



## Department of Developmental Services

It Cannot Verify That Vendor Rates for In-Home Respite Services Are Appropriate and That Regional Centers and Vendors Meet Applicable Requirements

Report 2016-108

COMMITMENT  
INTEGRITY  
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October 25, 2016

2016-108

The Governor of California  
President pro Tempore of the Senate  
Speaker of the Assembly  
State Capitol  
Sacramento, California 95814

Dear Governor and Legislative Leaders:

As requested by the Joint Legislative Audit Committee, the California State Auditor presents this audit report concerning the rate-setting policies and oversight related to the in-home respite services program (in-home respite services) administered by the Department of Developmental Services (DDS). Californians with developmental disabilities can access services through the State's network of 21 regional centers, which receive funding and oversight from DDS.

This report concludes that DDS has chosen not to obtain and review information that could assist it in determining whether its hourly payment rates to vendors for providing in-home respite services are appropriate. Specifically, because of its interpretation of certain changes in state law that took effect in 1998 and 2003, DDS has since changed its approach to calculating payment rates and no longer requires vendors to submit cost statements, which detail vendors' expenses. Rather, DDS currently adjusts the hourly vendor rates based on legislatively approved rate adjustments and changes to minimum wage or labor laws. However, we question DDS's interpretation of these statutes as negating the need for cost statements, and we believe clarifying legislation is needed because DDS could have been assessing the appropriateness of payment rates based on vendors' cost statements since 2003.

Further, during the past few years, we found that the statewide weighted average hourly payment rate under what we refer to as the Full Service model, in which the vendor recruits the respite worker and schedules services, increased from \$17.76 to \$21.21, or by more than 19 percent, while the respite workers' hourly wage increased from \$9.89 to \$11.14, or by roughly 13 percent. We also found that, unlike certain other services provided by DDS, in-home respite services is not subject to an administrative cost cap of 15 percent. Therefore, the four vendors that received over \$7 million in revenue for providing in-home respite services in fiscal year 2014–15 reported a wide variance in terms of their administrative costs. Specifically, the amounts the four vendors reported spending on administrative costs ranged from 12 percent to nearly 30 percent. Without a cap on administrative costs, the State runs the risk that vendors are spending unreasonable amounts on these types of costs.

Finally, for in-home respite services, we identified that regional centers perform minimal monitoring of vendors and that DDS performs limited oversight of the regional centers. For instance, DDS is not ensuring that vendors comply with state and federal requirements and limits its review of the program to its biennial fiscal audits of the regional centers. However, these audits have not been conducted in a timely manner and may not include a review of in-home respite services at all because it is a smaller program in comparison to others administered by DDS.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

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## Summary

### Results in Brief

The Department of Developmental Services (DDS) is charged with overseeing the in-home respite services program (in-home respite services) for Californians with qualifying developmental disabilities; however, DDS has not recently assessed the appropriateness of the hourly rates it pays to the vendors of these services and it provides limited monitoring of the program. State law has established in-home respite services to provide intermittent or regularly scheduled temporary assistance to families of developmentally disabled individuals (consumers) who are able to reside in their own homes in the care of family. Eligible consumers may obtain in-home respite services through California’s network of 21 regional centers, which purchase in-home respite services from a variety of private providers, referred to as *vendors*. In fiscal year 2015–16, the State spent more than \$221 million on in-home respite services that the regional centers purchased for consumers.

DDS has chosen not to obtain and review information that could verify whether its hourly vendor payment rates for in-home respite services are appropriate. Depending on when vendors began providing services, DDS currently pays them one of two types of rates: a temporary or a permanent hourly rate. Historically, DDS paid a vendor new to providing in-home respite services a temporary rate, which was based on the average of the permanent hourly rates paid to all vendors in California. Once the vendor had provided services and generated the necessary cost information for these services, DDS would convert its temporary rate to a permanent rate based on the cost statements the vendor submitted that detailed its costs and income. Every alternate year thereafter, DDS required the vendor to submit cost statements, which DDS used to adjust the permanent hourly rate as necessary. However, because of its interpretation of certain changes in state law that took effect in 1998 and 2003, DDS has since changed its approach to calculating payment rates and no longer requires vendors to submit cost statements. Rather, DDS currently adjusts the hourly vendor rates—whether they are temporary or permanent—based on legislatively approved rate adjustments and changes to minimum wage or labor laws. However, we question DDS’s interpretation of these statutes as negating the need for cost statements, and we believe clarifying legislation is needed because DDS could have been assessing the appropriateness of payment rates based on vendors’ cost statements since 2003.

Moreover, our review of selected vendors at five regional centers found that the majority receive a temporary hourly rate and that this rate is generally less than the permanent hourly rate that other

### Audit Highlights . . .

*Our audit of the Department of Developmental Services’ (DDS) oversight of the in-home respite services program (in-home respite services) highlighted the following:*

- » *DDS has not verified whether hourly vendor payment rates for in-home respite services are appropriate.*
  - *It changed its approach to calculating payment rates because of its interpretation of changes in state law that occurred between 13 and 18 years ago.*
  - *It does not require vendors to submit cost statements, which were the basis of setting permanent payment rates in the past and ensuring rates reflect vendors’ costs.*
- » *The majority of the vendors we reviewed at five regional centers receive a temporary hourly rate that is generally less than the permanent hourly rate other vendors receive.*
- » *During a nearly two-year period, vendors’ hourly rates increased at an average rate that outpaced the hourly wages paid to respite workers; under one model, the statewide average hourly vendor payment rate increased by 19 percent while that of the respite worker increased by only 13 percent.*
- » *There is no cap on vendors’ administrative costs for in-home respite services; thus, vendors may be spending unreasonable amounts on these costs. One vendor reported spending less than 15 percent on administrative costs while another vendor reported spending almost 30 percent on those costs.*

*continued on next page . . .*

» *Monitoring efforts and reviews of vendors and regional centers need improvement.*

- *The regional centers could not demonstrate that they conduct biennial reviews of vendors' files to ensure the information required for providing in-home respite services is current, complete, and accurate.*
- *DDS's monitoring of regional centers' compliance with in-home respite services' requirements is inadequate.*

vendors receive. Specifically, after a legislative cap on vendors' permanent payment rates took effect on July 1, 2003, DDS has assigned only temporary hourly rates to vendors authorized to provide services, while vendors authorized before that time continue to receive a permanent hourly rate. Certain stakeholders have raised concerns that these newer vendors' temporary hourly rates, which are not established using cost statements, are typically higher than the permanent hourly rates of older vendors and, therefore, place older vendors at a disadvantage. However, for the vendors we reviewed, older vendors' permanent rates, on average, were higher than the temporary rates assigned to newer vendors. As of March 1, 2016, 19 of the 25 vendors we reviewed received an average temporary hourly rate of \$21.97, while the remaining six received an average permanent hourly rate of \$23.45. Nonetheless, because DDS does not obtain and review vendors' costs statements and has not done so for more than a decade, the public lacks assurance that the differences in temporary and permanent hourly rates are appropriate and reasonably reflect vendors' costs.

From June 30, 2014, through March 1, 2016, vendors' hourly rates increased at an average rate that outpaced the hourly wages paid to respite workers. Because the increases in vendors' hourly payment rates are largely due to statutory changes in minimum wage and labor laws, we expected to find that the hourly wages of respite workers would increase at a similar rate. However, our review of selected vendors at the five regional centers found that vendors—depending on the type of service model they use—retained a large portion of their hourly payment rates compared to the hourly rate paid to respite workers. This appeared to be true on a statewide basis as well. For example, the statewide weighted average hourly vendor payment rate under what we refer to as the Full Service model, in which the vendor recruits the respite worker and schedules services, increased from \$17.76 to \$21.21, or by more than 19 percent, while the respite workers' statewide weighted average hourly wage increased from \$9.89 to \$11.14, or by nearly 13 percent.<sup>1</sup> We found similar differences when reviewing the hourly rates vendors reported they paid under the Employer of Record model; in this model, vendors receive a lower payment rate from DDS than in the Full Service model because the family selects the individual who will provide the services to the consumer.<sup>2</sup> DDS has not conducted a study of whether the amounts vendors are

<sup>1</sup> The average hourly wage paid to the respite worker at the statewide level and for each regional center is a weighted average. This average takes into consideration the numbers of consumers served by each vendor as a proportion of the total number of consumers served by the respective regional center.

<sup>2</sup> Throughout the report we use the term *Employer of Record* model to indicate the process used when the family selects the individual who will provide the in-home respite service. Certain vendors we reviewed refer to this model using other terms, such as the *parent conversion rate*.



retaining of their payment rates are reasonable in relation to their costs and profit margins. Without this information, DDS cannot verify whether the rates it pays to vendors are appropriate.

Although DDS will be undertaking a required rate study of all of its community-based services in the future, we believe it should conduct a rate study focusing on in-home respite services sooner given the uncertainty we found related to the appropriateness of vendors' rates under this program. Effective June 2016, state law requires DDS to submit a rate study of community-based services for individuals with developmental disabilities by March 1, 2019. As part of this study, DDS stated that it will conduct a rate study of *all* of its rates, including in-home respite services, to assess the effectiveness of its various rate-setting methodologies. However, rather than wait nearly three years for the results of this study, we believe DDS should request and review vendors' cost statements sooner and take any appropriate steps, such as seeking changes to state law if necessary, to ensure that its payment rates to vendors are appropriate. Although DDS believes that obtaining cost statements to evaluate in-home respite services rates is not a productive use of time since it is already required to conduct a comprehensive analysis of rates, it could not provide any documentation of the methodology it formerly used when calculating in-home respite rates. Thus, it is unclear on what information DDS is basing its statements that obtaining and evaluating cost statements would be overly time-consuming.

