FISCAL AND PROGRAM COMPLIANCE REVIEW OF DEPARTMENT OF DEVELOPMENTAL SERVICES REGIONAL CENTER OPERATIONS

FISCAL MANAGEMENT AUDITS
DEPARTMENT OF FINANCE
STATE OF CALIFORNIA

FISCAL AND PROGRAM
COMPLIANCE REVIEW OF
DEPARTMENT OF DEVELOPMENTAL SERVICES
REGIONAL CENTER OPERATIONS

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April 1979

Department of Finance
Fiscal Management Audits
State of California

State of California

Memorandum

Date : April 25, 1979

To : David E. Loberg, Ph.D., Director
Department of Developmental Services

From : **Department of Finance**
Fiscal Management Audits

Subject: Final Report on Regional Center Operations

This report contains the results of our fiscal and program compliance review of the operations of the regional center system. The recommendations contained in this report will, we believe, assist the Department in coordinating the service delivery system to aid persons with developmental disabilities throughout the State.

The field work for this report was performed during the period July to October 1978. We recognize that your Department was in the midst of organizing at that time and that some changes have been accomplished since the field work was completed. A copy of your response to our recommendations is appended to this report.

We sincerely acknowledge the cooperation and assistance we received from the staff of the Department, Area Boards, Regional Centers and Vendors who gave generously of their time in the course of our review.

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EXECUTIVE SUMMARY

Background

The Lanterman Developmental Disabilities Services Act provides for a system that will deliver services to persons with developmental disabilities throughout the State. Services meeting the varied needs of persons with developmental disabilities are provided by a complex array of public, private, State and local agencies. The planning and provision of these services as a continuum that will meet the needs of each eligible person regardless of age or degree of handicap at each stage of life is the responsibility of three agencies. The three agencies are: The State Council on Developmental Disabilities, responsible for statewide planning; 13 Area Boards on Developmental Disabilities, to assist in planning, monitoring the system and being an advocate; and the Department of Developmental Services, which administers the Program Development Fund and 21 regional centers operated under contract with the Department by nonprofit corporations. The gross budget for Fiscal Year 1978-79 for regional center operations is $154.6 million, of which $122.6 million is the General Fund appropriation.

Conclusions

In our opinion the effectiveness of the service delivery system is limited by overlapping responsibilites which serve to confuse the roles and authority of the organizations. Both the Area Boards and regional centers are responsible for advocacy and program development, but have differing viewpoints that can result in efforts of one being counter to the other affecting the improvement and delivery of services. The Department and the regional centers disagree on the autonomy of the regional centers to direct the expenditure of State funds to provide services. As a result, a disproportionate amount of effort is expended on controls affecting the 35 percent of the regional centers' budget for operations, while the 65 percent expended for purchases of services for clients is relatively uncontrolled. The regional center system is characterized by a lack of operational guidelines, specific procedures and performance criteria that could be used by the Department's Community Program Analysts (CPAs) and the regional centers to evaluate economy and effectiveness. The result is, predictably, 21 regional centers "doing their own thing." This results in different levels of funding for services, different costs for the same or similar services, and availability of a service depending on the philosophy of the particular regional center.

The system is further affected by the lack of procedures for revenue collection. Despite similarity of problems, each regional center is left to develop its own procedures for collection of SSI/SSP, parental fees and third party sources. Each regional center must deal with the revenue sources independently and seek its own solutions. Typically, the emphasis on collection and the variance in amount collected varies widely among regional centers. The Department's failure to approve revenue collection positions further inhibits regional center attentions on revenue collection from all sources, but particularly SSI/SSP and parental fees.

The Department is required by law to develop a fee schedule applicable to parents who have minor children receiving services purchased by a regional center. The Department has been able to implement only one-half of the required fee schedule by establishing a fee schedule applicable only to parents whose minor child is placed out of home.

The Department's management information system, DDMRS, is insufficient to provide management information for decision making. In addition, the Department has allowed the regional centers to develop a variety of computer systems that cannot be related to each other, or the DDMRS, to provide useful information. Regional centers have been allowed to develop these computer systems, mostly inoperative or incomplete, free of the restrictive review processes applicable to State agencies. This results in a double standard of tight controls on State agencies while regional centers are free to spend State funds virtually uncontrolled. The Department has failed to submit the required EDP equipment inventory to the Department of Finance and in general has poor records of other regional center and client equipment. The value of State purchased equipment in the possession of regional centers is unknown.

The Department has established a process known as vendorization to approve the facilities, businesses and individuals, and their rate of payment, from whom a regional center can purchase services for clients. While rates were established as a maximum, in reality regional centers are not allowed by the Department to negotiate a lower rate. Approximately $100 million of regional center gross expenditures statewide are for purchases of services, yet there is no uniform system for monitoring and evaluating the performance of vendors.

The Department has established staffing ratios for case management at 60 active clients per case manager and one supervisor per six case managers. The regional center chief counselors have developed their own weighted average caseload method for staffing and appear to have begun implementing it without the Department's knowledge. The weighted average method requires 25 percent more staffing than the Department's 60:1 ratio. The method of implementation has been an expansion of the definition of "active case" to include persons who require no services from the regional center but who are developmentally disabled and potentially an active client. This has resulted in a potential overstatement of 20,829 active cases and 540 staff statewide when compared to the Department's currently approved staffing ratio.

In an effort to have one single body to deal with rather than 21 regional centers, the Department has encouraged the creation of a informal organization, the Association of Regional Center Agencies (ARCA). ARCA has no legal stature, yet the Department provides $42,000 per year for its support, plus an indeterminate amount that is charged to regional centers' budgets for staff time, travel and per diem costs. No control is exercised by the Department over these expenditures.

To develop the coordinated system of services as a continuum in the face of the complex array of organizations requires a leadership that has been lacking. While some clarification of the Lanterman Developmental Disabilities Services Act would be useful to specify the roles and responsibilities of the organizations in the system, we believe there is sufficient direction in the Act to allow the Department to assume the leadership role. The Act charges the Department with developing specific performance and reporting requirements, and specifying procedures to be used by all regional centers. The recommendations in this report are intended to assist the Department to provide the necessary direction and leadership to have the coordinated service delivery system envisioned in the Act.

CHAPTER I

INTRODUCTION

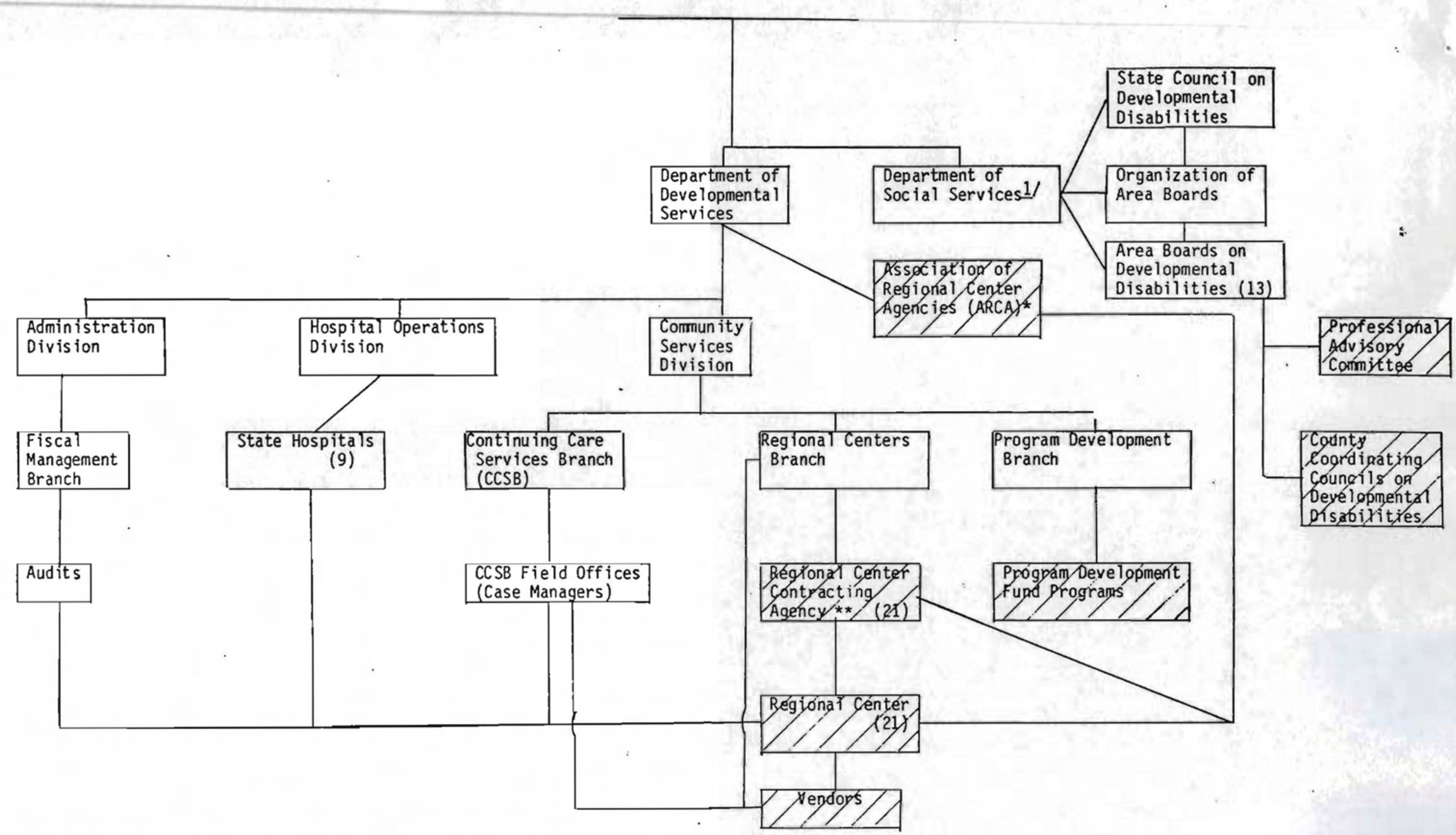
Background

The Lanterman Developmental Disabilities Services Act, Division 4.5 of the Welfare and Institutions Code, provides for services for the developmentally disabled residing in California. The Act not only provides for a delivery system for services, but provides legal rights for persons with developmental disabilities.

The State Department of Developmental Services has overall responsibility for the service delivery system envisioned by the Legislature and planned by the State Council on Developmental Disabilities and the Area Boards on Developmental Disabilities. Graphically, the organizations and their interrlationships in developing and delivering services to persons with developmental disabilities are depicted in Figure 1.

This complex organizational structure is accompanied by an overlap of responsibilities and has resulted in confusion over the roles of each of the organizations. The independence of the organizations is both a positive and negative influence on the provision of services to persons with developmental disabilities.

Funding for the regional centers has grown from $37.7 million in Fiscal Year 1974-75 to $122.6 million budgeted in Fiscal Year 1978-79, Chart 1.



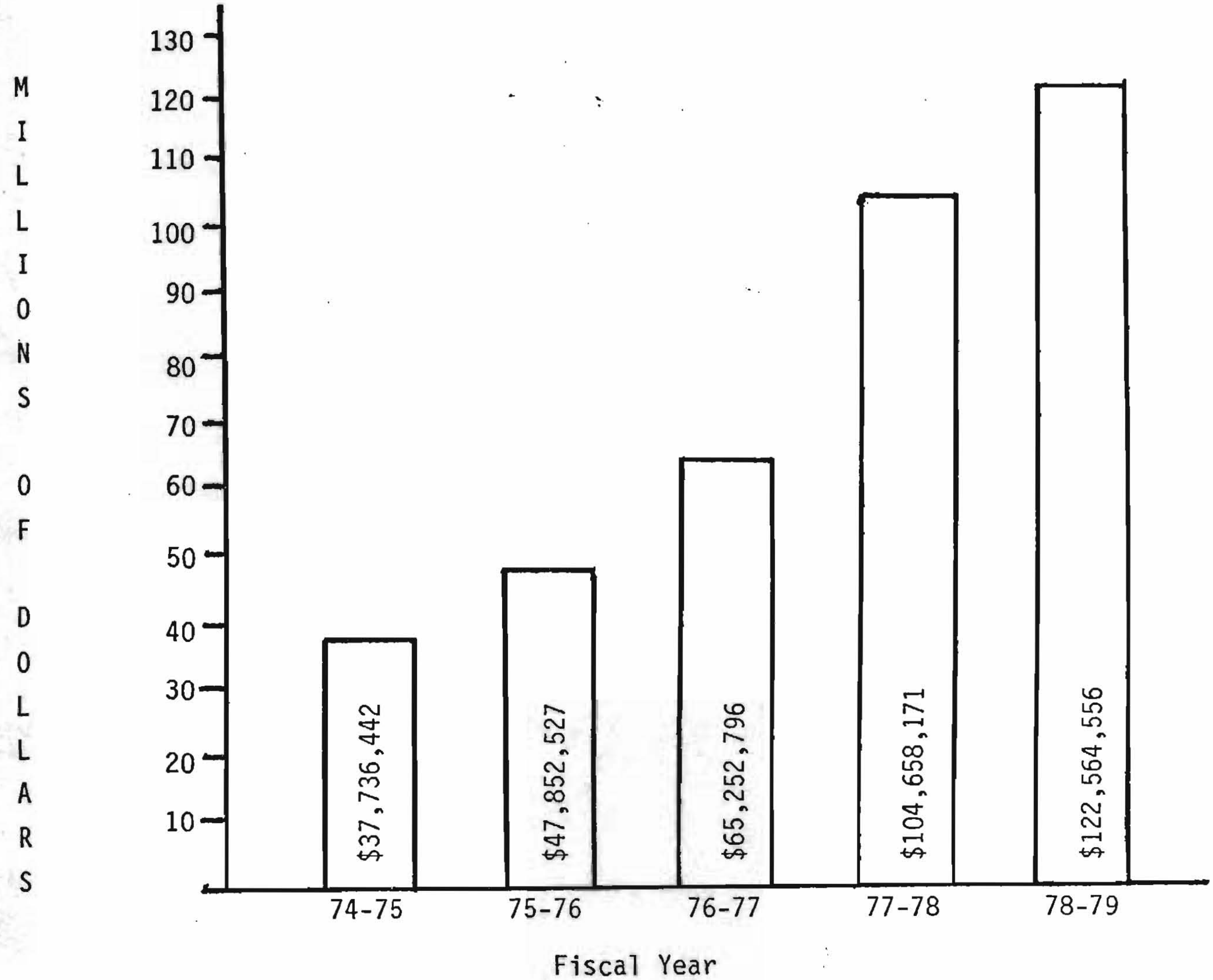
1/ Department of Social Services provides fiscal and administrative support only, no program responsibilities.

*Informal Organization
**Nonprofit corporations that operate regional centers under contract with the Department.
//// Non-State Agencies.

