out-of-Area vendor listing revealed 15 vendors are providing services to IRC consumers when they have locations within IRC's catchment area. IRC must have these vendors go through IRC's vendorization process to ensure they meet all legal and regulatory requirements to provide services to its consumers. IRC stated that these vendors are refusing to be vendorized by IRC in order to utilize higher rates from other regional centers. (See Attachment I)

CCR, Title 17, Sections 50603(s)

Recommendation:

IRC must ensure that vendors located within its catchment area are properly vendorized through IRC. This will ensure rates paid to these vendors fall within the IRC median rate schedule.

IRC Response to Finding 19:

IRC has been implementing the corrective plan of this audit finding. Out of the 15 vendors, 5 have been closed, to include HP4637, PH0345, PL0367, PL0818 and PT0441. We are in the process of contacting the other 10 vendors to have them go through the IRC vendorization process. IRC will inform the vendor of the need to use the address in the IRC catchment area, thus re-vendoring the service to meet the legal and regulatory requirements. If the vendor(s) continues to refuse, IRC will inform them that we will discontinue further referrals to them since they are an out of area vendor, as set forth in CCR, Title 17, Section 50603(s).

Finding 20: Conflict of Interest

The review of the IRC's Bylaws amended in April 2015 revealed that the Board President serves as the Chief Executive Officer (CEO) of IRC and is tasked with the day-to-day operations of IRC. This authority gives the Board President total control of

IRC's operational functions. As the President of the Board and CEO, a conflict is created as the Board President has authority to select, remove and reinstate employees at his/her sole discretion.

For good business practices, the Board's responsibility should not include managing day-to-day operations of the regional center. The Board President may not have the core experiences and skills necessary to effectively manage a regional center.

Recommendation:

IRC must amend its Bylaws to ensure the Board President is no longer IRC's CEO. This will ensure that the conflict of interest is removed and the Board President's duties do not extend to running the day-to-day operations of IRC.

IRC Response to Finding 20:

IRC already corrected and is in compliance with this recommendation. The Inland Regional Center (IRC) Board of Trustees amended its Bylaws effective March 30, 2016 to eliminate the position of President of the Board and instead created the position of Chairperson of the Board and designated IRC's Executive Director as the CEO. Attached is a copy of IRC's current Bylaws.


IRC Restated
Bylaws Rev 5.8.17 sig

Findings 21 and 22

Pursuant to the draft DDS Audit Report, findings 21 and 22 were addressed and corrected by IRC during the audit fieldwork. IRC will continue to comply with the DDS recommendations on these two audit findings.