Of the more than 250 vendors that provided in-home respite services in fiscal year 2014–15, four received more than \$7 million in revenue specifically for these services. We requested that these vendors report specific financial information, including the revenue they received from public funds broken down by service model, their annual net income, and the amount and percentage of their administrative costs. The amounts these vendors reported spending on costs related to respite workers, including their hourly wages and payroll taxes, vary, as do the amounts the four vendors spend on administrative costs, which include wages and benefits for administrative staff and other operating expenses. For example, only one vendor, Premier Healthcare Services, Inc., reported that its administrative costs were less than 15 percent. The remaining three vendors reported spending between about 19 percent to nearly 30 percent on administrative costs. In-Roads Creative Programs, Inc. reported a particularly high administrative cost at almost 30 percent. In-home respite services, unlike certain other services DDS provides, has no cap on vendors' administrative costs, which could explain some of the variance in these costs. Without a cap on administrative costs, however, the State runs the risk that vendors are spending unreasonable amounts on these types of expenses.

The five regional centers we reviewed have adequate processes to authorize the vendors providing in-home respite services, a process referred to as *vendorization*. The vendorization process requires regional centers to verify—before a vendor is allowed to provide services to consumers—that the vendor’s application meets the requirements specified in regulations. These requirements include a proposed or existing service design, a service provider agreement, and a disclosure statement form regarding any activities that would prevent the vendor from being eligible to receive federal funds. In addition, regulations require that regional centers review, at least biennially, all vendor files they maintain to determine that the information required for vendorization is current, complete, and accurate. Regional centers have the authority to terminate vendorization for noncompliance with vendorization requirements. However, while the initial vendorization process is adequate, our review of selected regional centers found that they could not demonstrate adequately, if at all, whether they conduct biennial reviews as required to ensure vendors continue to satisfy vendorization requirements. Three of the regional centers we reviewed claimed to have processes in place to conduct a review of vendors’ files; however, none could provide sufficient evidence demonstrating that the reviews took place. The remaining two regional centers acknowledged that they do not conduct such reviews. By not conducting biennial reviews as required, regional centers risk that some vendors may not currently meet all requirements for providing in-home respite services.

Additionally, DDS performs limited monitoring of regional centers’ compliance with state and federal requirements applicable to in-home respite services. In fact, its current monitoring efforts consist solely of fiscal audits it is required to conduct every two years. However, DDS has fallen short of meeting this requirement, and for fiscal years 2013–14 and 2014–15, it completed only 14 of the 21 required regional center audits. Further, for those audits it did conduct, the review of in-home respite services was minimal, if it occurred at all. DDS explained that delays are occurring in completing some regional center audit reports because audit staff is not available and because its internal reviews of these audit reports and the information submitted by the regional centers are sometimes lengthy. According to DDS, its audits division is working to improve recruitment efforts for auditors and identifying ways to streamline the lengthy internal review of audit reports and regional center information. Other than these audits, DDS performs no monitoring of in-home respite services. Without effective monitoring, DDS has little assurance that the regional centers are complying with applicable requirements and consumers are receiving the intended in-home respite services.

## Recommendations

### *Legislature*

To ensure that DDS is paying reasonable and appropriate hourly rates to vendors for in-home respite services, the Legislature should clarify whether the rate freeze imposed by the 1998 legislation is still in effect despite the numerous legislative rate adjustments made since then. Further, the Legislature should clarify whether the 2003 legislation that imposed a cap on vendors' hourly payment rates constitutes only a ceiling on increases of in-home respite rates and require DDS to resume collecting cost statements and adjust the rates if appropriate.

To ensure that vendors' in-home respite hourly payment rates are reasonable and appropriate, particularly when compared to their administrative costs and the hourly wages they pay to respite workers, the Legislature should require DDS to conduct an in-depth review of its in-home respite rates by November 1, 2017. In conducting this review, the Legislature should require DDS to perform the following:

- Obtain and analyze all vendors' cost statements to determine their costs of providing services and whether vendors' administrative costs are reasonable.
- Obtain information from vendors on the hourly wages they pay to respite workers and analyze this information to determine whether vendors' hourly rates are reasonable.
- Using information from the cost statements, identify whether vendors' temporary hourly rates should be converted to permanent hourly rates.
- Submit a report to the Legislature on the results of its review, including a proposal on the extent to which legislative changes are needed to ensure that in-home hourly respite rates are appropriate.

**DDS**

To ensure that in-home respite vendors comply with vendor requirements on an ongoing basis, DDS should require the regional centers to develop a process to conduct biennial reviews of the vendor files the regional centers maintain and document the outcome of the review in the files. DDS should require the regional centers to take appropriate action to ensure that vendors comply, up to and including terminating the vendorization, if necessary.

To ensure that it is providing oversight in accordance with state law and federal requirements, DDS should ensure that it performs audits of each regional center every two years as required. In conducting these audits, DDS should consistently include a review of in-home respite services.

**Agency Comments**

DDS disagreed with some recommendations in our report, particularly the recommendation to the Legislature that it require DDS to conduct an in-depth review of its in-home respite rates. However, DDS did indicate it would implement some of our recommendations.

# Introduction

## Background

According to the Lanterman Developmental Disabilities Services Act (Lanterman Act) passed in 1977, the State has accepted responsibility for providing services and support to people with developmental disabilities. State law defines a developmental disability as including intellectual disability, cerebral palsy, epilepsy, autism, and any other condition that is found to be closely related to, or requires similar treatment to that of, an intellectual disability. Californians with developmental disabilities may access services and support through the State's network of 21 regional centers. These regional centers are private, nonprofit corporations that receive funding and oversight from the Department of Developmental Services (DDS). The regional centers contract for services such as transportation, dental care, respite care, and residential care from a variety of private providers for people with disabilities. The centers also help consumers—those with developmental disabilities as defined by state law—both to obtain services from local public entities such as school districts and transportation agencies and to secure sources of funding from other federal and state agencies. Together, these services are meant to meet the unique needs of these consumers so that they may live independent, productive, and typical lives. In total, regional centers coordinate the provision of more than 150 separate services to support the needs of people with disabilities.

Some consumers are able to reside in their own homes in the care of family, and state law requires DDS to establish the in-home respite services program (in-home respite services) to assist their families with their care. In-home respite services are intermittent or regularly scheduled temporary nonmedical care and supervision provided in the home for consumers who reside with family members; these services relieve family members from the constant demanding responsibility of caring for a developmentally disabled individual. In-home respite services include nonmedical care and supervision to protect the consumer's safety, and attention to basic self-help needs and other activities that would ordinarily be performed by the caregiving family member. DDS administers this program through the network of regional centers, with each regional center servicing a specific geographic region. The regional centers generally operate over large areas and typically serve one or more counties.

Although in-home respite services represent a small part of the direct services that DDS provides to those with disabilities, at the end of fiscal year 2015–16 nearly 60,000 consumers were receiving these services through the State's regional centers. Specifically, in fiscal year 2015–16 DDS spent nearly \$4.6 billion on direct services

that the regional centers purchased and that private vendors provided to consumers. Of the nearly \$4.6 billion it spent on direct services, more than \$221 million, or about 5 percent, was spent on in-home respite services.