FIGURE 1

CHART 1

REGIONAL CENTER CONTRACTS



During this same period the number of regional centers was increased from 19 to 21. In Fiscal Year 1974-75 regional centers served 27,000 clients with an additional 7,700 served by the Department's Continuing Care Services Branch (CCSB), a total of 34,700 clients. For Fiscal Year 1977-78 regional centers reported 52,073 active clients which includes CCSB clients.

The funding for regional centers increased at a rate more than three times greater than the number of clients for the period Fiscal Year 1974-75 to Fiscal Year 1977-78. A 50.1 percent increase in clients and a 177.3 percent increase in funding. This large increase in funding can be, in large part, attributed to the rate increases for out of home placements allowed by the Department in Fiscal Year 1977-78.

The figures above do not include SSI/SSP funds paid to or on behalf of clients, but represent primarily State General Fund expenditures and a small amount of Federal funds. For Fiscal Year 1978-79 SSI/SSP payments are estimated at $31 million (State and Federal). Additional sources of funds for persons with developmental disabilities that are not reflected in the system include: Medi-Cal, private insurance, veteran's benefits and disability insurance payments. Since, for many of these benefits paid to or for the person with developmental disabilities, the State contributes some portion of the funds (up to 50 percent of the Medi-Cal expenditures), the total amount of State support for services to persons with developmental disabilities is unknown.

The regional centers are required to provide all eligible persons with the following services: intake and assessment; develop Individual Program Plans; program coordination; advocacy; community organization and program development; State hospital preadmission and discharge services. A regional center may purchase for a client a virtually unlimited array of services in terms of type but which are subject to rate limitations of Medi-Cal, Department set rates or the prevailing rate for an area.

The complexities of the regional center system are such that the remainder of this report will deal separately with components of the system or subject areas. Where there has been some repetition in reporting on this complex system, it has been for the sake of clarity.

AUDIT SCOPE AND OBJECTIVES

This review was undertaken as part of our audit of the Department of Health and its successor Department of Developmental Services. The objectives were:

- To review departmental policies, procedures, and controls for compliance with State laws.
- To evaluate monitoring activity and utilization of funds by the Department and regional centers.
- To identify alternatives available to the Department and regional centers.

Scope

The service delivery system developed to meet the needs of persons with developmental disabilities is complex and involves a number of State departments, State created entities, private organizations, and individuals. This review centers on the regional center operations of the Department of Developmental Services and Area Boards on Developmental Disabilities. The focus of the regional center system is the community level where the impact of laws, rules, regulations, standards, and policies is felt. For this review eight regional centers and area boards were selected for on-site review.

The regional centers were selected to provide a variety based on population, contract funds received, gross program budget, geographic locations, etc. The eight regional centers chosen represent 42.6 percent of the amount appropriated to operate regional centers and 40.7 percent of the clients served. The regional centers reviewed were: Central Valley, Far Northern, Golden Gate, Inland Counties, Loma Prieta, North Los Angeles, Children's Hospital of San Diego, and Valley Mountain. The Area Boards on Developmental Disabilities reviewed were: Area Boards II, V, VI, VII, VIII, X, XII, and XIII.

The review emphasized the functional areas of administration, program costs, revenues, fund allocation, and management information. The interrelationships of the Department of Developmental Services, regional centers, and Area Boards on Developmental Disabilities, and providers were reviewed to determine the impact on policy, regulation, and performance of the regional center system.

Quantifying data for this report was difficult as data either does not exist, is unreliable or not compatible between regional centers. Information from the regional centers was gained predominantly through interviews of the directors, administrators, program managers, and staff. Area Board staff were interviewed as well as contract provider management. Statistical and financial data and reports were evaluated as available.

No attempt was made to evaluate the quality of services nor the effectiveness of services. Comments regarding services and community needs are based upon observations and information expressed by the professional personnel of the agencies reviewed.

CHAPTER II

ADMINISTRATION

The Lanterman Developmental Disabilities Services Act requires that the Department of Developmental Services utilize private nonprofit community agencies to operate regional centers. The Department has implemented this requirement by contracting with 21 private nonprofit corporations, on an annual basis, to operate regional centers. This combination of a State agency and private nonprofit corporations with their differences in manner of operation has created some discord between the Departments' accountability for State funds and the private nonprofit corporations' concept of their responsibilities.

The Department has implemented controls over regional center expenditures for salaries and wages,[1] operating expenses, and equipment. These categories account for approximately 35 percent of the gross budget of $154,538,454 and 44 percent of the State allocation of $122,564,556 for regional center operations. The remaining 56 to 65 percent represents purchases of services funds expended by regional centers on behalf of clients but at rates prescribed, established or approved by the Department of Developmental Services and other State Agencies, i.e., Medi-Cal rates.

The following material represents our identification of some of the problems most frequently heard causing discord in the relationship. This identification is based on interviews with Department staff, regional center directors and staff, and regional center boards of directors.

[1] This does not include setting of individual salaries.

The Department and the regional centers have an ongoing disagreement regarding the roles and responsibilites of each. The regional centers rely on Section 4630(c), Welfare and Institutions Code, which provides that the contract between the State and contracting agency shall not: "...contain provisions which impinge upon the legal rights of private corporations chartered under California statutes..." as support for their argument that the Department should not review salaries and fringe benefits, contracts, leases or agreements, etc. The Department's responsibility under Section 4631, Welfare and Institutions Code, is stated as "...the Department's contract with a regional center shall require strict accountability and reporting of expenditures, and strict accountability and reporting as to the effectiveness of the regional center in carrying out its program and fiscal responsibilities as established herein." The conflict between the Department and regional centers has existed for years at various levels of intensity, but always places an underlying strain in their relationship and an impediment to an efficient, effective system.

Many regional centers feel the Department and clients are redefining their primary role from that of a fixed point of contact providing diagnostic and assessment services to one of a purchaser of services. The role of regional centers as established by Section 4620, Welfare and Institutions Code, is that of "...fixed points of contact in the community for persons with developmental disabilities and their families, to the end that such persons may have access to the facilities and services best suited to them throughout their lifetime..."

Clients and their families contact the regional centers with lists of services they want the regional center to purchase and when the regional center begins referring them to generic agencies, such as Crippled Childrens Services and the Department of Rehabilitation, for such services they drop out of the system. Section 4648(b), Welfare and Institutions Code, states "Regional center funds shall not be used to supplant the budget of any agency which has a legal responsibility to serve all members of the general public and is receiving public funds for providing such services." Regional center staff see their function as assessing the individuals' and their families' needs and developing an Individual Program Plan to meet these needs through case management. Case management involves securing the services needed, coordination of services and monitoring of progress. The purchase of services by the regional center is seen as a last resort.

The perception of a change in the Department's definition is the result of a September 22, 1978 letter from the Director, Department of Developmental Services, in which the Department set the amount of regional center allocation that was for purchase of services. In the past the Department would set the total allocation and it was up to the individual regional centers to divide the allocation by program. The setting of an amount dedicated to purchase of services is viewed as limiting the flexibility of the regional center to identify, assess, and serve clients through the coordination of generic agency services. Fulfilling their role of utilizing existing service agencies before purchasing services is viewed as an impossible situation without adequate staff, such as case managers, and will only result in the regional center taking the easy way out--that is purchasing services regardless of the Welfare and Institutions Code restrictions.

We recommend that the Department:

2.1 Continue to monitor regional center performance under the current budget allocation process to insure that regional centers do not become primarily purchasers of services rather than diagnostic, counseling, and case management service providers.

Benefits--Will keep in focus the role of regional centers and the rights of persons with developmental disabilities to services from generic agencies.

Utilization of private nonprofit community agencies (nonprofit corporations) to operate regional centers results in a tripartite contractng arrangement for the Department. The Department enters into Local Assistance or Subvention contracts, subject to the provisions of Section 1270, et seq., of the State Administrative Manual (SAM), with nonprofit corporations which employ a director and staff to execute the contract as a regional center.

The Department has delegated day-to-day administration of these contracts to its Regional Centers Branch (RCB). RCB has chosen to administer the contract with the nonpofit corporation primarily through contacts between the regional center director and the Community Program Analysts (CPA) of the RCB. As the primary contact, the responsibilities of the CPA are liaison, interpreter of policy, advocate for, and monitor of regional centers.

The Board of Directors of the nonprofit coporations received advice on State policy, regulations, etc., and interpretations from the Director of the Regional Center rather than from the representative of the Department, the CPA. The CPAs only infrequently attend the meetings of the Boards of Directors. These Boards consist of unpaid individuals from the community, and generally hold their meetings in the evenings or weekends.

The regional centers feel the CPAs have assumed the role of controller, and are an obstacle to overcome rather than being a regional center resource. Regional center directors see the CPA attempting to usurp their authority and attempting to become the "de facto" director of the regional center. Regional centers feel that the CPAs do not know their regions well since they visit infrequently, some indicated only every couple of months, and only for a day or so at most. For example, RCB staff were surprised to learn during 1978-79 contract negotiations that one regional center used a 37.5 hour workweek. This regional center stated that this had been their workweek for over eight years.

Regional center staff indicated that the CPAs do not normally review or monitor vendors, but concentrate on the regional center itself and on relatively inconsequential problems. Continuity is a real problem to the regional centers due to frequent changes in CPAs. One center indicated they had eight CPAs in seven years. This can result in a change in emphasis depending on the CPAs background. The CPA tries to be a generalist handling management, fiscal, and program issues but not being fully prepared to act as a specialist in all areas. Frequently, the regional centers feel that to get adequate assistance for their problems required a specialist.

The CPAs are accused by regional center staff of trying to manage the regional centers, in that they determine office space requirements, decide whether a center can trade-off secretarial positions for word processing equipment, and attempt to get into other "how to" areas of regional center operations. Aggravating the situation to the regional centers is an expressed concern over lack of flexibility on the part of CPAs. They feel the CPAs cannot make decisions but must carry back, to their supervisors, all items. The supervisor, in turn, presents the items to the "Monday Committee," as described by regional centers, which consists of the Branch Chief, Assistant Chief, and the three team supervisors. The result is a slow decision making process based on the nebulous "they decided." Regional center personnel indicated that when the CPAs presented an issue on their behalf the result would usually be "no," but if they made a personal visit to Sacramento to present their case, the answer was usually "yes."

Regional centers do not feel that decisions by the Department are based on solid fact, but rather on personal relationships. One regional center indicated they intentionally cultivated their relationship with RCB and, as a result, they had less trouble getting approvals of purchases, contracts, and personnel. Other regional centers, who are more critical of the system, find that decisions are slow in coming down and that their requests are usually denied. For example, RCB denied a $4,000 contract for a management review/evaluation of top administrators of one regional center, while a request for the same organizaton to conduct a similar review for another regional center had been approved. The first regional center freely admits they are not on the best of terms with RCB and attributes the denial to this.

Due to the transfer of some CPA positions and other internal administrative changes since the reorganization of the Department, RCB has had to reorganize. Now, instead of CPAs being assigned particular regional centers, the staff has been organized into three teams with each team responsible for seven regional centers. The working relationships and manner of operation have yet to be defined in this new organizational structure.

We recommend that the Department

2.2 Establish guidelines and parameters for the CPAs to operate within to reduce confusion, conflict, and differences in relationships with the various regional centers.

2.3 Implement a policy of having a representative of the Department attend most regular meetings of the nonprofit corporation Board of Directors.

2.4 Establish criteria and guidelines for evaluating regional center requests and inform regional centers of these criteria.

2.5 Implement regularly scheduled site visits to the regional centers for RCB staff, and develop a monitoring program that will inform the Department of the problems and needs of the individual regional centers.

Regional Center Operations

Operation of a regional center is governed by the contract itself and a Regional Center Operations Manual (RCOM). Many of the terms of the contract are prescribed by SAM to protect the interest of the State in instances when contracts are not competitively bid, as is the case with contracts for regional centers. The RCOM specifies procedures, practices, record keeping and reporting requirements for some regional center operations. Departmental policies and interpretations are issued through RCS letters. The method of performance has been left to the individual regional centers with little or no real direction from the Department. The Department does not evaluate regional center operations to determine the most efficient and effective manner of implementation. As a result, the Department has little indepth knowledge of what is happening in the regional centers, and concentrates its attention on controlling salaries and operating expenses which account for 35 percent of the regional centers budgets.

Regional centers recognize that the acceptance of State funds means complying with State regulations and policies, but they object to the interpretation and further restrictions placed on them by the Department and enforced by RCB. For example, the Department's contract with regional centers states: "Prior authorization in writing by the State will be required before the contractor will be reimbursed for any purchase order or subcontract exceeding $1,000 for any articles, supplies, equipment, services, monthly rental, and/or leases of realty..." Thus, the rental of equipment such as typewriters, or maintenance agreements, and leasing of office space must be approved by RCB. Section 1272, SAM, provides for the detailing of rental items in the contract budget for review at the time of contract approval. Audit exceptions have been taken by the Department's Audit staff because leases were not signed off by the CPA. The exceptions are then appealed, usually with the support of the CPAs, and the regional center is upheld, but this time consuming process of appeals could have been avoided. Additionally, requiring the approval of the Department for leases and rental agreements could make the Department a party to the agreement and contingently liable for completion of performance if a regional center fails to perform.

The limitation of $1,000 per purchase order is subject to frequent criticism and, in some instances, circumvented by spliting purchase orders. Section 1272 provides that for equipment to be purchased under a local assistance contract it must be specified in the contract and that the State Office of Procurement, Department of General Services, be utilized where economical. Contracts with the regional centers do not specify equipment to be purchased, although some regional centers detail their equipment requirements in their program budget submissions. Some regional centers contend that approval of the budget line item equipment in the contract is approval by the Department to purchase equipment as long as the individual items are less than $1,000. The Department's auditors though have, in some instances, combined several purchase orders for line items and taken exception to the expenditure claiming the regional center was splitting purchase orders to avoid Department approval. Regional centers have admitted they split purchase orders but claim it is ridiculous to hire personnel and not have desk, chair, and other necessary office equipment for the individual. The criteria used by the auditors to determine an order has been split is unclear, as some centers have an exception taken while others doing the same thing do not receive an audit exception.

Further, the Department has not made use of the State Procurement System for purchases of equipment for regional centers. Each regional center deals with local supply firms to meet its needs rather than using the State system.

We recommend that the Department:

2.6 Comply with the requirements for Local Assistance contracts contained in Section 1272 SAM that items reimbursable under the contract be set forth in detail for each line item. Contracts should identify rental reimbursements, specifically, the unit rate and total cost and equipment to be purchased.

2.7 Consult with the Department of General Services to determine if all items of equipment over $1,000 must be individually justified and approved by the Department, or if purchase orders over $1,000 for equipment specified in the contract as a reimbursalble item are excluded from this requirement.

2.8 Define splitting of purchase orders and apply the definition uniformly to all regional centers.

2.9 Consult with the State Office of Procurement, Department of General Services, regarding feasibility and potential economies of regional centers utilizing the State system for purchases of equipment and office supplies.

Benefits--Would reduce the administrative burden of seeking individual approvals of equipment, rentals, etc., while providing the Department sufficient controls to safeguard State funds. Clear procedures would eliminate nonproductive audit exceptions and reduce friction between regional centers and the Department.

