

The California State Auditor released the following report today:

California Department of Developmental Services
*Its Process for Assessing Fees Paid by Parents of Children Living in Residential Facilities
Is Woefully Inefficient and Inconsistent*

BACKGROUND

Californians with developmental disabilities may obtain community-based services via the State's network of 21 regional centers—private, nonprofit organizations receiving primary funding and oversight from the California Department of Developmental Services (Developmental Services). For the parents of children under the age of 18 with developmental disabilities that require 24-hour out-of-home care, the Developmental Services' Parental Fee Program assesses and collects fees based on parents' ability to pay. At June 30, 2014, nearly 550 children under the age of 18 were receiving 24-hour out-of-home care.

KEY FINDINGS

During our review of the Developmental Services' Parental Fee Program, we noted the following:

- The department does not assess parental fees timely, which results in delayed billings and lost revenue. For the accounts we reviewed, billing commenced an average of 11 months after it could have begun. Based on the roughly 250 assessments Developmental Services performs each year, we estimate that the annual amount of unbilled fees caused by these delays ranges from \$740,000 and \$1.1 million.
- Although required to do so, very few regional centers provide the department with placement reports and parent notification letters causing Developmental Services to manually identify new placements, which delays assessments.
- Developmental Services' assessments of parental fees are inconsistent.
 - ✓ It does not consistently require parents to substantiate family expenses that qualify them to pay lower fees—none of the 54 accounts we reviewed had documentation to support all income and expense claims.
 - ✓ It did not have enough documentation for us to examine its initial fee assessments for 40 percent of the accounts we reviewed and over 30 percent were calculated incorrectly.
- Developmental Services does not always conduct a required annual redetermination of the parental fees—for a three-year period, redeterminations were not completed for 61 percent of the accounts we reviewed.
- Because Developmental Services' appeals process considers net income rather than gross income as is used in the initial fee assessments, and because it considers additional expenses when a fee is appealed, the vast majority of appeals are granted. Of the 137 appeals filed over three years, 120 were granted resulting in fees being reduced and 11 were still pending.
- Partly due to Developmental Services' lack of clear policies and procedures regarding its appeals process, many of the appeals we reviewed contained numerous staff errors, no clear reasoning for adjustments, and inconsistencies that resulted in miscalculations of parents' discretionary income and thus, their ability to pay.
- Developmental Services' process for collecting from families that do not pay the assessed fees is ineffective. As of June 30, 2014, 733 of its accounts carried an unpaid balance totaling just under \$7.5 million, which is five times higher than the program revenue collected annually.

KEY RECOMMENDATIONS

We made numerous recommendations including the following:

- The Legislature should require the department to consider the same information in its initial fee determinations as it does during the appeals process, and allow parents to challenge previous calculations for accuracy on appeal.
- Developmental Services should:
 - ✓ Make the initial parental fee assessment and annual redetermination process more efficient, consistent, and transparent through formal policy development and clear communication.
 - ✓ Ensure timelier fee assessments by holding regional centers accountable in providing the appropriate monthly placement information and assessing financial penalties to noncompliant regional centers.
 - ✓ Complete annual redeterminations as required to ensure parental fees remain appropriate.
 - ✓ Update policies and procedures by July 2015 that clarify management expectations and include regular oversight.