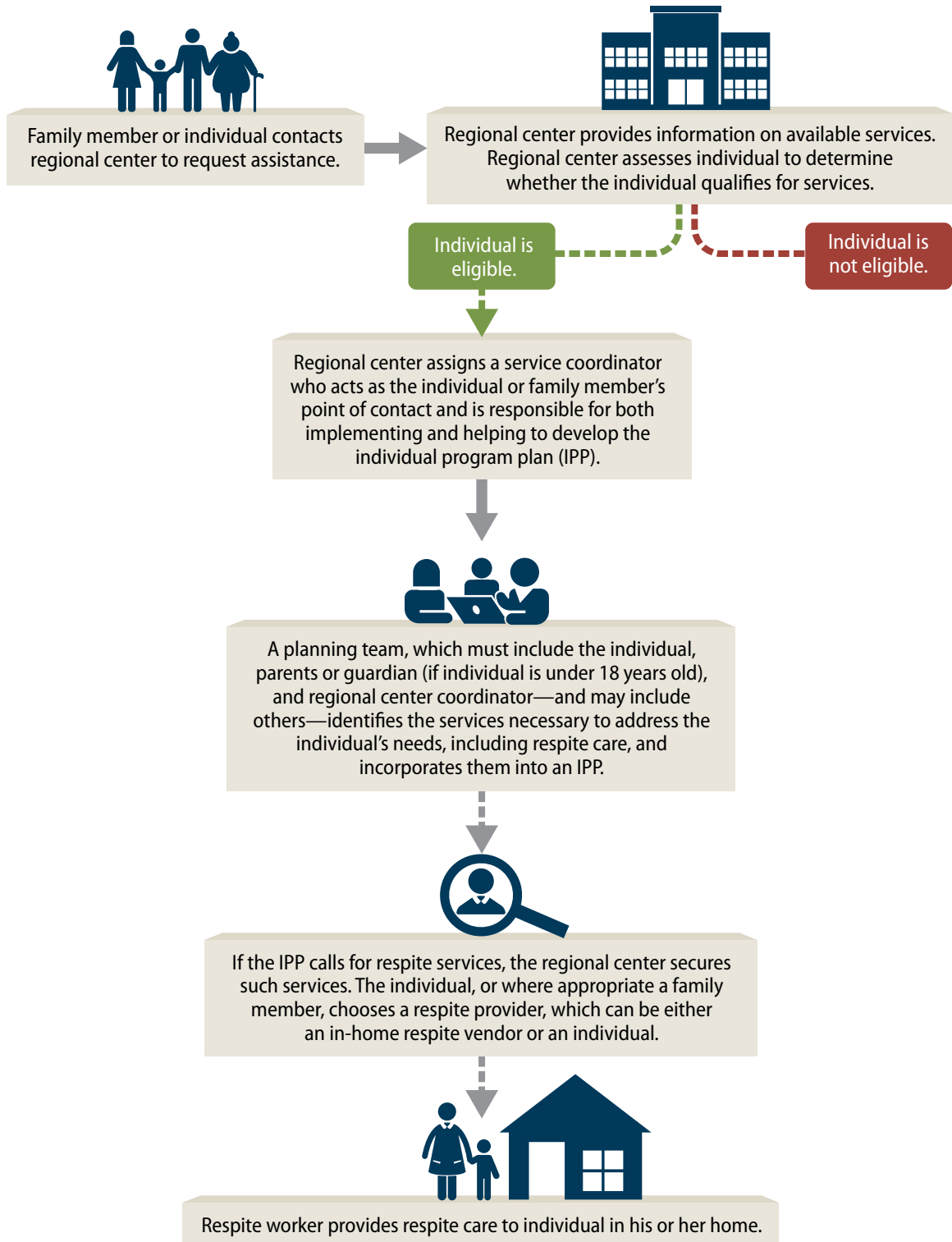
### **Regional Centers and Coordination of Services**

State law delegates service coordination to regional centers. Regional centers assess individuals and determine whether they are eligible for services. If a person is eligible, the regional center's service coordinators work with a planning team consisting of the consumer, parents or guardian (if the consumer is under age 18), and advocates to choose the services that will best meet the consumer's needs and preferences. Specifically, state law requires the planning team to develop an individual program plan that includes goals for the consumer and states how these goals will be met, including the use of specific services and supports. Figure 1 illustrates the process families and individuals use to obtain in-home respite services. When obtaining these services, the consumer can use authorized vendors or can select an individual with the skills, training, or education necessary to provide the respite services. Appendix A beginning on page 39 presents the total number of vendors, consumers, and respite workers by regional center.

### **Regional Centers and Vendor Authorization**

State regulations require that a business, organization, or individual wishing to provide in-home respite services to consumers must first become an authorized vendor of a regional center. The process by which a vendor becomes authorized requires the regional center to determine that the vendor has obtained the necessary licenses and certificates, has created a program design, and meets other service requirements. One of the requirements for an in-home respite vendor, for instance, is the assurance that all workers maintain current CPR and first aid certifications. When the regional center has received all necessary information from a potential vendor, it has 45 days to approve or deny the service provider's eligibility. If the regional center approves the vendor, the vendor then submits the information to DDS for final review. For in-home respite care vendors, DDS then establishes an hourly rate of pay that the vendor will receive for its service. Once provided an hourly rate of pay, the vendor may then be used by any regional center in the State. However, regulations stipulate that such approval does not guarantee that any regional center will use that vendor's services. Figure 2 on page 10 identifies the five regional centers we reviewed as part of our audit and includes key information regarding in-home respite services.

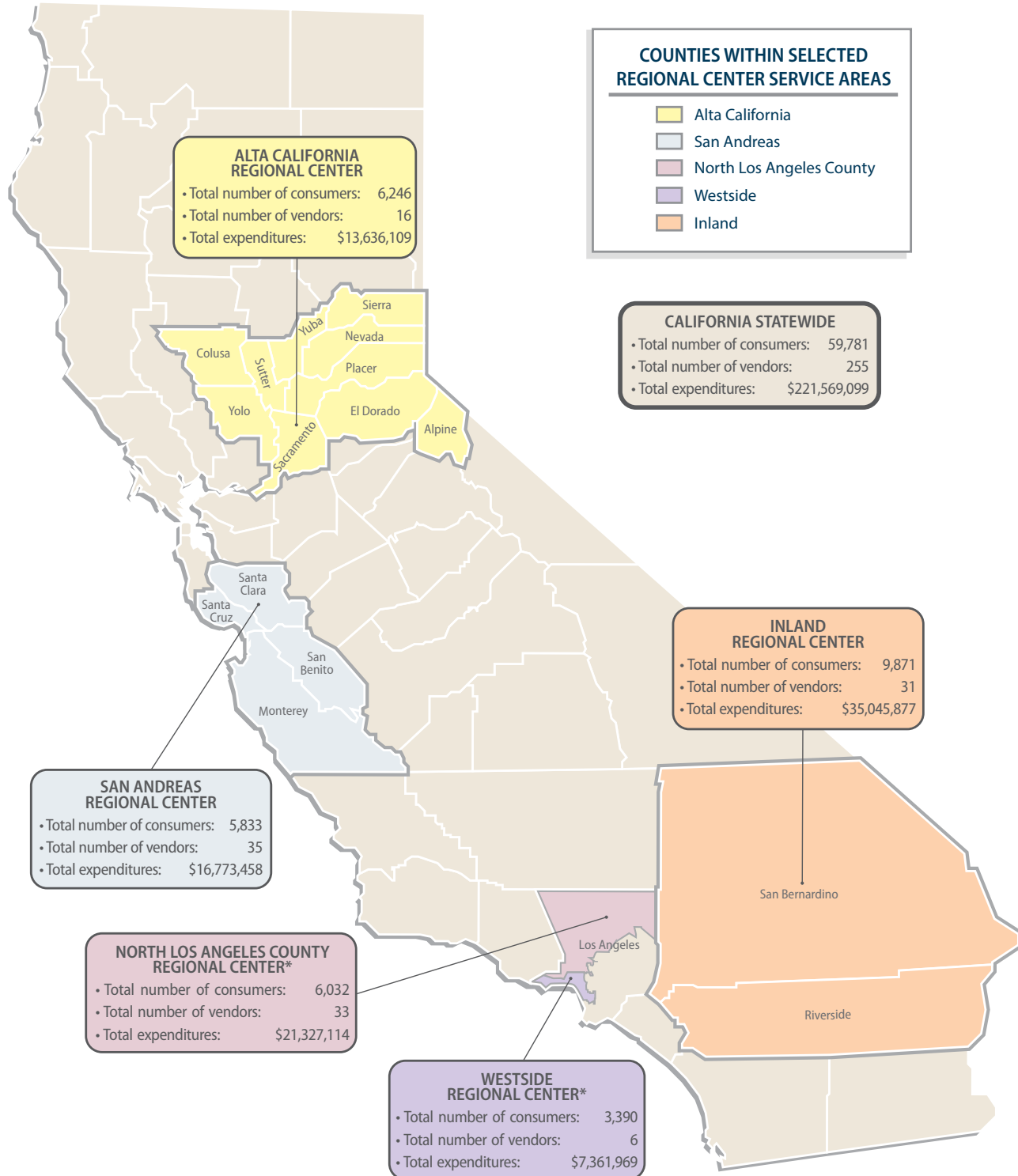
**Figure 1**  
Process Used by Families and Individuals to Obtain In-Home Respite Services



Source: Auditor generated based on review of state law and regional center documentation.

**Figure 2**

**Map of Regional Centers Selected for Review and Key In-Home Respite Service Information as of June 30, 2016**



Sources: Information presented at the statewide level was provided by the Department of Developmental Services, whereas information presented for each regional center was provided by the respective regional center.

Note: Expenditures presented are for fiscal year 2015–16.

\* North Los Angeles County Regional Center and Westside Regional Center are both located within Los Angeles County.



### DDS's Vendor Rate-Setting Methodology

Under the Lanterman Act, DDS is required to establish, maintain, and revise as necessary, an equitable process for setting hourly rates of state payment for in-home respite services, and state regulations specify the methodology DDS should use when calculating those rates. However, DDS does not currently follow this methodology because of changes to state law dating back to September 1998. Two key pieces of legislation changed the approach DDS has taken when calculating the payment rates for vendors providing in-home respite services. Before September 1998, the rate-setting process set forth under state law required vendors to submit cost statements to DDS, which it used to calculate an appropriate hourly payment rate. This rate is called a *permanent payment rate* (permanent rate). The permanent rates all fall within a range of rates that have upper and lower limits. Because new vendors did not yet have a cost history that DDS could use to set a permanent rate, it assigned a temporary hourly payment rate (temporary rate) until the vendor had generated the necessary cost information. Once the new vendors had sufficient cost information, DDS used this information to establish their permanent rate.