Staffing for Regional Center Operations

A simple comparison of the ratio of approved staff to active clients for the 21 regional centers, Table 1, is revealing of a wide variation in staffing patterns and, we believe, a lack of control. Three regional centers have opted-out, which means they perform all case management services themselves.

The Department has approved a salary schedule and position descriptions for use by regional centers, but for other than case management has no staffing criteria. Even the staffing criteria for case management is negated by the Department's lack of knowledge of regional center operations. For instance, one regional center with a client staff ratio of 22:6 has 1,000 clients being served by contract case managers. These contract personnel are not reflected in the determination of the ratio and, when included, drop the ratio to 13.2. The ratio is even lower in reality as CCSB is also carrying some of the case management caseload.

Similarly, regional centers are to use agreements or contracts with vendors in order to purchase services, but the Department makes no requirement for the agreement content. Some regional centers go into great detail defining the services provided and records and reports expected of the vendor. Others use general terms such as day activity, workshop, or vague descriptions such as "provide the care, supervision, and skill training required by this client." These vague descriptions frequently lead to misunderstandings between the vendor and regional center staff as to what a client is to receive. Resolution of problems or enforcement of contracts is extremely difficult under these circumstances.

TABLE 1
RATIO OF ACTIVE CLIENTS TO
NUMBER OF APPROVED STAFF

Regional Center	(1) Number of Approved Staff Positions	(2) Number of Active Clients	(3) Ratio
North Coast	69	973	14.1
North Los Angeles**	133	2,128	16.0
Inland Counties*	238	3,819	16.1
East Los Angeles**	89	1,624	18.2
North Bay	60.5	1,196	19.8
Orange County*	185	3,720	20.1
Children's Hospital of Los Angeles**	96.9	2,034	20.9
Loma Prieta	140.5	3,014	21.5
Golden Gate	106.25	2,405	22.6
Harbor**	109.5	2,470	22.6
Far Northern	49.05	1,106	22.6
Western**	93	2,152	23.1
San Gabriel**	104	2,534	24.4
Central Valley*	151	3,678	24.4
Valley Mountain	53.5	1,322	24.7
Children's Hospital of San Diego	140.5	3,720	26.5
Tri-Counties	89.6	2,413	26.9
Kern	46.5	1,269	27.3
Alta California	122.25	3,675	30.1
South Central**	116	3,810	32.8
East Bay	80	2,710	33.9
Subtotal Regional Centers	2,273.05	52,073	22.9
CCSB Staff	353.7	Included above	--
GRAND TOTAL	2,626.75	52,073	19.8

Legend:
*Opt-out regional centers.
**Los Angeles County regional centers.
The number of active clients, column 2, includes those served by Continuing Care Services Branch (CCSB), but the number of CCSB employees involved in each regional center was not available.

Source: Columns 1 and 2 from Regional Centers Branch, Fact Sheet on Regional Centers Fiscal Year 1978-79. September 22, 1978.

NOTE: This schedule presents complete staffing, not just case management.

We recommend that the Department:

2.10 Review the operations of regional centers and evaluate the efficiency and effectiveness of operating procedures.

2.11 Based on the review above:

Develop, at a minimum, staffing criteria for all phases of regional center operations, e.g., vendorization, accounting, and client benefits.

Develop uniform agreements and contracts for purchase of services by regional centers that will explicitly state the service to be provided, the standards expected and the records to maintain.

Benefits--Will promote more efficient and effective operations by the regional centers and assure that regional centers and their clients are treated equally.

The Department has allowed individual regional center claims of uniqueness to justify the lack of development of uniform procedures. The result is a regional center system providing different levels of care and services to persons with developmental disabilities, producing incompatible information and, in general, each regional center "doing its own thing."

The foregoing sections have discussed the Department's efforts to control regional center expenditures for salaries and wages, operating expenses and equipment. The effectiveness of the Department's controls over purchase of services expenditures is discussed in Chapter VI, Vendorization, and the section on rate setting.

Deinstitutionalization

One major objective of the regional center system is the reduction of placements of individuals in State hospitals. According to the regional center directors the fiscal operation of the system is such that there is no incentive to remove persons from the State hospitals and, in fact, the system encourages such placements. State hospital placement of a developmentally disabled person can only be accomplished by judicial commitment or referral of a regional center. Upon discharge, developmentally disabled persons are referred to a regional center.

State hospital placements are at no cost to the regional centers. In fact, there is no control over their use of State hospitals other than capacity. When budget limits are approached one viable alternative available to the regional center then is State hospital placement. On the other hand, persons discharged or removed by a regional center represent a cost to them in terms of purchasing services. The number of persons that will be removed from State hospitals to community placement then may become dependent not on the person's readiness or need, but the regional center's budget condition.

Other programs, such as Community Mental Health, allocate to each county a number of State hospital days and reward those counties who do not use their allocation of days by transferring the variable costs associated with those unused days to the program's budget. If the program exceeds their allocation of days, they are charged for the excess number used.

We recommend that the Department:

2.12 Consider establishing a system similar to that used in Community Mental Health that would provide an incentive to regional centers to meet the basic objective to reduce State hospital placements.

Benefits--Would provide an incentive to regional centers to reduce State hospital placements of persons with developmental disabilities making room for persons who might be more benefited by hospital placement.

CHAPTER III

ACCOUNTING, BUDGETING, AND CONTRACTS

Each regional center is to prepare an annual plan and program budget and submit it to the Department and Area Board by September 1 each year. This requirement is met by the preparation of a program budget and narrative broken down into eight programs and thirteen subprograms to describe resource utilization by the regional centers. For each program or subprogram the budget is to show the objects of expenditure: salaries and wages; operating expense; equipment; contracts; purchased services; others; and total expenditures.

Regional center personnel commented that the program budget input has no discernible impact on the budget request of the Department. Rather, the Department's budget request each year is a percentage increase, plus full year funding of rate increases for workshops and 24-hour community care providers. The budget allocation to the regional centers is computed using a formula based on the prior 30 months expenditure adjusted for rate changes and cost-of-living factors.

For Fiscal Year 1977-78 and prior years, the Department allocated some funds in mid-year. Typically, these allocations were made in December, but contract amendments were not completed until the following March or April. Many regional center Boards of Directors would not allow the expenditure of these allocations until the approved contract was received, which action gave the regional center three or four months to spend the funds. Additionally, some regional centers tend to be reluctant to use these mid-year allocations to purchase residential care or workshops as they see this as an ongoing commitment of funds for the following fiscal year, but at an amount four times the current year's expense. Without knowing the following year's budget allocation, the regional centers are reluctant to start a service and then in a few months have to tell a client that they can no longer fund the service. For Fiscal Year 1978-79 the Department has allocated the entire amount available for regional center contracts to the 21 regional centers. This practice and the difficulty of projecting client demand for services has contributed to the year-end reversions of the regional centers.

The program budget used by the Department does not reflect the true cost of a program or subprogram. For example, case management (subprogram 2.3) costs include salaries and wages of counselors and any contracts for case management. Not included is the clerical support, client record-keeping, travel, rental of office space, telephone, equipment, agency support services such as personnel, accounting, and administration. These costs are all charged to the Subprogram 6.1 administration and support, yet they are directly related to or attributable to the subprogram case management. Not allocating these expenses results in the understatement of the program costs and, in this instance, the costs associated with adding additional case managers.

Another example of distorted cost is purchase of services which represents 65 percent of regional center funds statewide, yet there is no cost associated with processing invoices for payment, preparing checks, etc. A program budget should show the total cost of providing a program and provide for analysis of variances between budgeted and actual cost, and analysis of variances between regional centers for a program. For instance, the 1977-78 budget for the program Benefit Payee Services for three of the regional centers visited revealed:

	Regional Center		
Item of Expense	A	B	C
Salaries and Wages	$99,092	$40,701	$70,015
Operating Expense	26,699	-0-	-0-
Total	$125,791	$40,701	$70,015
Number of Clients	600	1,000	500
Cost per client	$209.65	$40.70	$140.03

The first variance noted is that only Center A has distributed operating expense to the program and, even then, not all applicable costs were distributed. Regional centers B and C both rely heavily on computer programs to support the program, while Center A is primarily using a manual system of accounting. Center B was more involved in computerized accounting and staff consisted of 2.5 clerks, while Center C used higher level positions and less computerization. The above analysis is limited in that the cost per client is based on number of clients at the time of the review, and is not weighted to reflect changes throughout the year. Even with this limitation, it does serve to point out the type of analysis that could be performed, and that could serve to develop more effective cost data throughout the system.

We recommend that the Department:

3.1 Develop a program budget format that would accumulate the total costs associated with a program and that would distribute any remaining administrative or overhead costs to all programs.

Benefits--will provide decision-makers with a more complete picture of the total cost of a program and a data base on which to analyze regional center operations to determine cost effectiveness.

Contracts With Nonprofit Corporations

Contracts entered into after January 1, 1977 by the Department for the operation of regional centers are to "...include reasonable specific performance and reporting requirements..." (Section 4629 W&I Code). This section goes on to require "The Department shall specify procedures to be used by all regional centers which shall:

(a) Define "active" and "inactive" cases.

(b) Account for all funds received or expended by regional centers.

(c) Define a unit of direct service performed by regional center personnel.

(d) Allocate indirect, administrative, and overhead expenditures to a unit of direct service.

(e) Calculate costs per unit of direct service...."

The contracts written for Fiscal Years 1977-78 and 1978-79 do not specify procedures to fulfill the requirements of c, d, and e above. While the Department has defined "active" and "inactive" cases, there is little follow-up to enforce compliance. The Department's Community Program Analysts recently reviewed a sample of one regional center's active cases and found 40 to 60 percent were inactive. Some cases had no contacts recorded for two years. An "active" case is defined by RCB as one receiving a purchased service but which has been expanded by regional centers to mean one requiring at least one meaningful contact with the client per quarter. A meaningful contact is generally considered one which results in a written entry in the client's case record. Some regional centers include as "active" cases some persons who are receiving no services and only contacted annually to see if they are still in the area. One regional center employs consultants whose primary function is to make these annual contacts, normally by telephone, in order to count the client as "active."

The regional centers' incentive is to increase the number of active cases as their staffing is premised on active cases. The basic ratio is 60 active clients per case manager, which in turn allows one supervising counselor per six case managers. For every three professional staff a regional center is allowed one clerk. Thus, if a regional center uses a more liberal definition of active cases they can increase the number of staff and effectively reduce the caseload per counselor.

Using the proportion of inactive to active cases described above and applying it to the active caseload of that regional center of 3,678 cases would result in staffing variances as follows:

	Number of	Excess Staffing			
Proportion Inactive	Inactive Cases	Case Counselors	Supervising Counselors	Clerks	Total
40 percent	1,471	24.5	4	10	38.5
60 percent	2,207	36.7	6	14.2	56.9

Including inactive cases as active would appear to occur at a number of regional centers. While all regional center staff interviewed stated the definition of "active case" in use was that of the Department, we found several regional centers carrying "follow-along" cases as active. Follow-along cases were generally defined as those clients who are very stable and receive only an annual review. If this practice occurs throughout the 21 regional centers then applying the proportion of 40 percent inactive cases, as developed in the one regional center, there would be an overstaffing of 540 out of a total regional centers' staff of 2,273, or 23.8 percent, based on the staffing ratios now in use. This calculation is based on a statewide caseload of 52,073 which, at 40 percent inactive, represents an overstatement of 20,829 cases. This translates to 347 case counselors, 58 supervising counselors, and 135 clerks. We are informed that the Department is currently validating the application of the contract definition of "active" cases and may be making budgetary adjustments in the 1979-80 regional center budget.

Regional center personnel consistently stated that a staffing ratio of 60:1 for case counselors was unrealistic and did not take into account the severity of the case, the amount of travel necessary, time to conduct required assessments, and time to develop individual program plans for each case. A task force of regional center chief counselors developed a weighted average caseload method which takes into account these factors and the average hours available per counselor per month. The regional centers reviewed indicated that the implementation of the weighted average caseload method would require an increase of 20 to 25 percent in staff over the current formula.

Some regional centers indicated they were implementing this method already and the overstatement of active cases would seem to indicate the method of implementation.

We recommend that the Department:

3.2 Establish procedures for sampling regional center case records and have the community program analysts conduct continuous reviews of case records to determine whether the regional centers are complying with the definition of "active" case.

3.3 Review the job requirements and specifications for case counselors to determine the appropriateness of the 60:1 staffing ratio.

3.4 Review the chief counselors' weighted average caseload method of determining staffing levels for applicability to regional center operations.

Benefits--Would identify the number of individuals actively receiving services from the regional center system. Validating criteria for staffing would eliminate the need to inflate caseload data to increase staff. Inflated staffing patterns would be reduced with possible redirection of funds for other client services.

Unit of Direct Service

The contracts entered into since January 1, 1977 do not comply with the requirements of Section 4629(c), (d), and (e), Welfare and Institutions Code, to define units of direct service for regional center personnel; to allocate indirect, administrative, and overhead expenditures to a unit of direct service; and to calculate cost per unit of direct service. As a result, it is nearly impossible to compare the costs and effectiveness of procedures and delivery systems of the 21 regional centers to determine the most efficient means of providing services to persons with developmental disabilities.

While units of direct service are sometimes difficult to define, the establishment of the programs and subprograms for budgeting provides a framework with which to begin. Some examples that might be used include:

Prevention: Number of hours of counseling--families or individuals, number of treatments purchased or rendered, or a weighted average of the two to derive a composite unit of service.

Case Assessment: Number of assessments completed or a composite unit in terms of assessments begun, completed, and percentage completed within statutory time limits.

Benefit Payee Services: Total number of clients; weighted average number of clients for the period.

The above are not meant to be all inclusive but rather indicative of the types of units of direct service that could be developed.

We recommend that the Department:

3.5 Define units of direct service and implement the use of these units to describe the activities of regional center personnel with the next contract cycle if not sooner.

Benefits--Will bring the Department into compliance with the law and allow comparison of regional centers' procedures and methods of providing services to determine cost effectiveness.

Accounting Systems

The regional centers have received numerous audit exceptions from State auditors on their accounting systems. These exceptions generally have identified accounting procedures that have placed some regional center operations out of conformance with Board of Control Rules and/or with generally accepted accounting principles. Some of these audit exceptions include:

- The widespread use among regional centers of the cash basis of accounting over the accrual method;
- The lack of central general ledger accounts; the lack of an adequate encumbrance system for budgetary control, and other technical and procedural problems;
- The practice of making prepayments for some client services from one contract year while the service is performed in another, although authorized by the Department;
- Reporting as part of gross program costs, on the reimbursement claim to the Department, client SSI/SSP benefits which were not received through the regional center, although this reporting practice is required by the Department.

The regional centers have basically been left to themselves to develop their own accounting systems. Audit exceptions and recommendations have modified these accounting systems over the years to conform to generally accepted accounting principles although the information needs and reporting requirements of the Department can be satisfied by a much simpler system.

