



CALIFORNIA STATE AUDITOR

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FACT SHEET

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The California State Auditor's Office released the following report today:

Department of Developmental Services

A More Uniform and Transparent Procurement and Rate-Setting Process Would Improve the Cost-Effectiveness of Regional Centers

BACKGROUND

Approximately 240,000 Californians with developmental disabilities (consumers) receive community-based services from California's network of 21 regional centers, which are private, nonprofit entities created by law in order to allow the State to meet its responsibility for providing services and support to consumers. The Department of Developmental Services (Developmental Services) oversees the regional centers through five-year contracts. Regional centers authorize vendors to provide services to consumers, and establish many reimbursement rates for the vendor services. Regional centers can also enter into contracts for certain services.

KEY FINDINGS

During our review of Developmental Services and six regional centers, we noted the following:

- Developmental Services conducts various reviews of regional centers, but provides little oversight of vendor selection and how rates are negotiated or established even though regional centers set the rates for 96 of the 155 types of services.
- Although the regional centers' expenditures that we reviewed were generally allowable, they did not always maintain documentation of their processes.
- Regional centers set rates using different methodologies, often do not keep documentation demonstrating how rates were set, and in certain instances gave the appearance of favoritism or fiscal irresponsibility. Of the 61 rates we examined, we found the following:
 - ✓ We could not determine how rates were set for 26, and only 18 were established using a detailed cost statement from the vendor—a method we considered a best practice.
 - ✓ Five rates set at four of the six regional centers we visited appeared to violate a rate freeze required by law—in two instances the regional center approved rates almost twice as high as the statewide median rate for the same service.
- Regional centers do not have written policies indicating when they are to use rate agreements and when they are to use contracts, nor do they document their rationale for selecting certain vendors. One regional center paid a vendor almost \$1 million through a rate agreement without adequately specifying the deliverables to be received.
- Of the 33 contracts we evaluated, only nine were advertised with four showing evidence of a competitive process—the type of process that ensures that the State is getting the best value.
- Almost half of the roughly 400 regional center employees who responded to our survey do not feel safe to report suspected improprieties. Also, many indicated that the regional centers do not create an atmosphere of mutual trust or establish open communication.
- At the time of our fieldwork, we were unable to test Developmental Services' process for responding to complaints from regional center employees because it did not log, track, or have a written process for such complaints.

KEY RECOMMENDATIONS

We made numerous recommendations to Developmental Services including that it should provide more oversight and issue more guidance to regional centers for preparing and adhering to written procedures regarding rate-setting, vendor selection, and procurement processes to ensure consumers receive high-quality, cost-effective services that meet the goals of the consumers and the program. Other recommendations included that Developmental Services monitor the regional centers' adherence to laws, regulations, and new processes by enhancing the level of reviews to include examining rate-setting, vendor selection, and procurement practices at the regional centers and to adhere to its newly documented process for receiving, tracking, and investigating complaints from regional center employees.