In 1998 the Legislature directed DDS to develop a performance-based consumer outcome rate system for in-home respite services. Subsequently, effective September 1 of that year, the Legislature froze in-home respite rates until such time as a new rate system was implemented *or* funds were otherwise appropriated for rate adjustments. Since that time DDS has not adopted a new rate system. However, as we describe further in the Audit Results, since fiscal year 2000–01, the Legislature has appropriated funds for rate adjustments due, in part, to changes in minimum wage or labor laws. These adjustments have increased in-home respite vendors' hourly rates and respite workers' hourly wages.

Effective July 1, 2003, the Legislature revised state law to prohibit the conversion of temporary rates to permanent rates if the permanent rates would be higher than the temporary rates in effect at that time unless such increases were necessary to protect the health or safety of consumers. Similarly, vendors receiving a permanent rate cannot modify their program designs if such modifications would result in a rate increase or otherwise seek increases in their permanent rates unless such increases are necessary to protect consumers' health and safety. Essentially, the 2003 legislation capped the amount that vendors could receive for temporary or permanent rates. At this time DDS stopped collecting cost statements. We discuss our concerns about DDS's response to the 1998 and 2003 legislation in the Audit Results.

Most vendors of in-home respite services use what we refer to as the *Full Service* model. The rates for this model changed most recently on July 1, 2016, when DDS set the lower and upper limits of the range of hourly rates at \$20.63 and \$28.51, respectively, and set the temporary rate at \$24.70 per hour, for the purpose of enhancing wages and benefits. As mentioned earlier, consumers have a choice of obtaining services from either an authorized vendor (the Full Service model) or from an individual whom the consumer has identified—usually a family member or friend (the Employer of Record model). Under the Full Service model, the vendor identifies the respite worker and incurs certain costs for recruiting and training as well as scheduling services for the consumer. As a result, DDS pays a higher hourly rate under the Full Service model than it does under the Employer of Record model.<sup>3</sup> The hourly rates for the Employer of Record model are negotiated between the regional center and the vendor. In addition to the Employer of Record model, some regional centers also use the financial management service (FMS) model when family members have identified the person to provide the respite services. One key difference, however, is that the rates paid to FMS vendors and their respite workers are prescribed in regulations rather than being negotiated with the vendor.

### **State Oversight of Regional Centers**

The regional centers operate under five-year contracts with DDS, subject to annual appropriations by the Legislature. State law and certain federal program provisions require DDS to oversee the regional centers. One of the Lanterman Act's requirements is that DDS also monitor the regional centers' performance of contract objectives. To ensure that the regional centers comply with federal requirements, DDS conducts onsite program reviews and fiscal audits of the regional centers.

### **Scope and Methodology**

The Joint Legislative Audit Committee (Audit Committee) directed the California State Auditor to provide independently developed and verified information related to the rate-setting policies and expenditures for in-home respite services administered by DDS. Table 1 outlines the Audit Committee's objectives and the methods we used to address those objectives.

<sup>3</sup> Throughout the report we use the term *Employer of Record* model to indicate the process used when the family selects the individual who will provide the in-home respite service. Certain vendors we reviewed refer to this model using other terms, such as the *parent conversion rate*.

**Table 1**  
**Audit Objectives and the Methods Used to Address Them**

AUDIT OBJECTIVE	METHOD
1 Review and evaluate the laws, rules, and regulations significant to the audit objectives.	Reviewed relevant federal and state laws, rules, and regulations.
2 Evaluate whether the Department of Developmental Services' (DDS) process for setting payment rates for in-home respite services complies and is consistent with relevant laws, rules, and regulations. Determine the impact of any noncompliance or inconsistency in payment rates that may affect state expenditures, respite workers, developmentally disabled consumers (consumers), or create a disparity between vendors.	<ul style="list-style-type: none"> <li>• Interviewed key staff and obtained available documentation to determine the historic and current process used by DDS to establish vendors' <i>temporary</i> or <i>permanent</i> hourly payment rates for in-home respite services.</li> <li>• Reviewed the statutory changes related to minimum wage and labor laws effective during fiscal year 2013–14 through March 1, 2016, to determine whether DDS appropriately adjusted the vendors' hourly payment rates.</li> <li>• Reviewed the in-home respite funding DDS provided to regional centers during fiscal year 2014–15 and selected five regional centers that received a significant amount of funding and that were located geographically across California. Additionally, for each of these five regional centers, we selected five vendors, for a total of 25 vendors, that provided in-home respite services to the largest number of consumers during fiscal year 2013–14 through March 1, 2016.</li> <li>• For the 25 vendors we selected, we reviewed the process DDS used to establish the hourly payment rate for each vendor. Specifically, we determined whether DDS assigned the vendor a permanent or temporary hourly payment rate.</li> <li>• Reviewed documentation to identify any instances of noncompliance or inconsistencies in hourly payment rates among in-home respite vendors. To the extent possible, determined any impact of vendors' hourly payment rates on state expenditures, respite workers, and consumers, or that created a disparity between vendors.</li> </ul>
3 Compare and contrast payment rates by the two types of respite models used— Full-Service or Employer of Record.	<ul style="list-style-type: none"> <li>• Interviewed key staff at DDS and each of the five regional centers we selected for review regarding vendors' hourly payment rates for in-home respite services.</li> <li>• Requested and obtained from each regional center in the State the hourly payment rates paid to all of their in-home respite vendors for fiscal years 2013–14, 2014–15, and through March 1, 2016.</li> <li>• For the 25 vendors selected in Objective 2, we evaluated their hourly rates under the Full-Service and, if applicable, Employer of Record models to determine whether the rates were established in accordance with applicable laws and regulations.</li> </ul>
4 To the extent possible, compare by region the market rate for in-home respite services and the hourly rate paid to respite staff.	<ul style="list-style-type: none"> <li>• Requested information from all vendors at each of the regional centers in the State to obtain detailed information about the hourly wages vendors pay their respite workers as of June 30, 2014, June 30, 2015, and March 1, 2016. We present this information in Table B beginning on page 44, by region in California.</li> <li>• To compare the market rate by region for in-home respite services, we calculated a weighted average for the hourly wage paid to respite workers at the statewide level, each region in the State, and for each regional center. Specifically, using information reported by all vendors within each regional center, we calculated a weighted average that takes into consideration the number of consumers served by each vendor as a proportion of the total number of consumers served by the respective regional center. We present this information in Table B beginning on page 44, by region and regional center.</li> </ul>
5 By region, identify the number of vendors providing in-home respite services, the number of respite workers, and the number of consumers receiving services.	Requested information from all regional centers in the State on the number of consumers receiving in-home respite services, the number of vendors providing these services, and the number of respite workers. We present this information in Table A on page 41, by regional center and region in California, as of June 30, 2014, June 30, 2015, and March 1, 2016.
6 Describe the requirements, including licenses and insurance, for a vendor to become an authorized in-home respite service provider.	Obtained an understanding of the vendorization process, including any license and insurance requirements, and described this information in the Introduction.

*continued on next page...*

AUDIT OBJECTIVE	METHOD
<p>7 Evaluate the level of oversight performed on in-home respite service providers, including processes to determine that providers meet license and insurance requirements, comply with applicable operational requirements, and have reasonable payment rates.</p>	<ul style="list-style-type: none"> <li>• Obtained any audits completed by DDS of the five regional centers for fiscal year 2013–14 through March 1, 2016. Determined the extent to which in-home respite vendors or services were reviewed.</li> <li>• Interviewed key staff at the five selected regional centers and obtained available policies and any supporting documentation to determine the level of oversight regional centers perform of their in-home respite vendors.</li> <li>• Reviewed a selection of vendor files at each of the five selected regional centers and determined whether the respective regional center ensured that they satisfied all requirements to provide in-home respite services, a process referred to as vendorization. Further, we determined whether the regional centers conducted biennial reviews of the vendor files they maintain to ensure that vendors continue to satisfy vendorization requirements.</li> <li>• Determined whether the five selected regional centers requested and received audited financial statements from a selection of vendors earning \$500,000 or more in in-home respite services revenue.</li> <li>• Determined whether the five selected regional centers reviewed and investigated any complaints received against their in-home respite vendors during fiscal year 2013–14 through March 1, 2016. We identified only one such complaint and did not find any reportable concerns regarding the regional center’s processing of the complaint. According to the remaining four regional centers, they received no complaints against an in-home respite vendor during our audit period.</li> </ul>
<p>8 For in-home respite vendors whose total revenue provided by DDS exceeded \$7 million in fiscal year 2013–14, determine the following to the extent that this information can be obtained:</p> <p>a. Revenue received from public funds broken down by applicable model.</p> <p>b. The hourly rate of in-home respite workers.</p> <p>c. Annual net income.</p> <p>d. The amount and source of revenue from public funds.</p> <p>e. The amount and percentage of administrative costs.</p> <p>f. Major categories of expenditures including, but not limited to, wages and benefits (management and in-home respite workers broken out separately), in-home respite worker recruitment and screening costs, staff training and orientation costs, travel costs, and other operating expenses. Determine whether expenditures were allowable and reasonable.</p>	<ul style="list-style-type: none"> <li>• Using financial information provided by DDS, we identified three in-home respite vendors who earned more than \$7 million in revenue for fiscal year 2013–14, and four in-home respite vendors who earned that amount for fiscal year 2014–15. Requested these four vendors to provide the information specified in Objective 8 for these two fiscal years. To provide more current information, we focused our review on fiscal year 2014–15.</li> <li>• For each vendor whose total revenue exceeded \$7 million in fiscal years 2013–14 and 2014–15, obtained and reviewed available audited financial statements. For those vendors that did not have recent audited financial statements to provide, we followed up to determine why they had not obtained the required audits.</li> <li>• Using the information reported by the four vendors, we assessed whether the expenditure categories they reported for in-home respite services were allowable based on state law and determined whether their expenditures were reasonable based on their previous audited financial statements.</li> </ul>
<p>9 Examine the rationale for DDS establishing administrative cost caps for some contracts but not for others, including contracts with in-home respite service vendors.</p>	<p>Reviewed relevant laws regarding the types of programs that are subject to administrative costs. Interviewed key staff at DDS and each of the five selected regional centers regarding administrative cost caps, the types of programs subject to such caps, and the reasons in-home respite services are not subject to administrative cost caps.</p>
<p>10 Review and assess any other issues that are significant to the audit.</p>	<p>Interviewed key staff and obtained documentation regarding the activities of the Developmental Services (DS) Task Force, which was formed for the purpose of strengthening the delivery of services to the community. As of September 2016, we determined that the Task Force has been focused on the closure of developmental centers, whose mission is to provide 24-hour habilitation and treatment services for residents with developmental disabilities designed to increase, for example, levels of independence and functioning skills. The DS Task Force has not begun work on reviewing DDS’s payment rate structure.</p>