The contract between the Department and the regional centers requires accounting records to be kept "...in accordance with generally accepted accounting principles or a system approved by the State..." (Article 16, Fiscal Year 1977-78 contract). Article 25 of this contract states that "All expenditures under this contract are on an accrual basis..." Reimbursement under the contract though is "...monthly in arrears,...for actual expenditures..." (Article 22). The result of these various articles is confusion for the regional centers in developing acceptable accounting records. Many regional centers maintain their records on a cash basis to more closely match the reimbursement provisions. Since the cash basis is not a generally accepted accounting principle and the Department has not approved the cash basis as an acceptable system, some regional centers have had audit exceptions taken for using the cash basis.

Some regional centers have expressed a need for a preaudit review by the Department and would like to use the fiscal expertise of the Department to improve their accounting systems rather than depend upon audit exceptions to point out technical and procedural errors.

We recommend that the Department:

3.6 Develop a standard accounting system for regional centers which would simplify record-keeping, maintain accountability for contract funds, and be able to meet the reporting requirements of the Department. Consideration should be given to the State's modified accrual system in which the cash basis of accounting is used throughout the year and outstanding obligations are accrued at fiscal year end. (Section 7720, State Administrative Manual.)

3.7 Serve as a resource to the regional centers in fiscal matters by developing fiscal guidelines applicable to the regional center's system, by providing techical assistance when requested, and by performing preaudit reviews of regional center fiscal operations.

3.8 Cease the practice of authorizing regional center procedures that cause the centers to operate out of compliance with Board of Control rules and become vulnerable to audit exception.

3.9 Coordinate the fiscal record-keeping requirments placed upon the regional centers with the audit criteria used by the Department's audit staff to avoid workng at cross purposes.

Benefit--Will eliminate the current confusion regarding the fiscal responsibilties of regional centers and will eliminate the development of accounting systems exceeding the needs of the Department and the internal needs of the regional centers.

Audit Findings--Appeals

The current method for the regional center to resolve contested audit findings is through the appeal process. Interviews with regional center staff and a review of State audit reports disclosed that the appeals process is long and, in some instances, leaves the regional center vulnerable to the same or revised audit exception in subsequent audits. The appeals process is, in many cases, frustrating for both the Department and the regional centers. Examples of long unresolved audit exceptions include:

- An $11,000 audit exception on a 1975 contract which was made in favor of the regional center against the Department. The regional center was criticized in a subsequent audit report for having a long outstanding "receivable" despite the center's numerous attempts to collect from the Department.

- State audit exceptions against some regional centers who had received interest on certain client cash grants as early as the 1974 contract year had not as of December 1978 been satisfactorily resolved. While one regional center forwarded the interest in question to the Department, the regional center is now subject to a Federal audit exception requiring the interest be forwarded to the applicable clients.

In those cases where a audit finding involving a disallowed cost is not appealed or when an appeal is resolved against the regional center, the amount in question is offset against current regional center reimbursement claims. The effect of this practice is to reduce the level of funds available for services to persons with developmental disabilities, and is not a sanction nor penalty against the regional center management.

We recommend that the Department:

3.10 Clear-out all old audit appeals and develop an audit appeals process that will prevent future backlogs from developing.

3.11 Develop a system of administrative sanctions that could be used as an alternative to, or used in conjunction with a reduction to the current year's budget to resolve audit findings involving disabllowed costs. These sanctions might include restricting delegated authority, requiring advance approval from the Department for certain expenditures, or requiring progress reports of corrective actions taken. Any sanctions implemented should be studied to ensure they affect regional center management and not the client.

Benefit--Will eliminate some of the uncertainty over regional center operations during the current long drawn-out audit appeals process. Also, will emphasize to the regional center management that they are accountable for their performance under the contract.

CHAPTER IV

REVENUES TO THE REGIONAL CENTER SYSTEM

Gross program costs budgeted by regional centers to operate the regional center system total $154 million for the Fiscal Year 1978-79. State funds of $122 million have been appropriated for regional center contracts with the Department and $32 million in other revenues are budgeted by regional centers for the Fiscal Year 1978-79. These other revenues are in reality public and private health care benefits due persons with developmental disabilities which, by law, are to be used on their behalf before regional center funds. These benefits include payments from the Supplemental Security Income/ State Supplemental Payment Program (SSI/SSP), Veterans Administration, CHAMPUS and other insurance programs, and Social Security entitlements.

SSI/SSP, budgeted at $31 million for Fiscal Year 1978-79, is by far the largest source of these third party revenues to the regional center system. It is a Federal and State funded financial assistance program for the aged, blind, and disabled who have little or no income or personal assets. The monthly cash grant is used to help pay for the living arrangement and the personal and incidental needs of the recipient. An accompanying, although unbudgeted, benefit for all persons eligible for SSI/SSP is the almost automatic eligibility for Medi-Cal which provides for Federal and State paid medical services.

Regional centers also collect parental fees for the Department. These parental fees are deposited in the Department's Program Development Fund to be used to develop new services for the developmentally disabled.

Representative Payee

The Legislature disclosed in Section 4683, Welfare and Institutions Code, its intent that "...rates of payment for out-of-home care shall be established in such a way as to assure the maximum utilization of all Federal and other sources of funding, to which persons with developmental disabilities are legally entitled prior to the commitment of State funds for such purposes." The primary source of funds, other than State, for out of home care in the regional center system is the SSI/SSP cash grant.

Currently, regional center operations as contracted for and supervised by the Department do not ensure the maximum utilization of SSI/SSP cash grants. As a consequence, regional centers may be paying for client services that could be paid for from the SSI/SSP or the accompanying Medi-Cal program.

The responsibility for managing SSI/SSP cash grants and dealing with the Social Security Administration may be assumed, in place of the eligible individual, by the parent, guardian, care provider, State Hospital Trust Office or regional center. The responsibility that the regional center assumes for their eligible clients and the manner in which SSI/SSP cash grants are collected into the system is left to the wide discretion of the regional centers by the Department.

Some regional centers feel that the best interests of their clients are served by actively seeking out all potential SSI/SSP payments into the system to expand the pool of funds available for purchasing services. These centers have aggressively sought to become representative payee for all their eligible clients and have developed an expertise in dealing with the complex and often changing regulations governing the SSI/SSP program. These regional centers feel that this effort is necessary to ensure the maximum use and uninterupted flow of SSI/SSP payments into the system.

Developing an efficient collection method that makes the most use of potential cash grants to the system is not always the main concern of regional centers. Some regional centers discourage parents from relinquishing their representative payee standing to the regional center. These regional centers will accept this responsibility only as a last resort, e.g., in cases where the parent or care provider cannot handle the responsibility or does not want to. The reason for this regional center policy, most often cited, is the need to maintain family involvement with the care of persons with developmental disabilities.

The contrast in existing SSI/SSP collection policies among regional centers is illustrated by four similar regional centers with active caseloads of 3,500 to 4,000 clients. These centers are representative payee for 20, 310, 600, and 1200 clients.

We recommend that the Department:

4.1 Establish a uniform and coordinated SSI/SSP collection policy among regional centers that will require regional centers to increase their involvement up to a level where they have assured that all available SSI/SSP benefits and the accompanying Medi-Cal benefits are being fully utilized.

Benefit--Will help eliminate any loss of SSI/SSP payments into the system that is currently being made up with limited regional center funds.

Management of Client Benefits

The rates for 24 hour out of home residential placement, as set by the Department, exceed the monthly SSI/SSP cash grant made to developmentally disabled persons. The regional centers make agreements with care providers to supplement the cash grant with regional center funds up to the Department set rates.

Some regional centers who are representative payee for their eligible clients are receiving certain benefits from managing client cash grants that more appropriately belong to the client. The SSI/SSP payments that are received at the beginning of the month might be passed on immediately to the care provider, but generally are deposited in noninterest bearing accounts for the month and paid to the provider along with the regional center's supplemental payment in arrears. In the latter instance, the regional centers make extensive use of bank management services, e.g., payroll preparation and billing services, that are offered by banks at lower rates than would be available if individual interest bearing accounts were maintained for each SSI/SSP recipient.

Prior to the current practice of using noninterest bearing bank accounts to hold SSI/SSP payments until paid the provider, some centers had received interest on these accounts until stopped by State and Federal audit exception. Still pending satisfactory resolution are the audit exceptions concerning interest accrued in this manner by several regional centers in the Fiscal Year 1974-75. While amounts have been forwarded to the Department as recommended by State auditors, this interest is now being claimed on behalf of the recipients by Federal Auditors of the Department of Health, Education and Welfare.

From the inception of the SSI/SSP program the regional centers have been operating without any clear guidelines from the Department on how to handle these cash grants once the regional center has decided to assume representative payee responsibility for its clients. The current procedures for these cash grants have evolved over the years through trial and error, but there still remains a wide range of practices among regional centers.

The impact of the common regional center procedure of holding cash grants in noninterest bearing accounts is illustrated by one large regional center who is representative payee for 1,200 clients. Since the SSI/SSP payment arrives at the beginning of the month but actual payment to the care provider may be made 5 to 6 weeks later after provider invoices have been processed, the SSI/SSP deposit of $354.60[1/] may translate into a daily average balance of $435 to $525 for the year due to overlapping deposits. Carried accross 1200 clients at five percent per year $26,100 to $31,500 in potential interest to the clients is being absorbed by the regional center in reduced costs for bank services.

We recommend that the Department:

4.2 Take the lead in developing regional center guidelines and handling procedures for SSI/SSP cash grants when the regional center is representative payee for its clients.

4.3 Consult with the Social Security Administration to determine the legality of the regional center practice of making cash grant payments to the provider in arrears.

[1/] Effective for the September 1, 1978 to December 31, 1978 period.

4.4 Determine the propriety of regional centers benefiting from managing client cash grants when, alternatively, the client could receive any benefits.

4.5 Resolve outstanding audit exceptions over regional centers receiving interest on SSI/SSP payments.

4.6 Determine from the Social Security Administration if it is permissible to charge a SSI/SSP recipient for costs incurred as representative payee. If permissible, the Department should prepare guidelines and procedures for regional centers to charge such fees.

Benefit--Will safeguard the best interests of persons with developmental disabilities from being overshadowed by the regional centers' efforts to save on administrative costs.

Personal and Incidental Funds

The monthly SSI/SSP cash grant made to eligible regional center clients in out of home placement includes an amount, $41.35, for the personal and incidental needs of the client. These funds are usually retained by the care provider for the recipient. The recipient can use these funds for any purpose he chooses, however, by law, the care provider faces a revocation of any permit or license to operate if the provider uses these personal and incidental funds to pay for the recipient's cost of care (Section 11006.9, Welfare and Institutions Code). This law was apparently instituted to safeguard the client's assets from the care provider upon whom the recipient is substantially dependent.

There are no State regulations that detail what are the appropriate uses of personal and incidental funds in the regional center system. Also, the department has not provided guidelines for regional centers showing what their responsibility is in monitoring or assisting in managing the client's personal and incidental funds. As a result, in some instances unique to the regional center system, whether the recipient benefits from his personal and incidental funds or not is dependent upon the policy of the regional center providing services for the clients.

In the regional center system, personal and incidental funds may be the only source of income a client has. Because the developmentally disabled recipient of these funds may not be able to benefit or fully utilize this income due to age or disabilty, the recipient's personal and incidental funds may accumulate. This causes a problem for the regional center client because personal and incidental funds are considered personal assets by the Social Security Administration, and when assets exceed $1,500, eligibility for the SSI/SSP program ceases. When this does occur, a regional center may authorize that several months of care costs be paid for with the client's personal assets in order to reestablish eligibility for the SSI/SSP program.

Regional centers generally assist their clients to use up any accumulating personal and incidental funds and other assets before program eligibiltity is lost. Regional centers have authorized the purchase of other than out of home placement services, such as burial trusts respite care, work activity, day activity and workshop services.

When a regional center is already purchasing additional services for the client, the regional center is faced with the dilemma of either temporarily replacing regional center funding for that service with the client's assets which may include personal and incidental funds, or authorizing instead the purchase of another service not currently being purchased by the regional center. Both procedures are being practiced among regional centers.

We recommend that the Department:

4.7 In conjunction with the Department of Social Services and the Social Security Administration, determine the full range of appropriate uses for the personal and incidental funds of the client. Areas that need to be addressed include the circumstances, if any, under which these funds can temporarily replace regional center funding for out of home placement and other services.

4.8 Develop a policy and/or guidelines that identify what the regional center's responsibility is, if any, over client assets including personal and incidental funds and that define the extent of regional center involvement in assisting clients to use these funds.

Benefit--A common policy on the proper use of personal and incidental funds of the SSI/SSP recipient will help ensure that client assets are safeguarded and that all regional center clients are treated equally.

Parental Fees

Section 4782, Welfare and Institutions Code, states "Parents of children under the age of 18 who are receiving services purchased by the regional center may be required to contribute to the cost of services depending upon their ability to pay, but not to exceed the cost of caring for a normal child at home, as determined by the Director... In no event, however, shall parents be charged for diagnosis or counseling services received through the regional centers." Effective July 1, 1977, all parental fees (required or voluntary) are deposited in the Developmental Disabilities Program Development Fund to be used to initiate new programs.

The monitoring by the Department of regional center collection efforts has been almost nonexistent and little has been done to determine what the collection potential is. The Department has a Developmental Disabilities Management Reporting System (DDMRS) that contains information on all regional center clients and the services they receive but it is not possible, currently, to use these data to determine if all the parental fees possible are being billed and collected. A Health and Welfare Agency study in February 1972 projected parental fees at $278,000 per month for an annual total of $3,336,000. The regional center system has never come close to these projections. In Fiscal Year 1977-78 some $900,000 in parental contributions were collected. Prior to this, when parental contributions were used to supplement the regional centers' budget, parental fees were about $600,000 per year.

Contributing to the uncertainty of whether all available parental fees are entering the system is the lack of uniform collection procedures among regional centers, the low collection priority given to parental fees and confusion on how to handle voluntary contributions from other than parents of persons with developmental disabilities.

Adjustments are allowed to the parental fee schedule to reflect the higher costs associated with the raising of a child with developmental disabilities. Adjustments include expenditures for: prior medical debts; clothing for the client (limited to 20 percent of the fee); current medical care; health/dental insurance; payments made to other governmental agencies for services for the client; major unusual expenditures and transportation expenses. While these adjustments are for actual expenditures incurred by the parents, some regional centers make an automatic reduction of 20 percent to the fee. The rationale is that during the year the parents will incur costs, but no attempt is made to determine the parents actually contributed this amount for their child's support. One regional center reviewed made all adjustments in the month following the expenditure by the parent.

As most regional centers have only one revenue coordinator, and this person is also responsible for SSI/SSP benefits, little time and effort is put into parental fee determinations and collection. In many regional centers the financial information forms are simply given or mailed to the parents to be completed and returned. Little effort is made to verify the data reported but, rather, it is accepted and the parental fee determined from the appropriate section of the fee schedule.

The regional centers that have success in collecting parental contributions may require that the financial determination and parental contribution be determined prior to the authorization of any purchase of service for the child. Most regional centers do not do this. Other regional centers have been successful in receiving voluntary contributions by tying these contributions to any additional service not commonly purchased by the regional center, such as respite care or summer camp. While the service is paid for by the regional center the voluntary contribution is forwarded to the Department for deposit in the Program Development Fund.

In January 1979, the Department will implement a Centers Uniform Billing System (CUBS) which will have the Department assume the current regional center responsibilities of billing and collecting parental fees. The CUBS system will still be dependent on the regional centers, though, to determine parental income, assessment of the fee and report changes in parental ability to pay as required by Chapter 2, Title 17, California Administration Code.

Voluntary contributions may be received by regional centers as authorized by law. If the contributor is a parent of a developmentally disabled child receiving any service by the regional center the contribution is forwarded to the Department along with other parental fee collections and deposited in the Program Development Fund. If, on the other hand, the contributor is not a parent or guardian of a regional center client, the regional center is faced with several alternatives on how to handle these voluntary contributions. They could be treated as parental fees; returned to the contributor; used to offset regional center cost or kept by the nonprofit corporation operating the regional center. One regional center returns the voluntary contribution to the nonparent or guardian contributor and requests instructions on how the funds are to be spent.

We recommend that the Department:

4.9 Determine the number of minor clients placed out of home by each regional center and compare this number with the number of parents who have been assessed a parental fee by the regional center. Review with the appropriate regional center any variances between the number of parents assessed a fee and the number that should be assessed a fee to determine the cause.

4.10 Develop uniform standards and procedures and ensure they are applied by regional centers statewide to parents of developmentally disabled persons in determining parental income and in making any adjustments to the parental fee.

4.11 Make periodic reviews of regional center records as part of the Department's monitoring of regional centers' efforts to determine parental income and parental fees.

4.12 Determine whether voluntary contributions from nonparent contributors <u>to the regional center</u> are the property of the regional center's contracting corporation or are to be deposited in the Department's Program Development Fund.

Benefit--Will provide for equal treatment statewide of parents of children with developmental disabilities with regard to parental fee determination. Also, will ensure that the Program Development Fund will benefit from all available parental fees as envisioned by the Legislature.

Currently, the Department has only managed to establish parental fees where the minor child is in out of home placement. Aside from voluntary contributions there is no provision for collecting fees, as authorized in the Act, from parents whose child is receiving other purchased services from the regional center.

In the Spring of 1978 the Department proposed regulations that would have required parents of all children under 18 receiving services purchased by the regional center to contribute to the cost of service. These regulations were met by heavy opposition from regional center directors, parent groups, and many others. The regulations finally adopted September 22, 1978 had this general requirement for parental fees withdrawn, and again only provided for payments from parents whose child was placed out of home.

A primary reason for such strong opposition to the fee schedule was the manner of calculating the amount due. The fee schedule for parental contributions when a child is place out of home is based on the cost of caring for an additional child at home. For those parents whose child resides at home and receives a service purchased by the regional center, the out of home placement fee was to be reduced by 20 percent. This plan would clearly have penalized the parents whose child lived at home, since the schedule was based on the cost of caring for an additional child in the home, a cost the parents were already incurring, and the parent would be liable for 80 percent of this amount as the parental fee for receiving services purchased by the regional center. A fee of 80 percent of the cost of caring for an additional child at home when the child is already residing at home seems excessive.

We recommend that the Department:

4.13 Consider developing a fee schedule applicable to parents of minor children receiving regional center services other than out-of-home placement as provided for in the Lanterman Developmental Disabilities Services Act. Such a fee schedule should consider family size, income, and cost of caring for a child with developmental disabilities at home in determining discretionary income available to the family on which a parental contribution would be based.

Independent Collection Effort

Regional centers have had to gather third party revenues into the system without much assistance from the Department nor with any coordinated effort with other regional centers. As a result, regional center clients are not benefiting from all the health care programs available to them and regional centers, consequently, are using State funds instead of Federal and other third party funds to purchase services for its clients. In addition, when a regional center does make a revenue collection effort, some revenues such as parental fees and private health care benefits receive a low collection priority, thus, adversely effecting other segments of the State's comprehensive program for persons with developmental disabilities.

As reflected in the State Plan for the Developmental Disabilities Services Facilities Construction Program of 1978 and the Lanterman legislation, a high legislative priority is placed on both the utilizatin of all available generic resources and on the creation of needed services through the Program Development Fund.

Effective with the September 1, 1978 reductions in SSP support the clients became eligible for $10.00 per month in food stamps. No instructions were given regional centers on how to handle these food stamps, in fact, many regional centers were not aware of the client's eligibility for food stamps. Some regional centers requested food stamps for their clients in independent living situations but none apparently filed for food stamps for their other clients. As a result of this lack of direction by the Department, State funds were used instead of the federally funded food stamp program. This resulted in regional centers having less funds available to purchase services for clients. The reduction in SSI/SSP increased 24 hour care costs by $12.75 per month per client. For the eight regional centers reviewed, the impact is an unbudgeted commitment of $561,127 in purchase of service funds for 24 hour care. The Department could have issued instructions that food stamps would be applied for on the clients behalf and given the provider as part of the residential placement payment. Effective January 1, 1979 the Federal program was changed and the amount of $10.00 is given the client in lieu of the food stamps making this a "moot" point except it is indicative of the lack of leadership by the Department that resulted in State funds being spent unnecessarily.

We recommend that the Department:

4.14 Deal directly with third party reimbursing agencies to keep the regional centers aware of important program changes that affect the availability of third party revenues to the regional center system.

Some regional centers deal with more than one SSA office in their catchment area. The SSA offices may have differing policies regarding regional centers and, therefore, offer various levels of cooperation with the regional center. It is not uncommon for SSA offices to give different interpretations on SSI/SSP regulations. Regional centers find themselves shopping around to various SSA offices until a favorable interpretation or ruling on a matter is received.

discretion is given SSA workers who make decisions on regional center matters and the regional center may be subject to differing interpretation from the same SSA office due to the frequent rotation of SSA staff. Regional centers sometimes find themselves educating staff of local SSA offices on the regional center system and can influence decisions in their behalf but at the expense of regional center staff time and resources.

A not uncommon occurrence is to have a regional center client face a reduction in the monthy SSI/SSP payment due to unreported income. Since client income is offset against the SSI/SSP payments SSA will recover past "overpayments" made to the client by monthly deductions from the current SSI/SSP payment. The overpayments may have occurred long before the regional center's involvement with the client. SSA has established procedures for a subsequent representative payee to request a waiver from eligibility for overpayments made to a prior representative payee.

Some regional centers that have initiated appeals against SSA actions in the above described circumstances have been successful in receiving waivers from any recoveries or reductions in SSI/SSP payments. Other regional centers will not pursue the appeals process because they are unfamiliar with it or feel that it is too time consuming. Instead, these regional centers will increase the regional center's contribution to the care provider to compensate for any decrease in the SSI/SSP cash grant. In this case, the regional center is absorbing added costs thus diminishing the amount of purchase of services funds available for other regional center clients.

interpretations of SSI/SSP program regulations that effect participating regional center clients.

4.16 Develop, in conjunction with the Social Security Administration, uniform procedures among local Social Security Offices statewide for handling the cases of regional center clients. Consideration should be given to requiring agreements at the local level whereby the local SSA office designates certain staff to deal with all regional center client cases.

4.17 Serve as an information resource for the regional centers to help solve the day to day but often complex problems requiring interpretation of regulations and guidelines of public and private reimbursing agencies.

The tight controls imposed by the Department over regional center staff positions in the contract between the Department and the regional center may be a contributing factor to the selective revenue collection effort of regional centers when the workload involved exceeds the resources of the regional center. Consequently, when a revenue collection effort is made, a regional center may emphasize those revenues that benefit its purchase of service budget at the expense of other revenues such as parental fees. One regional center with a high priority on collecting SSI/SSP payments for its clients had exceeded its budgeted projection of revenues (primarily SSI/SSP) for the Fiscal Year 1977-78 by about 84 percent, or $500,000, and was could not provide us with data that would indicate that all eligible parents had been assessed a fee and that all those fees were being collected.

The above mentioned regional center had been operating with one revenue coordinator and had requested an additional revenue coordinator position for the Fiscal Year 1978-79. The regional center stated that the request was denied by the Department despite the fact that the time required to deal with the Social Security Administration was hampering regional center efforts to seek out even more SSI/SSP payments, parental contributions, and other revenues to the system.

Other segments of the Department and of the State's comprehensive network of services for the developmentally disabled are adversely affected by this selective collection effort by regional centers. For example, the Department's Program Development Branch, which oversees the Program Development Fund, is dependent upon regional centers to collect all parental fees and voluntary contributions that are the primary resources of the Fund.

But not utilizing all benefits available to regional center clients, Federal and State funded programs such as the SSI/SSP and Medi-Cal programs are bearing the burden of health care costs that can be shared with the private sector without materially altering the clients' level of care.

ensure that all available revenues which benefit other segments of the State's comprehensive delivery system for persons with developmental disabilities are collected as well.

4.19 Consider granting additional staffing requests where regional centers have identified that the anticipated increase in revenues will exceed the increase in staff costs.

Regional centers also encounter problems dealing with other third party sources of payments to the system that result in lost benefits to regional center clients. Often this is due to the regional center's lack of knowledge about the eligibility criteria of all the numerous sources of benefits available to regional center clients. For example, the Civilian Health and Medical Program of the Uniformed Services, CHAMPUS, is not utilized uniformly throughout the State. CHAMPUS provides benefits for health care services by civilian providers for dependents of active duty, retired, and deceased members of the armed services. One regional center with a large military population in its catchment area was not actively pursuing CHAMPUS benefits because of confusion within the regional center regarding the CHAMPUS eligibility criteria.

We recommend that the Department:

4.20 Develop a system to aid regional centers to identify health care benefits available to clients.

Benefit--Will eliminate the repetition of efforts among regional centers in their revenue collection effort and will result in maximizing available resources from third parties into the system and making State funds available for other uses.

Developmental Disability Management Reporting System

The Developmental Disability Management Reporting System (DDMRS) was developed to provide useful and timely information for the developmental disabilities program. The system was designed to meet the following needs:

1. To establish a system of data collection and cost reporting to assist the State in meeting the needs of the Developmentally Disabled.
2. To coordinate efforts between Regional Centers serving the Developmentally Disabled.
3. To attain an effective statewide planning system for providing services to the Developmentally Disabled.
4. To reimburse Regional Centers for expenses incurred in providing services to the Developmentally Disabled.[1/]

The specific objectives of the DDMRS are to:

1. Provide a central data base of registered developmentally disabled persons.
2. Provide a standard method for Regional Centers to submit program budgets at the beginning of each fiscal year.
3. Provide a standard method for Regional Centers to submit claims for services provided for developmentally disabled persons.
4. Provide a means whereby the claims submitted can be reconciled to a previously submitted budget.[2/]

[1/] State Department of Health, California Center for Health Statistics, Data Matters, Report Register No. 211-0416-601, December 10, 1975, page ii.

[2/] ibid

the data bases of the three subsystems. The DDMRS is called a "bare bones system" by the Department, producing only rough indicators of performance throughout the year. The real benefits of the system are supposedly at year end when all the data is in, but the final input from the regional centers is not due until one year after the close of the contract year.

Usefulness of the reports is limited because of time lags of approximately six weeks in producing them. For example, the claims report as of February 28, 1978 was not produced until April 7, 1978 and even then did not report February expenditures for all regional centers. Regional centers are frequently two to four weeks late in submitting information. The slowness in submitting data is carried all the way to the end of the chain in that vendors are slow in billing regional centers, in fact some will bill for three or four months at a time.

To be used by Regional Centers Branch, the reports must be manually adjusted to more accurately reflect the information as of the report date. The regional centers were unanimous in stating that the 12 reports were of no value to them. The reports are too late and the regional centers already have the information they submitted. They did state that it would be useful to compare regional centers if all submitted information in a consistent manner. Comparative data is not distributed by the Department but rather regional centers must request the information from each other.

while a wealth of client information is contained in the client registry file, it is not possible to extract specific information for planning or evaluation of the service delivery system. In the course of this review a request was made for a list of minor aged clients in out-of-home placement by regional center in order to determine the potential for parental fees. We were informed that the DDMRS was not capable of producing this data. In fact, efforts have been underway for six months to develop this information for the Department's own use.

We recommend that the Department:

5.1 Reevaluate the current DDMRS and determine what information is needed, what system capabilities are necessary, and the best method of collecting the necessary information.

5.2 Eliminate or revise the DDMRS on the basis of the evaluation recommended above. Any revision should include capability for modifying or one-time extraction of data to meet the changing needs of management.

Benefit--Would provide a DDMRS that would be useful or result in eliminating an unnecessary expense associated with producing information whose usefulness is questionable.

computer systems and subcontracts, are indicative of a statewide problem that is occurring with greater frequency as the State increasingly utilizes local assistance or subvention contracts. The problem is basically one of what control is intended to be exercised by State Departments over funds once they leave the Department and are sent to a local government or a corporation, for profit or nonprofit. Currently, there is a dual standard of controls with State agencies being tightly controlled but other agencies having no controls placed on them. The situation of dual standards is probably best exemplified by the procurement practices followed in acquiring computer systems.

The State Administration Manual and directives from the Legislature in the Budget Act clearly apply to a State entity, commonly defined as a State Agency, but it is not clear if they are meant to apply to nonstate agencies even when the agency exists only as a result of State funds. As a result, agencies such as regional centers, who spend $122 million in State funds, are currently exempted from these requirements. The following discussion identifies the differences in the controls and the results of the lack of controls once funds have left the Department.

Regional Center Computer Systems

Almost all regional centers have some type of computer system in various stages of operation. There are at least five different computer systems in operation in the 21 member regional center system. Unfortunately, none of the systems reviewed were fully operational. In fact, the most statistical data made available to us was from the one regional center that was on a totally manual system of data collection.

... Branch has not controlled the variety even though they have the results of a statewide Regional Center Computer Survey discussed subsequently. In fact, the Regional Centers Administrators Group in a September 6, 1978 report to the Association of Regional Center Agencies (ARCA) described the system requirements to meet the needs of a regional center. According to one administrator, one system already produces all the required information and reports and existed at the time of the statewide survey. According to some staff, this system was not considered since the consultant is selling a different brand of equipment and the survey prepared was designed to support the purchase of his equipment.

Regional centers have been allowed to lease computers, purchase them outright, or enter into time-sharing agreements. The total amount of funds expended for computer hardware, programming, and services is not known and is difficult to compute.3/ Even those regional centers with their own computerized accounting systems frequently go to banks and other agencies for payroll services and trust account management.

Many of the computer systems in place cannot interface with each other or the State system (DDMRS) without going to computer service agencies to have the data reformatted for submission to the Department. Additionally, the information produced by each regional

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3/A review of the regional centers inventory reports to the Department showed eight regional centers with computer hardware valued at $431,804.

impossible to make comparisons between regional centers.