## Audit Results

### **The Department of Developmental Services Cannot Verify That the Rates It Pays Vendors for In-Home Respite Services Are Reasonable and Appropriate**

The Department of Developmental Services (DDS) has not assessed the appropriateness of the hourly rates it pays to vendors for the in-home respite services program (in-home respite services) in more than a decade. DDS pointed to specific changes in state law, which impose certain limits on its payment rates, as its reason for no longer obtaining and reviewing vendors' cost statements to ensure that the rates it pays to vendors are reasonable and appropriate. However, we question DDS's interpretation of two key pieces of legislation, which went into effect in 1998 and 2003, and we believe it is missing a critical opportunity to collect vendors' cost statements and ensure that the hourly rates vendors receive are appropriate. Without this information, which includes vendors' actual costs for salary and wages, staff benefits, and operating and administrative expenses, DDS is hindered from determining the appropriateness of hourly rates paid to vendors. Specifically, in the past years, increases to vendors' hourly payment rates have notably outpaced increases to respite workers' hourly wages. DDS is responsible for setting in-home respite rates; however, because of its questionable interpretation of law, which warrants clarification from the Legislature, coupled with its less than proactive approach to managing the program, the public has little assurance that vendors' hourly payment rates are appropriate.

### ***DDS Has Not Reviewed the Appropriateness of Hourly Rates Paid for In-Home Respite Services in More Than 10 Years***

DDS has chosen not to obtain and review critical information that can verify whether its hourly payment rates for in-home respite services are appropriate. As described in the Introduction, depending on when vendors began providing services, DDS currently pays them using one of two types of rates: a temporary hourly payment rate (temporary rate) or a permanent hourly payment rate (permanent rate). Historically, DDS paid vendors new to providing in-home respite services a temporary rate, which was based on the average of the permanent rates paid to all vendors in California. Once these vendors had provided services and generated the necessary cost information for these services, DDS would convert their temporary rate to a permanent rate based on the vendors' cost statements, which detailed their costs and income. Thereafter, on a biennial basis, DDS required authorized vendors to submit cost statements, which it used to adjust their permanent rates as necessary. However, because of changes in state law that took effect in 1998 and in 2003, DDS changed its approach to calculating payment rates and no longer requires

*We question DDS's interpretation of certain statutes and believe that clarifying legislation is needed.*

vendors to submit cost statements. Rather, DDS currently adjusts the hourly rates—whether they are temporary or permanent—based on legislatively approved rate adjustments and changes to minimum wage or labor laws. However, we question DDS's interpretation of these statutes and believe that clarifying legislation is needed.

Effective September 1, 1998, the Legislature froze in-home respite service rates. In doing so, the Legislature specified that the rates would remain frozen until DDS adopted a performance-based consumer outcome rate system for in-home respite services or until funds were appropriated for rate adjustments. Since that time, DDS has not adopted a new rate system, for reasons that it could not explain, and despite several appropriations for legislated rate adjustments for in-home respite services, it continues to believe this 1998 rate freeze is still in effect. The effect of such a freeze is that vendors' hourly payment rates can neither increase nor decrease, even if the rates are not appropriate. We question this position because we believe that various appropriations over the last 15 years, each of which adjusted vendors' hourly rates, may well have constituted an appropriation for rate adjustments as contemplated by the Legislature in 1998. For example, in fiscal year 2000–01, the Legislature provided a rate increase for in-home respite service vendors to be used to increase salaries and benefits, representing a 10 percent wage increase for in-home respite workers and a 5 percent rate increase for vendors for their associated administrative costs. We believe that this rate increase may well have constituted the kind of appropriation for rate adjustment the 1998 legislation intended. If this is the case, then the rate freeze ended in fiscal year 2000–01. Further, according to DDS, between fiscal years 2001–02 and 2015–16, the Legislature made a number of additional rate adjustments to cover vendors' costs associated with increases in the minimum wage and certain overtime and sick leave benefits. Additionally, in 2006, all in-home respite rate schedules were given an across-the-board rate increase of 3 percent. To the extent any of these adjustments constitutes an appropriation for rate adjustments as contemplated by the 1998 legislation, we believe the 1998 rate freeze would no longer be in effect.

We also question DDS's interpretation of legislation effective on July 1, 2003. This legislation essentially capped—or placed a ceiling on—the temporary and permanent rates vendors can receive. DDS's chief counsel explained that it believes the purpose of this legislation was only to enable DDS to increase rates if needed to protect a consumer's health or safety and that the 2003 legislation was not intended to allow DDS to reset any rates. Although this legislation limited increases in hourly payment rates, it did not prohibit decreases in rates where appropriate. Thus, DDS could have still used cost statements to determine the appropriateness of vendors' hourly rates. However, DDS stopped collecting vendors' cost statements at that time. We believe DDS should have continued to collect vendors' cost statements to determine whether

any vendors' hourly payment rates were too high and to reassign them lower permanent rates if appropriate. As a result, DDS could be missing the opportunity for cost savings for the State if any vendors' payment rates were found to be too high and should be decreased. Further, because DDS ceased requiring vendors to submit cost statements in fiscal year 2003–04, as reported to us by its assistant deputy director of the Office of Federal Programs and Fiscal Support (assistant deputy director), it cannot know whether vendors' hourly payment rates are appropriate in any event.

In our review of certain vendors at five selected regional centers, we found that the majority of vendors are receiving a temporary rate and that this rate is generally less than the permanent rate that other vendors receive. Some stakeholders have raised concerns that the temporary rates newer vendors receive, which are not established using cost statements, are typically higher than the permanent rates of older vendors, whose rates were established using cost statements. However, for the vendors we reviewed, the permanent rates, on average, were higher than the temporary rates. As shown in Table 2 on the following page, 19 of the 25 vendors we selected for review received temporary rates because they were authorized to provide in-home respite services after the cap on permanent rates became effective July 1, 2003. The remaining six vendors received permanent rates that averaged \$23.45, exceeding the average temporary rate of \$21.97 by nearly \$1.50. These differences highlight the importance of DDS obtaining and reviewing cost statements to ensure that a reduction in the permanent rates it pays vendors is not warranted. Until DDS reviews current cost statements, the public lacks assurance as to whether the differences in temporary and permanent rates are appropriate and reasonably reflect vendors' costs.

When we asked the DDS assistant deputy director about DDS's perspective on obtaining cost statements and evaluating the reasonableness of the rates it pays for in-home respite services, he stated that while cost may be one consideration in establishing rates, it is not the sole factor in determining their appropriateness. He cited, as an example, that Medicaid, known as Medi-Cal in California, requires states to ensure that payments are consistent with efficiency, economy, and quality of care, and that they are sufficient to enlist enough providers. However, we question this explanation because obtaining and evaluating cost statements is the first step in assessing whether in-home respite hourly rates are appropriate, particularly as related to economy and whether they are sufficient to enlist enough providers. In fact, because DDS performs no assessment of the appropriateness of vendors' in-home respite hourly payment rates, it cannot demonstrate that it has satisfied the Medicaid requirement referenced by the assistant deputy director. This underscores the importance of DDS not delaying its assessment of vendors' payment rates for in-home respite services.