In Los Angeles County, where there are seven regional centers, at least two different computer systems are in operation. Each regional center wants its own system on the basis of confidentiality of records and unique procedures and requirements. Neglected is the fact that all regional centers have the same legal purpose and reporting requirements to meet. Regional Centers Branch has approved the development of these computer systems on a piecemeal basis. By comparison, the State has placed stringent controls on all its own agency and department expenditures over $25,000 for "...services, equipment, facilities, personnel, or supplies for any single electronic data processing activity..." and further requires that "...no appropriations made in this act, or funds obtained from any other source, may be expended by any State entity pursuant to a contract in excess of $25,000...unless such contract for personal services or supplies or for the acquisition or rental of equipment is competitively bid..." (Budget Act of 1976, Section 4). Similar language is contained in Section 4 of the Budget Acts of 1977 and 1978. Responsibility for State Electronic Data Processing (EDP) budgeting and control of expenditures resides with the Department of Finance to ensure that EDP development and use includes "...comprehensive planning: coordination and cooperation among agencies and levels of government; sound policies; effective implementation practices; and adequate management controls..." (Section 11700, Government Code).

Several of the systems purchased are inadequate for regional center needs and requests to upgrade equipment have been made or will be submitted. Of the eight regional centers visited, none had a computer system that meets the needs of the regional centers as determined by a committee of regional center administrators. The systems still require extensive software development to become operational, including the system installed by the computer consultant. In fact, the regional center with the consultant's system has requested an additional software development contract, with the consultant, for some $45,000. This after having already spent $50,000 for computer software with this contractor.

We recommend that the Department:

5.3 Develop procedures to ensure that all regional center EDP contracts are subjected to a review process similar to that prescribed in the Budget Act, the Government Code and the State Administrative Manual for State agencies.

5.4 Seek the assistance of EDP Management, Department of Finance to determine the computer needs of the Department and regional centers and alternative methods to meet these needs.

Benefits--Will provide for evaluation of computer needs by personnel knowledgeable about computer systems and will provide for systems that are compatible and capable of producing uniform information on which decisions can be made regarding the statewide regional center system.

Regional Center Subcontracts

Section 1272, SAM, gives the contracting State agency (Department) the authority to approve a contractors subcontracts and purchase orders over $1,000. The Department has delegated this authority to Regional Centers Branch and they have used this authority to fund projects and circumvent the control functions exercised by the Departments of Finance and General Services. Examples of these contracts include: Compensation Guidelines for Association of Regional Centers Contracting Agencies, February 1977; Regional Center System Survey, 1978 (a computer survey); software services to implement a Client Information Accounting System and a Central Information Service for two years. These four projects have involved expenditure of over $300,000 of regional center operating funds.

The contract for the statewide computer system survey was originally for $20,835, but was amended within a month by $51,600, for a total cost of $72,435. At the very same time these contracts were let to assess and evaluate the State/Regional Center statewide computer system, the same contractor was awarded another contract for software services to implement a Client Information Accounting System for $50,000. Additionally, the purchase of $43,040 in computer hardware from the contractor was approved for the regional center involved in the contracting. All four contracts were approved during the month of June 1977, to be encumbered from Fiscal Year 1976-77 funds and the work to be performed in Fiscal Year 1977-78.

Allowing this regional center to encumber funds in one year for expenditures in the subsequent year gives this regional center an unanticipated advantage over the other 20 regional centers in budget allocations. Since the allocation process is based on the prior 30 months actual expenditures, the regional center has its base increased by the amount of the encumbrance, in this instance, $150,000. This regional center is currently enjoying a higher per capita funding than its six adjoining centers, at least one of whom is asking why.

Section 610(c), Title 2, California Administrative Code, states that "(1) Expenditures pursuant to an agreement or order which stipulates that services or delivery be delayed until requested or until on or after a stated date in a subsequent fiscal year shall be charged to the fiscal year in which the services, materials, supplies, or equipment are received..."

Through this subcontract process, Regional Centers Branch avoided the controls applicable to State agencies in the procurement of EDP equipment and services in the amount of $165,475. The State Administrative Manual (SAM) Section 4820, Number 15, Use of Consultant Services in Procurement and Disposal states in part "No individual or corporation will be paid out of state funds for developing recommendations on the acquisition of proprietary electronic data processing (EDP) products or services...if that individual or corporation is to be a source of such acquisition...or would otherwise directly and materially benefit from State adoption of such recommendations." At the time the computer survey contract was let Regional Centers Branch was continuing to approve regional center purchases of computer hardware and systems. In fact, the regional center contracting for the survey was allowed to purchase from the survey contractor $98,850 worth of computer hardware and software during the period the survey contract was being developed.

In addition, State policy as stated in Section 5205 SAM is to solicit competitive bids for the acquisition of materials, services, supplies, and equipment. Where noncompetitive EDP procurements are necessary, these procurements must have the approval of both the Departments of Finance and General Services. Neither of these provisions was complied with by Regional Centers Branch in their approval of these contracts. Section 5222 SAM outlines a complete Invitation for Bids for EDP Consulting Services which could have been used to develop bids for the survey contract and the software development.

The contract for software development provided the contractor exclusive rights to the material developed as Article Seven of the Contract, Proprietary Rights, states, "All program, application, subroutines, techniques, ideas, or formulae utilized or developed by (contractor's name) in connection with this Agreement shall become the sole property of the Regional Center; however, (contractor's name) will have the sole rights to adapt and modify said programs for other Client Information Accounting Systems." (Contractor's name deleted here.) We interpret this to mean that while the property of the regional center they could not give the program to another regional center as this would be an adaptation that only the contractor has the right to perform. The developed material being the sole property of the Regional Center appears to be a meaningless statement. The State has, in Section 5272 SAM, developed a model contract that if used would have protected the State and regional centers' rights to the data produced.

At the time of our review, we found that the Client Information Accounting System which the regional center had contracted for was not completed. In fact, the regional center was requesting approval of an additional $40,000-45,000 contract with the same consultant to complete development of the system.

The software contract also provided for advance payment of the entire amount of $50,000 within 30 days of signing. Payment was made by the regional center July 19, 1977. Section 1204, Paragraph 6 SAM, states in part: "Payments by the State in advance are permitted only when specifically authorized by law, and as a matter of policy should be made only when necessary...contracts or agreements containing provisions for advance payments by the State will provide for small, periodic payments rather than total contract price, lump-sum advances, whenever it is advantageous for the State to do so."

The Fiscal Year 1976-77 contract for Central Information Service was to develop a central repository/reference service for audio-visual materials, books, and periodicals. The contract also provided for the development of 10 training packages concerning in-service training for developmental disabilities. During our review of regional centers we found that many were developing their own library of materials and in-service training materials. In fact, some regional centers indicated they did not utilize or cooperate with the Central Information Service.

The Central Information Service contract for Fiscal Year 1977-78 was funded for one year commencing June 15, 1977 and terminating June 30, 1978 appears to represent a conflict of interest.

This contract was written by one regional center on behalf of the Conference of Regional Center Directors (subsequently reorganized as part of the Association of Regional Center Agencies (ARCA)) to another agency which is also a contracting agency for a second regional center. Regional Centers Branch, according to regional center persons interviewed, does not allow regional centers to purchase services from their contracting agency and has defined conflict of interest in Section 50309 (e), Title 17, California Administrative Code, as: "...a conflict of interest exists between a regional center and one of its contactors if any board member, officer, or professional staff member of the regional center or their spouses is an owner, partner, member of the board of directors, officer, or employee of the contractor." Using another regional center as the fiscal agent avoided this problem on the surface. For Fiscal Year 1978-79 Regional Centers Branch (through RCS 78-73, August 4, 1978) authorized each regional center to send $2,500 to a department within the contracting agency to continue the program. Thus, for Fiscal Year 1978-79, there is not even a formal contract for the services.

The contracts described above have produced indiscernible benefits for the regional centers system and raise concerns about the review and approval authority exercised by Regional Centers Branch.

We recommend that the Department:

5.5 Discontinue the practice of approving for reimbursements contracts that are funded from one fiscal year appropriation for services or purchases for the subsequent fiscal year to comply with Title 2, California Administrative Code.

5.6 Not use regional center subcontracts to carry out Department desired projects.

5.7 Develop guidelines and procedures for approval of all regional center subcontracts by Regional Centers Branch that will apply the requirements of the State Administrative Manual for review of contracts for services and purchases for State agencies.

5.8 Enforce the provision of the Department's contract with regional centers that all subcontracts for services, materials, and equipment be subject to competitive bidding.

5.9 Not approve regional center subcontracts for reimbursement that provide for advance or lump-sum payments to subcontractors, unless it is advantageous to the State.

5.10 Develop procedures for regional centers that would have them comply with Section 4820, State Administrative Manual, prohibiting consultants, making recommendations on the acquisition of electronic data processing products or services, from being the source of the acquisition.

5.11 Not authorize the expenditure of regional center funds for a project without a written contract specifying the services or product to be received by the regional centers.

5.12 Not allow regional centers to be fiscal agents for other regional centers to avoid the appearance of conflict of interest or agents for entities that are not a formal part of the regional center system.

Benefits--Will bring the Department into compliance with State contract procedures and will provide for appropriate review of contracts by control agencies to protect the interests of the State and regional center system.

Regional center subcontracts or purchase orders over $1,000 are required to include a clause requiring retention of records by the subcontractor for three years and allowing the State to examine such records. (Article 19, Master Contract between the Department and regional centers.) A review of subcontracts entered into by regional centers and approved by Regional Centers Branch revealed that this clause has not been included. The failure to enforce this requirement appears to limit the ability of the State to examine subcontractor records and determine the appropriateness of charges to the State.

Regional centers are not staffed to examine subcontractor records nor have they been assigned this responsibility. The Department has a staff to perform such examinations, for both performance and fiscal compliance, but does not.

We recommend that the Department:

5.13 Enforce the requirement in its contract with regional centers for inclusion, in regional center subcontracts and purchase orders over $1,000, of the provision for record retention and examination by the State or its representative.

5.14 Annually select a sample of regional center subcontracts for examination as to performance and fiscal compliance. Such a sample should include all subcontracts over a specified dollar amount, say $5,000, and a random sample of all others based on a sample confidence and reliability criteria established by the Department.

Benefits--Will provide assurances that the regional centers receive what they contract for.

EDP Inventory

The Department has not submitted an inventory of reportable Electronic Data Processing (EDP) equipment to the State Data Processing Management Office, Department of Finance as required by Section 5000 et seq., State Administrative Manual (SAM). Section 5002.1 SAM states "Each State agency as provided for in Section 4802...which holds legal title to, or is the contracting agency with a nonstate entity for EDP equipment, must report such equipment in accordance with these instructions." The contracts between the Department and the regional centers provide that all equipment purchased is the property of the State and not that of the regional center. As the contracting State agency the Department is responsible for reporting EDP equipment.

We recommend that the Department:

5.15 Prepare and submit an inventory of all reportable EDP equipment in the possession of regional centers as requied by Section 5000, et seq., SAM.

Benefit--Will allow the State to maintain a current inventory of EDP equipment and develop efficient and effective inventory policies and programs.

CHAPTER VI

VENDORIZATION

Regional centers can only purchase services, for clients, from approved vendors which may be facilities, businesses, or individuals. The vendorization process is designed to set a rate structure and to determine that vendors, facilities, and individuals have the appropriate license, certification, or other qualifications. When approved, a vendor is placed on a vendor panel and any regional center can then purchase the approved service or material. Currently, some 12,000 vendors are listed on the vendor panel, ranging from individuals such as occupational therapists to residential facilities and includes some department stores.

Vendorization begins with a provider wanting to provide services to a regional center client or regional center staff seeking a provider for a service they want for a client. The provider then prepares an application, in some instances including a cost statement, and submits it to the regional center who reviews it for completeness and forwards it to the Regional Centers Branch. Regional Centers Branch verifies the information, licenses, certifications, staffing ratios, etc., and approves or disapproves the application. When approved, a unique vendor number is assigned and the provider and regional center notified. The process does not include ongoing monitoring of vendors performance.

Regional center staff question the need for vendorization to be performed by Regional Centers Branch since it is primarily a process of reviewing licenses and certificates. Regional centers could easily review the license and other documents first-hand and do whatever verification is warranted. This is particularly true since making copies of licenses and certificates that might be mistaken for the original document is illegal. While Regional Centers Branch indicated the process took only one week, regional center staff and vendors indicated the process was much longer.

Once vendored, there is no periodic review to see that licenses or certifications are maintained. Regional Centers Branch depends on the regional centers and Licensing and Certification to inform them a vendor no longer meets the criteria for vendorization. Additionally, there is no regular process to remove vendors from the vendor panel who are no longer in operation. One Area Board conducted a review of facilities in its area and found one address for several vendors. This occurred as the facility was sold and the new owner applied for a vendor number but the previous vendor numbers were never removed. The vendor system, which is computerized at the Department, is not set up to make this kind of check to eliminate vendors who are no longer in operation.

We recommend that the Department:

6.1 Revise the vendorization process to include periodic review of required licenses and/or certificates.

6.2 Purge the vendor panel to remove vendors no longer in operation and develop a system that will keep the vendor panel current.

6.3 Delegate vendor approval and renewal to the regional centers and that the Community Program Analysts monitor regional center compliance with the Department's policy and regulations for vendorization.

Rate Setting

Regional Centers Branch uses a four-part rate structure in setting vendor rates. For those vendors subject to Medi-Cal rates, those rates are used. For other specialists, the rate is the usual and customary rate charged in the community. The other two rate structures are described in more detail below.

For some vendors, such as day care programs, rates are set on the basis of cost statements reflecting the last 12 months and the 12th month's actual cost data. The cost statements are not adjusted for inflation in setting the rate. The complaint of vendors is that the rate they receive is based on year-old costs and does not reflect current costs. Rates are reviewed annually, in April, for those vendors who submit a new cost statement. The revised rate is effective July 1. The purpose of this is to allow regional centers to budget more accurately.

The 24-hour community care rates are determined on the basis of basic living needs, which includes room, board, clothing, and personal care, the level of supervision required by the individual (the amount varies by facility size) and an amount for unallocated services. This method of rate determination was established effective July 1, 1977 and for Fiscal Year 1977-78 was the prime factor in practically doubling the cost of out of home placements. Regional center staff question the new rate system as exorbitant, particularly since 24-hour care vendors and workshops were allowed a cost increase for Fiscal Year 1978-79 when all other vendors were held to the Fiscal Year 1977-78 rates. Apparently, some regional centers, facing budget reductions this year, were attempting to negotiate reduced rates for 24-hour community care. Regional Center Branch issued RCS 78-81, September 8, 1978, informing regional centers "...it is not within your prerogative to negotiate a rate of reimbursement different than that established by this Department" and the regional centers are to pay the maximum amount as established by the Department.

The basis for 24-hour care rates is a study done in May 1977 which has been adjusted for inflation and unallocated cost allowances. An analysis[1/] of the rate structure was completed in March 1978 which supported the rates established but identified the lack of uniform accounting as a major problem in determining the equitability of rates. The March 1978 analysis recommended that a standard cost reporting format be developed and be required of vendors so that future rates could be developed on the basis of complete and comparable cost data from facilities. To date, no uniform cost reporting system has been implemented by the Department.

Purchase of services accounts for 64.98 percent of the Fiscal Year 1978-79 regional centers' budgets statewide, yet it is the least controlled. The rate schedules in use establish maximum amounts that are reimbursable but no effort is made to determine if the rates are correct. The emphasis is on paying the rate, not attempting to secure the service for the least cost. While regional centers would be the logical ones to look to for cost control, they are not staffed to perform this function.

We recommend that the Department:

6.4 Develop a cost statement format, with appropriate definitions, that will allow the collection of accurate cost information for the various categories of vendors.

[1/] Department of Health; Analysis of the Functioning of Residential Care Rates for Regional Center Clients. OPPA/V/77-84. March 1, 1978.

6.5 Use the information received in the cost statements as the basis for establishing <u>maximum</u> rates of reimbursement for vendor categories.

6.6 Allow regional centers to negotiate rates within the maximum established for a vendor category.

6.7 Auditors conduct audits of vendors statewide on a sample basis, or as an alternative, allow regional centers the necessary staff to conduct such audits with the Department reviewing the sufficiency of the audits conducted.

Benefits--Will allow rates to be established on the basis of actual costs to operate a specified program and enable regional centers to secure services at the lowest cost.

<u>Standards</u>

Vendor standards, as they relate to qualifying to participate in the vendor program, are contained in Part II, Title 17, California Administrative Code. These standards relate mostly to the criteria to be met to receive a particular license and do not refer to a standard of care. Both regional center staff and vendors indicated that expectations of care, particularly from 24-hour community care facilities, differed from regional center to regional center and by case manager within a regional center. Some regional centers have developed placement contracts with vendors that detail the services and level of care to be provided and how to document the services rendered.

The issue of standards of care becomes more important as the use of specialized services rates expands. Regional center staff stated specialized service rates were just another means of paying a facility more than the maximum rate. The intent of the specialized service rate is to reimburse the large residential facility for those extra specialized services that are not covered by the rate structure. Title 17 requirements for residential facility providers require self-care programs of many of the facilities (nursing care facility, resident school, resident facility, boarding home facility, and day training and activity center) but does not define what the program is to consist of. In addition, all of the above, except boarding home facilities, "...shall make available prevocational and vocational counseling and training services to all mentally retarded persons who are over 16 years of age where indicated that such person can adapt to and benefit from such counseling and training." Specialized services in residential care facilities were identified as: Independent Living Skills, Sensory Motor Development, Educational Training, Behavioral Intervention, Behavioral Modification, Work Activity and Vocational Training[2] which would seem to overlap the services required in Title 17.

Regional center staff stated that they found it difficult to differentiate between the specialized services that one vendor was being paid to provide and the services provided by other vendors at the

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[2] Department of Health Memorandum, October 17, 1977, Don Z. Miller Subject: Rates for Residential Facilities Serving Individuals with Developmental Disabilities.

regular established rate. Additionally, many felt that the specialized services approved by Regional Centers Branch were frequently "paper programs" and not operational. Regional centers do not know the Department's criteria for specialized services even though they are the ones responsible for identifying vendors providing a specialized service and eligible for the specialized service rates.

The specialized service rate paid a vendor is an hourly rate which includes an allowance for staff, space, maintenance, overhead, and all other unallocated services.

Specialized service rates have also caused vendors to pressure the regional centers to prescribe that specialized service for all clients residing at their facility. This could indicate that the specialized service rates are being used as a means of increasing the maximum rate or that the implementation of specialized service increases costs to the extent that all the clients must participate to make the service economically feasible.

We recommend that the Department:

6.8 Develop standards of care that would specify the services expected of the vendor for the rate received.

6.9 Revise the regulations in Title 17 to eliminate confusion between the vendor service requirements therein and specialized services.

6.10 Monitor the specialized services program to prevent it from becoming only a rate supplementation program.

Vendor Monitoring and Evaluation

While 65 percent of regional center funds statewide are expended for purchase of services from vendors, the Department has no formal requirements for monitoring and evaluating vendors. For most regional centers, monitoring of a vendor consists of monthly visits to be sure the client is receiving the services prescribed. This is primarily to fulfill the requirement that the case manager certify the client's participation before the vendor's invoice is paid.

One regional center visited, Inland Counties, has developed an annual review program of all 24-hour care providers, approximately 300 vendors, using a staff of three. The review process is supported by a training program for vendors based on the reviews and the needs identified by the vendors themselves. This regional center also provides initial training to vendors on the regional center's record keeping requirements and service expectations. This regional center was frequently cited by the Department's staff as one having excessive administrative costs. Unfortunately, Department staff were not aware of this regional center's monitoring and evaluation program which is reported as administrative costs.

We recommend that the Department:

6.11 Review the monitoring and evaluation efforts of the 21 regional centers and develop guidelines for the minimum acceptable level of monitoring and evaluation.

6.12 Develop job specification and personnel requirements to enable regional centers to carry out the monitoring and evaluation program defined by the Department.

Rate Comparability

The rates set by the Department for out of home placement/24-hour community care in the past have been lower than those paid by other agencies serving developmentally disabled, such as Aid to Families with Dependent Children--Board and Home Institutions, (AFDC/BHI). Regional centers stated this resulted in some providers being reluctant to accept regional center clients. Some regional centers stated that their clients were accepted only if the provider had little prospect of receiving a AFDC/BHI client soon to fill a vacancy.

With the change in rate structure in Fiscal Year 1977-78 and the rate increase in Fiscal Year 1978-79, regional centers are able, generally, to pay more than AFDC/BHI. AFDC/BHI has allowed no increase in rates in the current fiscal year. Both AFDC/BHI and regional centers purchase placement services, room and board, and care for persons with developmental disabilities, but at different rates. The services being purchased appear to be similiar, if not identical. Regional centers are also allowed to pay a specialized service rate, in addition to the 24-hour community care rate, which further widens the gap in rates. Counties usually set one rate per institution for AFDC/BHI and expect most of these specialized services to be provided for in their rate.

The problem has been intensified with the current fiscal constraints faced by all levels of government. Several regional centers indicated that local AFDC/BHI offices had intended to transfer all their developmentally disabled clients to regional centers. Regional centers, though, have not budgeted for such increases in clientele. Additionally, AFDC/BHI placements are funded by State, Federal, and local governments. If AFDC/BHI clients were transferred to regional centers, the State would end up paying the total cost of placement, less any SSI/SSP payment the client was eligible to receive.

A task force has been appointed at the State level to work on this problem, but to date no results are available. Regional centers are concerned that next fiscal year budgets will be more restricted, and that local governments will then attempt to cut costs by transferring all developmentally disabled clients to the regional centers, and they won't have the funds to provide the necessary services.

We recommend that the Department:

6.13 Work with the Department of Social Services to determine the significance of the differences in rate structures for placement of developmentally disabled persons, and resolve any differences to eliminate the possibility of discrimination against certain developmentally disabled persons depending on how they enter the system.

6.14 With the other task force members, immediately resolve the question of responsibility for client placements between regional centers and AFDC/BHI. Such resolution should consider equality of services for the clients, as well as maximizing all sources of funds to provide services for the developmentally disabled.

Benefits--Will provide for more uniformity of services to persons with developmental disabilities no matter how they enter the service system, maximizing Federal and local participation in providing services.

Residential Rates for Supervision

The rate setting procedures of the Department raise a question of possible duplicate payments for supervision in out of home placements. The rate set for residential facilities is prescribed by law as an amount for basic living needs defined as "...housing (shelter, utilities, and furnishing), food, clothing, and personal care." (Section 4681 (a), Welfare and Institutions Code). Part b of this section provides an additional amount be paid for direct supervision provided by the facility at three levels of supervision. The levels defined are: minimal supervision--developmentally disabled person needs the assistance of other persons with certain daily activities; moderate--needs the assistance of other persons with daily activities most of the time; and intensive--all the personal and physical needs of a developmentally disabled person are provided by other persons. The rate also provides an amount for unallocated services.

Payment to the provider of the residential rate is then made from State funds and SSI/SSP funds received by the client. The SSI/SSP payment of $354.60 for non medical residential care is composed of three amounts: for board and room (shelter and food) $151.61; for care and supervision $161.64; and for personal and incidental needs of the recipient $41.35.[3]

The Department of Developmental Services identifies the hours of direct supervision to be provided at each level as:[4]

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[3] California Department of Social Services Manual--EAS, Section 46-325.3. Revision 893, Effective September 1, 1978.

[4] Department of Health; Analysis of the Functioning of Residential Care Rates for Regional Center Clients, OPPA/V/77-84, March 1, 1978, Page X.

Level of Supervision	Hours Per Day	Hours Per Month	Hourly Rate FY 77-78	Amount
Minimal	1.3	40.06	$3.32	$133.00
Moderate	2.45	75.00	$3.32	$249.00
Intensive	3.21	98.19	$3.32	$326.00

The amount being paid for supervision in the SSI/SSP payments is not identified in the regulations. From the information available it is not possible to determine if the supervision provided for in the SSI/SSP rate was considered in setting the rates for minimal, moderate, and intensive supervision. If these latter rates did not take into account the supervision already paid in the SSI/SSP rate there is a possibility the State is paying twice for some supervision.

We recommend that the Department:

6.15 Determine from the Department of Social Services what level of supervision is being paid for in the SSI/SSP rates. Depending on the response from the Department of Social Services the Department of Developmental Services should then review the rates it pays for the three levels of supervision to take into account the SSI/SSP provided supervision.

Benefit--Will determine if there is a duplicate payment for supervision and if so would eliminate such duplicate payments.

CHAPTER VII

EQUIPMENT

Regional Center Equipment

The contract between the Department and the regional centers provides that all equipment purchased with State funds is State property. Inventories of such equipment are to be submitted upon request but not more frequently than annually. In practice, regional centers are to report equipment when purchased and the State is to provide the regional center with an identification tag as appropriate. An annual inventory of property is required by Section 4220, Regional Center Operations Manual. All disposals or losses of equipment are to be reported to the Department and, for disposals, approval or instructions are issued.

In the course of our review we examined property records of the Department and regional centers and found them to be inadequate. Little emphasis seems to be placed on the control and recording of property by the Department other than the regional centers submitting the annual inventory listing. The Department issues identification tags for property that meets the criteria defining equipment found in the State Administrative Manual. These criteria apply to only a portion of regional center property. Many regional centers have developed their own identification tag system to keep track of all property.

From the records maintained by the Department it is difficult to determine what property is currently in the possession of the regional centers. The inventory forms accepted by the Department are frequently incomplete (one set did not even identify the regional center) as to price, serial numbers, contract purchased under, and total value of the inventory. The total value of property in the possession of regional centers is unknown but one small center reported over $200,000.

One recurring problem is the State identification tag for equipment. The regional centers receive property and send it to its user while requesting the tag from the Department. As regional centers frequently have several office locations, the tags often do not end up on the proper item. Correspondence between the Department and regional centers indicates it has taken up to a year or more for the Department to send the tags out.

Property records are maintained by the Department's Business Services office and not by Regional Centers Branch, even though Regional Centers Branch is the one approving purchases by regional centers but without knowledge of what they already possess.

We recommend that the Department:

7.1 Immediately request <u>full and complete</u> inventories of all State funded property in regional centers' possession.

7.2 Provide each regional center blocks of prenumbered identification tags so that the regional center can tag property upon receipt. An alternative would be to allow regional centers to use their own identification tags and report periodically the property purchased.

7.3 Review the property inventories of the regional centers before authorizing additional purchases.

Benefit--Will provide for control over State purchased property and simplify the identification process.

Client Equipment

Regional centers are authorized to purchase equipment for their clients in addition to services. Some regional centers purchase client equipment such as wheelchairs, typewriters, and medical equipment from purchase of service funds while others identify in their program budget an amount for client equipment. Regional centers are to maintain a separate inventory for client equipment. Our review of the property records of the Department disclosed only two regional centers with client equipment inventories on file.

Regional Centers indicated that they notify the Department of client equipment purchases and are issued identification tags for the items. Instructions from the Department to the regional centers, however, are to attach the tag to the invoice and file it rather than placing the tag on the equipment.

An additional issue is the question of ownership of the client equipment in circumstances where the client or family pays part of the cost and the regional center the remainder. At one regional center, staff indicated they had made equipment purchases and the parents were then reimbursing the regional center for the cost of the equipment. In effect the regional center had made a loan to the family. Two questions are raised by this practice: Should the parental payment remain with the regional center as an abatement or does it belong to the Program Development Fund which is designated by law to receive all parental fees? Secondly, who does the equipment belong to, the client or the State?

We recommend that the Department:

7.4 Require regional centers to submit complete inventories of client equipment already purchased and to submit subsequent inventories at the same time as required for regional center property.

7.5 Require client equipment such as wheelchairs, typewriters, etc. to be marked as to ownership as is other regional center equipment.

7.6 Develop procedures for the budgeting of client equipment as a separate item or have all purchases made from purchase of service funds.

7.7 Develop a policy regarding parent and regional center joint purchases of equipment that will resolve ownership of such equipment and the appropriate use of funds paid by the parents.

Benefits--Will provide information on the amount of client equipment purchased and accountability for such equipment. Will resolve question of ownership of equipment and proper recording of parental reimbursements.

CHAPTER VIII

PROGRAM DEVELOPMENT

Regional centers are charged with responsibility for program development (Section 4648(d), Welfare and Institutions Code) and are authorized at least one Resource Development Specialist for this effort. The role of the Resource Developers varies greatly among the regional centers but in general includes assisting groups or individuals in preparing grant proposals, vendorizing programs, identifying new programs, identifying service gaps, and encouraging agencies to develop programs to fill service gaps.

Development of new programs is hampered by restrictions prohibiting regional centers from contracting with an agency to develop a program. Regional centers can purchase services for their clients from established agencies but cannot provide funding to start up a program. The regional centers can request the Department to allocate funds from the Program Development Fund for new programs but the allocation process in use by the Department is not that direct.

The allocation process provides 80 percent of the parental fees collected from a region for projects in that region. Projects are submitted to Area Boards which submit only those projects it approves to the Department, where a committee reviews them and recommends to the Director which should be funded.

New agencies starting a program have closed due to a lack of funding with which to retain staff and facility while awaiting licensing, a requirement to be vendorized, and to receive regional center clients.

Regional centers are prohibited by law from providing direct treatment and therapeutic services, except in emergency situations. According to some regional centers, this provision prevents the contracting agency, a private nonprofit corporation, from operating or implementing programs and becoming vendored to provide services to regional center clients. Other regional centers have applied for and received several grants from various agencies and are conducting programs but not with State funds.