***Until DDS reviews current cost statements, the public lacks assurance as to whether the differences in temporary and permanent rates are appropriate and reasonably reflect vendors' costs.***

**Table 2**  
Selected Vendors' Temporary or Permanent Hourly Rates as of March 1, 2016

VENDOR	DATE VENDORIZED	PERMANENT OR TEMPORARY HOURLY RATE	CURRENT HOURLY RATE FOR FULL SERVICE
<b>Alta California Regional Center</b>			
Family Respite Services	12/01/1996	Permanent	\$22.90
Maxim Healthcare Services	04/21/2005	Temporary	21.63
Pacific Homecare Services	12/27/2007	Temporary	22.00
Premier Healthcare Services	11/17/2006	Temporary	22.00
Tri-Counties Caregiver Relief	07/25/1988	Permanent	21.78
<b>Inland Regional Center</b>			
Cambrian Homecare	11/19/2004	Temporary	\$22.00
Inland Respite, Inc.	11/15/1999	Permanent	25.26
In-Roads Creative Programs, Inc.	06/01/2000	Permanent	22.71
Shella Care Management Services, LLC	11/01/2004	Temporary	21.97
United Cerebral Palsy of the Inland Empire	08/01/1990	Permanent	24.65
<b>North Los Angeles County Regional Center</b>			
Accredited Respite Services, Inc.	01/01/2012	Temporary	\$22.54
Choice Home Care, Inc.	08/01/2004	Temporary	21.85
In-Home Respite and Caregivers	09/01/2002	Temporary*	21.63
Right Choice In-Home Care, Inc.	10/01/2009	Temporary	21.90
Tender Touch Homecare	03/10/2005	Temporary	21.97
<b>San Andreas Regional Center</b>			
ComForCare Senior Center, Santa Cruz	10/01/2005	Temporary	\$21.95
Maxim Healthcare Services, San Jose	07/25/2008	Temporary	22.03
Premier Healthcare Services, San Jose	05/05/2011	Temporary	22.06
Quality Respite and Home Care, Inc., Santa Clara	10/06/2008	Temporary	22.56
Special Home Needs, Inc.	02/02/1987	Permanent	23.40
<b>Westside Regional Center</b>			
24Hr HomeCare, LLC†	04/01/2009	Temporary	\$22.07
BrightStar Care	12/01/2009	Temporary	21.63
Maxim Healthcare Services	07/01/2004	Temporary	22.01
Premier Healthcare Services	03/01/2006	Temporary	22.01
ResCare HomeCare	05/01/2013	Temporary	21.63
<b>Average hourly rates</b>			
Average permanent rate			\$23.45
Average temporary rate			21.97
<b>Difference</b>			<b>\$1.48</b>

Sources: California State Auditor's analysis of state law and information received from the five selected regional centers.

\* As of July 1, 2003, the Legislature revised state law and, as a result, the Department of Developmental Services (DDS) stopped converting temporary hourly payment rates (temporary rate) to permanent hourly payment rates (permanent rate), except under certain circumstances. Because this vendor's temporary rate would have expired on May 31, 2004, after the legislative change, DDS did not convert this vendor's temporary rate to a permanent rate.

† A regional center may use services from a vendor that was vendorized by another regional center, as was the case with this vendor. Westside Regional Center used this vendor to provide services to consumers.



Further, the assistant deputy director explained that since DDS is already required to conduct a comprehensive analysis of rates, described below, obtaining cost statements to evaluate in-home respite rates does not seem like a productive use of time. However, DDS could not provide any documentation of the methodology it used before the 2003 cap when calculating in-home respite rates. Thus, it is unclear what information the assistant deputy director is using to confirm that obtaining and evaluating cost statements would be overly time-consuming.

Although DDS does plan to conduct a required comprehensive rate study, which it states will include in-home respite rates, the results of this study will not be known for nearly three years. Effective June 9, 2016, state law requires DDS to submit by March 1, 2019, a rate study to the appropriate fiscal and policy committees of the Legislature addressing the sustainability, quality, and transparency of its community-based services for individuals with developmental disabilities. The assistant deputy director explained that DDS plans to contract with a consultant to conduct this rate study. He reported that DDS worked with the National Association of State Directors of Developmental Disabilities Services in developing a Request for Proposals, which is currently under review by DDS management. When we asked the assistant deputy director to provide details on how DDS plans to meet the deadline for the study, he did not offer additional information.

Rather than wait nearly three years for the results of this study, we believe the Legislature should require DDS to take action sooner to assess whether the in-home hourly respite rates it pays to vendors are appropriate. For instance, the Legislature should require DDS to resume collecting vendors' cost statements; DDS could then evaluate these statements and determine whether it should seek changes to state law. If its assessment demonstrated that a vendor's hourly payment rates needed to be increased, it could proactively request that the cap on permanent rates be lifted. Until these changes are made, DDS will continue to not know whether its hourly payment rates to vendors are appropriate.

***A Difference Exists Between the In-Home Respite Hourly Rates Vendors Receive and the Hourly Wages Vendors Pay to Respite Workers***

In the recent past, vendors' rates have increased primarily from legislatively approved rate adjustments due in large part to changes in minimum wage or labor laws. However, the hourly wage that vendors reported they pay their respite workers has not seen the same percentage increase. As shown in the table in Appendix B beginning on page 44, on average, from June 30, 2014, through March 1, 2016, the vendors' Full Service hourly payment rate increased from \$17.76 to \$21.21, or by more than 19 percent, while the respite workers' hourly wage

***Rather than wait nearly three years for the results of a comprehensive rate study, the Legislature should require DDS to assess whether the in-home hourly respite rates it pays to vendors are appropriate sooner.***

increased from \$9.89 to \$11.14, or by nearly 13 percent.<sup>4</sup> In addition, Table 3 shows the Full Service hourly rate and hourly wages paid to respite workers for the five regional centers we reviewed. Because the increases in vendors' hourly rates are largely due to statutory changes in minimum wage and labor laws, we expected that the hourly wages paid to respite workers would increase at a similar rate. According to the assistant deputy director, one explanation for the difference we observed is that vendors could be facing increased payroll costs from the increase in respite workers' hourly wages. For example, he explained that a \$1 increase in the hourly wage requires an investment of approximately \$1.25 due to increased taxes, social security, and other costs. Notably, state law specifies that the increase in vendors' hourly rates due to minimum wage increases shall be specific to payroll costs needed to bring respite worker hourly pay into compliance with increases in minimum wage and shall not constitute a general wage enhancement for employees paid above the minimum wage. However, DDS has not undertaken a study to ascertain whether vendors are retaining reasonable amounts of their hourly payment rates for their costs and profit margins. Until such a study is performed, it is unknown whether vendors are retaining a larger proportion of their payments than necessary. This uncertainty highlights the importance of DDS obtaining vendors' cost statements to ensure that vendors are retaining a reasonable profit and administrative costs are reasonable.

**Table 3**  
**Vendor Hourly Rates From the Five Selected Regional Centers by Payment Model and Respite Workers' Hourly Wages as of June 30, 2014, June 30, 2015, and March 1, 2016**

VENDOR NAME	JUNE 30, 2014			JUNE 30, 2015			MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD* RATE	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD* RATE	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD* RATE	AVERAGE WORKER HOURLY WAGE
California—weighted average	\$17.76	\$14.39	\$9.89	\$19.02	\$15.05	\$10.43	\$21.21	\$16.64	\$11.14
<b>Regional Centers</b>									
Alta California Regional Center	\$18.28	\$13.80	\$8.72	\$19.41	\$14.26	\$10.17	\$21.74	\$15.84	\$10.81
Inland Regional Center	19.36	13.29	8.98	20.57	15.82	9.90	23.29	17.10	10.36
North Los Angeles Regional Center	17.61	14.40	10.77	20.07	15.10	11.08	21.93	16.98	11.28
San Andreas Regional Center	17.54	13.65	9.75	18.96	14.35	10.61	20.92	16.53	11.78
Westside Regional Center	18.12	NA	9.80	19.29	NA	9.80	22.03	16.04	10.00

Source: Information provided by the five selected regional centers and vendors for the period of June 30, 2014, through March 1, 2016.

NA = Not applicable as the regional center did not provide services under this model.

\* Throughout the report we use the term *Employer of Record* model to indicate the process used when the family selects the individual who will provide the in-home respite service. Certain vendors we reviewed refer to this model using other terms, such as the *parent conversion rate*.

<sup>4</sup> The average hourly wage paid to the respite worker at the statewide level and for each regional center is a weighted average. This average takes into consideration the numbers of consumers served by each vendor as a proportion of the total number of consumers served by the respective regional center.

Further, we found in our review of selected vendors at the five regional centers we visited that vendors retained a large portion of their payment rates compared to the hourly rate paid to their respite workers, depending on the type of service model. Specifically, as shown in Table 4 on the following page, the majority of vendors we reviewed offer services under both the Employer of Record model and the Full Service model; they receive a lower hourly payment rate from DDS for the Employer of Record model because they have lower operating costs. As described in the Introduction, some families select an individual, such as a family member, to provide respite services to the consumer. A third model, the financial management service (FMS) model, is used under the same circumstances as the Employer of Record model; however, for reasons, some of which we describe later in this section, it is not as commonly used by the regional centers. The Employer of Record rates are negotiated between the regional center and the vendor. For example, Table 4 shows that as of March 1, 2016, the vendor—Inland Respite, Inc. (Inland Respite)—reported that it retained more than \$7 per hour under the Employer of Record model; it received a payment rate of \$17.27 per hour and paid its respite workers an hourly wage of \$10. The disparity is even greater under the Full Service model, under which, for example, Inland Respite received \$25.26 per hour, paid respite workers an hourly wage of \$10, and retained more than \$15 per hour for its operations and any costs associated with the respite worker, such as payroll taxes and benefits. These notable differences raise questions about the appropriateness of the hourly rate paid to vendors.