In developing new programs, the regional centers cannot assure the agency that they will fund clients for that service. Instead, they must rely on the agency to trust the regional center to make use of the service. Vague assurances are not much to offer a prospective provider who may be putting up substantial amounts of money to get a program started.

We recommend that the Department:

8.1 Review its regulations regarding regional centers and their contracting agencies using non-State grant funds to conduct projects and establish a clear policy on such acceptance of funds to conduct direct treatment and therapeutic services.

8.2 Consider setting aside an amount from the Program Development Fund to be used by the Department to help <u>new</u> programs, as identified by the regional centers, during their start-up phase. These funds would not be subject to the grant process used for awarding the majority of the Program Development Funds, but would be granted directly by the Department according to criteria approved by the State Council. This amount could be established as a loan fund, to be repaid by the recipient, or could be an outright grant. Such an allocation of funds would require approval of the State Council before it could be implemented.

Benefits--Will provide clear understanding of departmental policies and allow regional centers a means to assist financially in program development.

CHAPTER IX

OTHER AGENCIES

Regional Centers--Continuing Care Services Branch Relationships

The regional center system provides client program coordination, more commonly called case management, through a dual system. While the regional centers are responsible for case management (Section 4648(a), Welfare and Institutions Code), they are required by their contract with the Department to utilize the services of the Department's Continuing Care Services Branch (CCSB). Regional centers are required to contract with the various field offices of CCSB within their geographic region. The Department does not have a master contract but has each regional center negotiate separately with the various CCSB offices. The net effect is to have a dual system of providing case management with two distinct lines of administration.

Most regional centers stated they would prefer to perform all case management under their own auspices. This even in regional centers that had high praise for CCSB. The reasons cited for this included: CCSB offices are allowed to select the clients they will accept for case management; if a client moves within the region, CCSB may have to transfer the client to another CCSB office or to the regional center, causing trauma for clients in changing case managers, as the geographic boundaries of the CCSB offices are less than those of the regional centers; for some regional centers, CCSB staff are responsible for expenditure of more regional center purchase of service funds than the regional center staff. Of utmost concern, though, was the fact that the regional center, and particularly its director, is responsible for the clients yet the CCSB staff is operationally independent with their own guidelines, regulations, policies, and reporting procedures.

Regional center directors expressed concern at the impact of the State hiring freeze on CCSB offices and their ability to adequately serve clients for which the regional center remains responsible. Some CCSB offices have stopped accepting additional clients, while others have client-staff ratios as high as 70:1. One regional center projects that by the end of Fiscal Year 1978-79, its CCSB offices will have a ratio of 100:1 which, to the director, was frightening in terms of level of case management that could be provided and the potential for incidents occurring involving regional center clients.

Two main reasons were heard from the Department for continuing the existence of CCSB. First, there is no evidence to show that regional centers are more effective in providing case management. Note: No evidence was available to us to show CCSB provides more effective case management either. Second, CCSB staff provided an emergency force that could be pulled together if a regional center closed down or its staff went on strike. This is negated since the Department could draw staff from State hospitals and/or other regional centers, or even enter into emergency short-term contracts with individuals or agencies for case management services.

Three of the 21 regional centers were allowed to opt-out; that is, take over the CCSB function themselves including the staff before a moratorium was placed on this action by both the developmental disabilities and mental health programs. The Department of Mental Health removed their moratorium on opt-outs early in Fiscal Year 1977-78. This has caused renewed interest in opt-out on the part of the regional centers.

Regional centers frequently claimed CCSB used only MSWs as case managers, while they were forced to use lesser professional classifications and paraprofessionals. A review of regional center salary schedules and State salary schedules indicated that salaries were compatible being within 5 to 10 percent of each other. The use of the various professional classifications was not a part of this review. CCSB had a total of 353.7 positions authorized in Fiscal Year 1977-78, of which 21 were at headquarters and 332.7 in field offices. The estimated cost of staff alone for Fiscal Year 1977-78 was $5,611,089.

The Lanterman Act states: "The Legislature finds that the service provided to individuals and their families by regional centers is of such a special and unique nature that it cannot be satisfactorily provided by State agencies. Therefore, private nonprofit community agencies shall be utilized by the State for the purpose of operating regional centers." (Section 4620, Welfare and Institutions Code). The Department is also prohibited from operating a regional center for more than 120 days and then only to avoid service disruption (Section 4636, Welfare and Institutions Code). Section 4648(a) identifies program coordination as one of the activities a regional center shall conduct. The intent of these sections to have regional centers, rather than a State agency, provide services to the developmentally disabled appears blurred by the Department requiring regional centers to utilize CCSB to provide direct services.

We recommend that the Department:

9.1 Review the purpose behind the opt-out moratorium and reevaluate current policy and develop evaluation methods to determine the most efficient and effective means of providing case management services.

9.2 Seek clarification from the Legislature defining what is "operation" of a regional center in the context of Section 4620, Welfare and Institutions Code.

9.3 Clearly define the relationship between regional centers and CCSB field offices and the responsibilities of each for client services.

9.4 Develop procedures to ensure case management provided by regional centers and CCSB is consistent.

Benefits--Provide for uniform case management services to all persons with developmental disabilities. Eliminate confusion and conflict which promotes discord in the service delivery system.

<u>Association of Regional Center Agencies</u>

The Association of Regional Center Agencies (ARCA) is an informal organization of the 21 regional centers. ARCA is the result of a merger of two organizations; the Association of Regional Center Contracting Agencies which represented the Boards of Directors of the Contracting Agencies and the Conference of Regional Center Directors which was composed of the Directors of the 21 regional centers.

ARCA is not formally organized as a legal entity but rather is a creation of the regional centers, their contracting agencies, and the Department. To the regional centers and contracting agencies, ARCA is the one place where the aggregate demands of the regional centers can be brought together, discussed, and positions taken on issues. While ARCA has developed a committee structure that is, to its members, becoming effective in dealing with substantive issues such as definitions of a case, and developing position papers such as computer system requirements for regional centers, ARCA has no authority of any kind over the regional centers. Frequently regional centers do not abide by the decisions reached at ARCA meetings. Its members see ARCA's authority as only that which the State grants it as it has no basis in law for its role in the regional center system.

The formation of ARCA was encouraged by the Department to be a single body that the Department could deal with rather than 21 regional centers and their contracting agencies. While the Department may wish to negotiate with just one body the agreements arrived at with ARCA are not binding on the individual regional centers.

For Fiscal Year 1978-1979 ARCA requested a budget of $42,000 which was approved by Regional Centers Branch (RCB). RCB authorized each regional center, by RCS 78-66, July 25,1978, to pay $2,000 for membership dues in ARCA. This $42,000 is only a portion of the cost of ARCA as the travel costs and per diems of the regional center director and chairperson of the Board of Directors is charged to the regional center. Likewise regional center staff members serve on sub-committees and task forces and their travel and per diem costs are again borne by the regional center budget.

While the ARCA budget is approved by RCB there is no audit of ARCA expenditures to determine the propriety of these expenditures. As these funds are passed through to ARCA without a contract between the State and ARCA or ARCA and the regional centers the state loses all control or accountability once the "dues" are paid.

We recommend that the Department:

9.5 Formalize the responsibilities and relationship of ARCA to the Department and the 21 regional centers and their contracting agencies.

9.6 Conduct an audit of ARCA expenditures.

9.7 Identify the total costs associated with the operation of ARCA. This would include those travel and per diem costs now charged to administration for the Director, Chairperson of the Board of Directors and regional center staff serving on ARCA sub-committees.

9.8 If ARCA is to be funded through the budgets of the 21 regional centers, th regional centers should enter into formal contracts with ARCA. Contracts should include expenditure restrictions, record keeping requirements and performance criteria.

Benefit--Will legitimize the existence of ARCA and its role and responsibilities to the regional center system. Would provide accountability for the expenditure of State Funds as required by the Lanterman Act.

CHAPTER X

AREA BOARDS ON DEVELOPMENTAL DISABILITIES

Area Boards on Developmental Disabilities, referred to as Area Boards, were established to have planning and monitoring responsibility to guarantee the legal, civil, and service rights of persons with developmental disabilities. The Area Boards were reconstituted as of January 1, 1977, and given new operating provisions that made them more than planning bodies. There are currently 13 Area Boards responsible for geographic areas consisting of one to ten counties. Five Area Board members are appointed by the Governor with the remainder appointed by the County Boards of Supervisors. Membership consists of at least 13 persons, with 50 percent to be persons with developmental disabilities, or the parents or legal guardians of such persons, and 50 percent representatives of the general public.

Area Boards are to protect and advocate the rights of persons with developmental disabilities, conduct public information programs, review policies and practices of publicly funded agencies, describe and prioritize local needs, and assist in preparing the State Plan. Additionally, State agencies shall consult with the Area Boards prior to providing additional funds for major expansion of existing programs for persons with developmental disabilities or the establishment of new programs in an area regarding the appropriateness of such program developments.

An Organization of Area Boards, composed of the chairpersons of the 13 Area Boards was established to resolve common problems, improve coordination, and exchange information, and provide advice and recommendations to State Agencies, the Legislature, and the State Council. Actions or decisions of the Organization of Area Boards are not binding on the 13 Area Boards as its role is that of a facilitator and not an operational body.

Organization and Funding

Section 4612, Welfare and Institutions Code, authorizes each Area Board to "...appoint an Executive Secretary who may appoint other persons to such staff positions as the Area Board may authorize..." and "...may contract for additional technical assistance...." Up to 45 percent of the Federal PL 94-103 funds received by the State Council may be allocated by the Council for support of Area Boards. General Funds may be appropriated for support of the Area Boards, but no appropriations have been made to date. Most Area Boards' staff consists of an Executive Secretary, possibly one analyst, and a secretary.

Each Area Board is considered to be a separate and distinct State agency since January 1, 1977, attached to the Office of the Secretary of the Health and Welfare Agency. Administrative support functions are provided the Area Boards by the Department of Social Services as of October 1, 1978. The Area Boards were consistent in their expression of operating problems due to this change in status from contractors to State agencies. The State system, as established, is not prepared to handle the needs of these small, widely dispersed offices which are responsible to independent boards. The members of the Area Boards, who are unpaid, find it frustrating to have what they consider as obstacles put in their way to accomplish their tasks. The difficulties are increased due to the lack of familiarity of Area Board staff with State procedures and because there is no single person or unit that they can go to at the State level for assistance and guidance.

Problems that have been encountered while supported by the Department of Benefit Payments include:

- Printing order issued in June 1978 was not encumbered by September 30, 1978, close of the Area Board funding year, because the State Printing Office could not estimate the cost of the brochures, although this was a repeat order. As a result, approximately $2,000 was reverted to the Federal Government.
- Equipment ordered by one Area Board is charged to another; supplies are also charged in error.
- Consultant contracts take so long in processing, procedures changed, etc., that qualified individuals are lost and work goes uncompleted.

The result is a large amount of time of a limited staff is consumed in administration.

We recommend:

10.1 That the Organization of Area Boards work with the Health and Welfare Agency and the Department of Social Services to develop administrative procedures that meet the needs of the Area Boards for prompt action and the State's need for accountability. For example, criteria could be established so that Area Boards could enter into consultant contracts of less than a specified sum ($3,000) and limited period of time (30 days) without prior approval of the Department of Social Services.

10.2 That individuals be designated in the various support units, (Personnel, Purchasing, etc.) of the Department of Social Services to work with the Area Boards to eliminate delays and frustrations over administrative requirements and procedures.

<u>Area Board Role</u>

Prior to January 1, 1977 the Area Board role was primarily that of a planning and coordinating body. With the legislative changes made as of that date, the role was vastly expanded to include responsibility for systems monitoring (relations with other public agencies), advocacy, public information, and generally of system oversight at the local level. Currently, there appears to be significant differences of opinion among the State Council, the regional centers, Organization of Area Boards, and the Area Boards themselves as to what the Area Board role is.

The Area Boards feel the State Council, because it provides their funds, sees the Area Boards as extensions of the State Council staff. The Area Boards see their role, as defined by the Legislature, as larger than collectors of information and monitors of regional centers that the State Council wants them to be.

The regional centers feel that the Area Boards are trying to run the centers. Some regional centers cite examples of Area Boards, in the review of the regional center budget, debating on staff authorizations. Other regional centers feel the Area Boards concentrate on them because they are part of the same system, and the Area Boards are not sure enough of their role to review other agencies such as Education.

The Area Boards themselves take different approaches to fulfilling their role. For instance, some see the advocacy role as that of system issues such as transportation, while others include advocacy for individuals. The advocacy functions of the Area Boards and the regional centers overlap regarding individuals. Both have the responsibility for advocacy, but where each one's responsibility ends and begins is not clear. The Organization of Area Boards has a committee working on the definition of the Area Board's role.

We recommend:

10.3 That a task force composed of representatives of the State Council, Organization of Area Boards, Area Boards, regional centers, and the Department of Developmental Services develop guidelines as to the role and functions of the Area Boards and each other to avoid overlap and duplication of effort.

Relationships With Other Agencies

Area Board staff stated that they were generally able to get information from regional centers (although not necessarily in the format or detail requested), State hospitals, and the Department of Rehabilitation, but that it was difficult to get information from other agencies. Area Board staff spend a large amount of time participating on committees and task forces of agencies as a means of gathering information, both on funding and demographic data.

While State agencies are to consult with the Area Boards regarding proposed expansion or creation of programs for developmentally disabled, most State agencies do not. It is through the County Coordinating Councils on Developmental Disabilities or Area Board staff participation on committees that the Area Boards learn of projects or of funding decisions. Without knowledge of State agency plans for services to developmentally disabled, it is difficult to coordinate the orderly development of needed services.

We recommend:

10.4 That the Organization of Area Boards and the State Council conduct a campaign to inform State agencies of the need to consult with Area Boards when expanding or implementing new services that may affect persons with developmental disabilities. If necessary, the Area Boards could conduct public hearings involving the State agency regarding that agency's funding plans in order to ensure Board involvement in decisions affecting services.

Conclusion

A draft of this report on submitted to the Department of Developmental Services inviting them to respond. A copy of that response is attached as Appendix A.

Appendix A

State of California

Department of Developmental Services

Memorandum

To : Robert N. Larson
Audit Manager
Fiscal Management Audits
Department of Finance
1025 P Street, Room 283

Date : April 16, 1979

Subject : Draft Report on Regional Center Operations

From : Office of the Director

Attached are the Department of Developmental Services' preliminary comments on the draft Regional Centers Audit Report proposed to be issued by your department. Because of the broad spectrum of items covered by the report, we are continuing our review and will submit more detailed comments at a later date.

We agree with many of the deficiencies identified in the report. We think it important to note, however, that corrective action has been taken in many areas by this Department. The report does, however, identify several continuing areas of concern which will be addressed by this Department.

We are appreciative of your assistance and feel the report will be most helpful in identifying and addressing the remaining problems in this vital portion of the service system for those among us with special developmental needs.

Albert C. Brown

for David E. Loberg, Ph.D.
Director

Attachment