Based on our review of four high-earning vendors, vendors may be retaining more funds than reasonable to cover their administrative costs and remain profitable. To identify whether the differences between the vendor hourly rates and the hourly wages paid to respite workers appear reasonable, we requested information from the four vendors that each earned more than \$7 million in revenue from providing in-home respite services during our audit period. Table 5 on page 23 presents the proportion of the vendors' payment rates that each reported spending on hourly wages, payroll taxes, training, administrative costs, and net profit. For example, Accredited Respite Services, Inc. (Accredited) reported retaining nearly 5 percent of its Full Service payment rate as net profit and reportedly spent 30 percent of the payment rate on administrative costs. Similarly, Inland Respite also reported spending about 30 percent of the payment rate on administrative costs and retaining roughly 12 percent as net profit. Premier Healthcare Services, Inc. (Premier Healthcare) reported administrative costs of roughly 39 percent. In the following section, we discuss in more detail these vendors' administrative costs as they relate to each entity as a whole.

***Based on our review of four high-earning vendors, vendors may be retaining more funds than reasonable to cover their administrative costs and remain profitable.***

**Table 4**  
Selected Vendors' In-Home Respite Rates Compared to the Hourly Wages Paid to Respite Workers as of March 1, 2016

VENDOR NAME	AS OF MARCH 1, 2016		
	FULL SERVICE	EMPLOYER OF RECORD*	RESPITE WORKER HOURLY WAGE
<b>Alta California Regional Center</b>			
Family Respite Services	\$21.68	NA	\$10.75–12.25
Maxim Healthcare Services	21.63	\$16.17	10.00–11.00
Pacific Homecare Services	22.00	14.97	10.00–11.00
Premier Healthcare Services	22.00	14.97	10.12–10.85
Tri-Counties Caregiver Relief	21.78	NA	10.85–11.85
<b>Inland Regional Center</b>			
Cambrian Homecare	\$22.00	\$16.97	\$10.00–11.50
Inland Respite, Inc.	25.26	17.27	10.00
In-Roads Creative Programs, Inc.	22.71	17.96	10.00–10.15
Shella Care Management Services, LLC	21.97	17.24	10.00–12.00
United Cerebral Palsy of the Inland Empire	24.65	NA	10.25–11.00
<b>North Los Angeles County Regional Center</b>			
Accredited Respite Services, Inc.	\$22.54	\$17.27	\$10.00–12.74
Choice Home Care, Inc.	21.85	17.26	10.00–14.75
In-Home Respite and Caregivers	20.41	NA	10.00
Right Choice In-Home Care, Inc.	21.90	NA	10.00–13.50
Tender Touch Homecare	21.97	17.39	10.00–12.00
<b>San Andreas Regional Center</b>			
ComForCare Senior Center, Santa Cruz	\$21.95	NA	\$10.00–11.00
Maxim Healthcare Services, San Jose	22.03	\$17.08	10.00–16.50
Premier Healthcare Services, San Jose	22.06	16.69	10.00–13.50
Quality Respite and Home Care, Inc., Santa Clara	22.56	NA	10.30–16.50
Special Home Needs, Inc.	23.40	NA	10.30–12.50
<b>Westside Regional Center</b>			
24Hr HomeCare, LLC	\$22.07	\$16.05	\$10.00
BrightStar Care (BrightStar)	21.63	NA	No Response <sup>†</sup>
Maxim Healthcare Services	22.01	16.03	10.00
Premier Healthcare Services	22.01	16.04	10.00
ResCare HomeCare	21.63	NA	11.00

Source: California State Auditor's analysis of information received from the five selected regional centers.

NA = Not applicable as vendor does not provide services under this model.

\* Throughout the report we use the term *Employer of Record* model to indicate the process used when the family selects the individual who will provide the in-home respite service. Certain vendors we reviewed refer to this model using other terms, such as the *parent conversion rate*.

† Westside Regional Center (Westside) predominately uses four vendors for in-home respite services. We selected those four vendors for review. In addition, we selected BrightStar as our fifth vendor. However, BrightStar only provides services to one consumer. BrightStar did not respond to requests from Westside to provide us with the hourly wage it paid to the respite worker for the one consumer.

We asked the DDS assistant deputy director whether DDS knew what the appropriate level of net profit and administrative costs should be for in-home respite vendors. He stated that DDS does not have information regarding the profit margins that in-home respite vendors are making, and it has not undertaken a study of whether vendors are retaining reasonable amounts of their payment rates for their costs and profit. Further, he explained that DDS has not developed guidance or conducted any analysis on an appropriate or reasonable amount that vendors should be retaining for net profit or spending on administrative costs specifically for in-home respite services. DDS does have guidance on appropriate administrative cost thresholds for other services—those that are subject to a 15 percent administrative cost cap. However, according to the assistant deputy director, this guidance is not specific to net profit. Services that are negotiated and obtained through a contract between vendors and regional centers are subject to the 15 percent administrative cost cap. However, services provided through a vendorization process, such as in-home respite services, are not subject to any administrative cap. Obtaining and reviewing vendors' cost statements would allow DDS to conduct such a study, and until it does so, there is risk that vendor rates are not appropriate.

**Table 5**  
**Vendors Earning More Than \$7 Million in Fiscal Year 2014–15 and Their Reported Breakdown of Their Full Service Rate as of January 1, 2016**

	ACCREDITED RESPITE SERVICES, INC.		INLAND RESPITE, INC.		IN-ROADS CREATIVE PROGRAMS, INC.*		PREMIER HEALTHCARE SERVICES	
	NORTH LOS ANGELES COUNTY REGIONAL CENTER		INLAND REGIONAL CENTER		INLAND REGIONAL CENTER		WESTSIDE REGIONAL CENTER	
	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
Rate received as of January 2016	\$22.54	100.0%	\$25.26	100.0%	\$22.71	100.0%	\$22.01	100.0%
<b>Category of Expenditure</b>								
Respite worker hourly wage	\$12.25	54.3%	\$10.00	39.6%	\$10.15	44.7%	\$10.75	48.9%
Respite worker payroll taxes	1.62	7.2	1.35	5.3	1.17	5.2	2.05	9.3 <sup>†</sup>
Respite worker benefits	0.78	3.5	3.25	12.9	0.22	1.0		
Respite worker training	0.07	0.3	0.02	0.1	0.00	0.0	0.47	2.1
Administrative costs <sup>‡</sup>	6.76	30.0	7.63	30.2	1.07	4.7*	8.68	39.4
<b>Net Profit</b>	<b>\$1.06</b>	<b>4.7%</b>	<b>\$3.01</b>	<b>11.9%</b>	<b>\$10.10</b>	<b>44.4%</b>	<b>\$0.06</b>	<b>0.3%</b>

Source: Unaudited information reported by vendors earning greater than \$7 million in revenue by providing in-home respite services.

\* In-Roads Creative Programs, Inc. provided some detail on its administrative costs; however, it was unable to provide all administrative costs, and therefore, its net profit is most likely overstated.

† Premier Healthcare did not specify separate amounts for respite worker payroll taxes and benefits. Therefore, the amounts are combined in this table.

‡ For the purposes of this table, we have included all costs not directly related to the respite worker in this category of expenditure.

Some of the regional centers use the FMS model, which is less costly than the Employer of Record and Full Service models. Specifically, DDS issued emergency regulations effective October 1, 2011, based on a federal requirement from the Centers for Medicare and Medicaid Services (CMS) that every state, including California, use a vendor when funding voucher services for in-home respite care, among other services.<sup>5</sup> Consumers choosing their own individual respite worker have the option of choosing how their respite services are coordinated, such as by selecting a vendor that uses the Employer of Record or the FMS model. One key difference, however, is that the rates paid to FMS vendors and their respite workers are defined in regulation unlike Employer of Record rates, which are negotiated. Therefore, under the FMS model, either the adult consumer or family member is vendorized and then hires the respite worker. The FMS vendor acts as the adult consumer's, or family member's, agent in performing payroll duties. Because the adult consumer or family member is vendorized under the FMS model, they are responsible for recruiting and scheduling the respite worker. As a result, the in-home respite vendor sponsoring the respite worker has fewer responsibilities and thus lower operating expenditures. Based on information we received from one regional center, Eastern Los Angeles Regional Center, as of March 1, 2016, the highest hourly rate it paid an FMS vendor was \$13.10. This rate was nearly \$3.60 an hour less than the average statewide payment rate under the Employer of Record model shown in the table in Appendix B beginning on page 44.

***Vendors' rates under the FMS model are considerably lower than under the other models, but is not always a viable option because some cities' minimum wage laws are above the pay rate identified in statute.***

Vendors' rates under the FMS service model are considerably lower than under the other models. Three of the five regional centers we reviewed use this approach, and each has done so on a limited basis. According to the resource district manager at San Andreas Regional Center, the FMS model is its preferred model. However, it is not always a viable option because some cities' minimum wage laws are above the pay rate identified in statute; therefore, the Employer of Record model has to be used. Nevertheless, DDS has not taken steps to fully inform or encourage regional centers to use FMS vendors when feasible. The DDS assistant deputy director stated that the FMS model offers consumers and their families another choice as to how respite care is coordinated. He explained that the choice of how service is coordinated—and therefore which mode of service delivery to use—is determined based on the unique needs of the consumer and family and is part of the individual program plan process; therefore, DDS does not suggest one method over the other. Nonetheless, DDS is not precluded from informing regional centers about the cost savings to the State that can be realized by using an FMS model to provide in-home respite services. Thus, DDS has likely missed an opportunity for additional regional centers to use FMS vendors, which might result in cost savings for the State.

<sup>5</sup> Respite services can be obtained from a respite vendor by use of a voucher, which is a means by which a family may choose their own service provider directly through a payment, coupon, or other type of authorization.

### Vendors Earning More Than \$7 Million in Revenue for In-Home Respite Services Reported High Administrative Costs

Of the more than 250 vendors that provided in-home respite services in fiscal year 2014–15, four received more than \$7 million in revenue specifically for these services. For vendors earning this level of revenue, we were asked to determine specific financial information, including the revenue they received from public funds, categorized by service model; their annual net income; and the amount and percentage of their administrative costs. Table 6 on the following page presents this information, as reported by the vendors as of June 30, 2015.<sup>6</sup> Two of the vendors, Premier Healthcare and Accredited, have several locations in the State and provide additional services to in-home respite care. In addition, both Premier Healthcare and Accredited are vendorized by different regional centers. DDS provides funding to each vendorized company, treating each one as a separate vendor. Therefore, the financial information presented in Table 6 for Premier Healthcare and Accredited represents only the revenues and expenditures for in-home respite care services for the vendors authorized by Westside Regional Center (Westside) and North Los Angeles County Regional Center (North Los Angeles), respectively.

State law in effect during the audit period required all vendors that received \$500,000 or more in annual revenue from DDS to submit audited financial statements to the regional center that vendorized them.<sup>7</sup> However, our review determined that not all vendors had been complying with this requirement. For example, of the four vendors that received more than \$7 million in revenue during fiscal year 2014–15, only Accredited and Premier Healthcare submitted the required audited financial statements to North Los Angeles and Westside, respectively. Officials from In-Roads Creative Programs, Inc. (In-Roads) explained in September 2016 that they anticipate the audit of their most recent financial statements to be completed by October 2016. In-Roads also told us that it has not obtained an audit of its financial statements for the years ending December 31, 2013, and December 31, 2014, and its chief executive officer stated that it plans to contract for these audits after it completes the audit of its most recent financial statements for the year ending December 31, 2015. The remaining vendor, Inland Respite, recently obtained an audit of its financial statements for the year ending December 31, 2013.

*All vendors that received \$500,000 or more in annual revenue from DDS were required to submit audited financial statements to the regional center that vendorized them, yet not all vendors had been complying with this requirement.*

<sup>6</sup> Accredited provided information for the period of April 1, 2014, through March 31, 2015.

<sup>7</sup> State law effective June 9, 2016, requires vendors that receive at least \$500,000 but less than \$2 million in state funds to obtain an independent review of their financial statements for the most recent reporting period. Vendors that receive \$2 million or more in state funds must obtain an independent audit of their financial statements.

**Table 6**  
Revenue and Expenditures Reported by Vendors Receiving More Than \$7 Million in Fiscal Year 2014–15 in  
In-Home Respite Services as of June 30, 2015

	VENDOR AND ITS RESPECTIVE REGIONAL CENTER			
	ACCREDITED RESPITE SERVICES, INC.*†	INLAND RESPITE, INC.	IN-ROADS CREATIVE PROGRAMS, INC.	PREMIER HEALTHCARE SERVICES*
	NORTH LOS ANGELES COUNTY REGIONAL CENTER	INLAND REGIONAL CENTER	INLAND REGIONAL CENTER	WESTSIDE REGIONAL CENTER
<b>TOTAL REVENUE</b>				
Full Service	\$745,505	\$3,891,363	‡	\$334,408
Employer of Record	13,084,338	6,970,859	‡	15,603,497
<b>Totals</b>	<b>\$13,829,843</b>	<b>\$10,862,222</b>	<b>\$7,249,889</b>	<b>\$15,937,905</b>
<b>DIRECT SERVICE EXPENDITURES</b>				
Respite Worker Wages and Benefits	\$9,054,383	\$6,070,509	\$4,215,694	\$13,668,500 <sup>§</sup>
Payroll Taxes	1,197,450	787,852	489,036	
Recruitment and Screening	27,884	5,889	2,483	12,541
Training and Travel	11,513	26,642	26,005	22,568
<b>Totals</b>	<b>\$10,291,230</b>	<b>\$6,890,892</b>	<b>\$4,733,218</b>	<b>\$13,703,609</b>
<b>Percentage of Total Revenue</b>	<b>74.41%</b>	<b>63.44%</b>	<b>65.29%</b>	<b>85.98%</b>
<b>ADMINISTRATIVE COSTS</b>				
Wages and Benefits	\$1,909,954	\$841,380 <sup>  </sup>	\$412,257	\$1,190,854
Other Operating Expenditures	154,060	1,907,937 <sup>  </sup>	\$1,754,862	753,764
Provision for Income Taxes	588,106	359,716	—	—
<b>Totals</b>	<b>\$2,652,120</b>	<b>\$3,109,033</b>	<b>\$2,167,119</b>	<b>\$1,944,618</b>
<b>Percentage of Total Revenue</b>	<b>19.18%</b>	<b>28.62%</b>	<b>29.89%</b>	<b>12.20%</b>
<b>NET INCOME</b>				
<b>Amount</b>	<b>\$886,493</b>	<b>\$862,297</b>	<b>\$349,552</b>	<b>\$289,678</b>
<b>Percentage of Total Revenue</b>	<b>6.41%</b>	<b>7.94%</b>	<b>4.82%</b>	<b>1.82%</b>

Source: Unaudited information reported by the specified vendors.

\* Accredited Respite Services, Inc. (Accredited) and Premier Healthcare Services (Premier Healthcare) provide other services in addition to in-home respite. The information presented in this table is specific to revenue and expenditures for in-home respite services.

† Information provided by Accredited is for the period April 1, 2014, to March 31, 2015.

‡ In-Roads Creative Programs, Inc. did not provide a breakdown of its revenue by type of service model.

§ Premier Healthcare did not specify separate amounts for respite worker wages and benefits and respite worker payroll taxes. Therefore, the amounts are combined in the table.

|| According to Inland Respite, Inc., a small percentage of wages, benefits, and other operating expenditures under the Administrative Cost category are direct service expenditures.

In an attempt to obtain current financial information for these vendors, we requested that they provide information regarding their revenues and expenditures specific to in-home respite services as of the fiscal year ending June 30, 2015. Table 6 presents information they reported and is specific to the regional center by which the vendor is authorized. Table 6 also shows the varying amounts that vendors reported spending on direct service expenditures or those related to their respite workers, such as wages, payroll taxes, and recruitment



costs. For example, Premier Healthcare reported that it spent nearly 86 percent of its in-home respite revenue on costs related to the respite workers. This is markedly higher than the 63 percent spent on the same expenditure category by Inland Respite.

Unlike certain other services that DDS provides, in-home respite services currently has no cap on vendors' administrative costs, which could explain some of the variance seen in Table 6. Specifically, effective March 2011, state law required all contracts between service providers and regional centers to specify that the service provider must not spend more than 15 percent of program funds on administrative costs. Regional centers may purchase services by way of vendorization, which is the process used to authorize vendors to provide in-home respite services, or by entering into a contract with a service provider. Because there is no corresponding cap on administrative costs for services provided through the vendorization process, the 15 percent cap does not apply to vendors providing in-home respite services. Table 6 shows that only one vendor, Premier Healthcare, reported administrative costs, which include wages and benefits of administrative staff and other operating expenditures, that were less than 15 percent. Yet, the portion of its full service rate spent on administrative costs shown previously in Table 5 on page 23 was 39.4 percent—significantly higher than the 12.2 percent shown in Table 6. The vendor did not fully explain why its administrative costs in Table 5 are higher, but one reason it did provide is that these costs include amounts such as program coordinator pay that Premier Healthcare believes are direct service costs. However, we included these costs as administrative costs because they were not specific to the cost of the respite worker. As previously discussed, Table 6 presents the revenues and expenditures for in-home respite services for vendors as of June 30, 2015. Table 5 presents the breakdown of the Full Service hourly rate received by the vendor.

When we followed up with Accredited, it provided us with a reasonable explanation for the difference in the administrative costs it reported and that we presented in tables 5 and 6. Specifically, Accredited stated that the 30 percent in administrative costs it reported, which we present in Table 5, reflects costs under the Full Service model, which is inherently more costly due to vendor responsibilities that include scheduling services and recruiting respite workers. In contrast, Accredited indicated that the roughly 19 percent it reported as administrative costs that we present in Table 6 includes costs for both the Full Service and Employer of Record models, and the Employer of Record model is less costly to operate. Accredited stated that most of its reported administrative costs that are presented in Table 6 relate to services provided under the Employer of Record model, which is why its administrative costs we present in this table are less than those we present in Table 5.

*Unlike certain other services that DDS provides, in-home respite services currently has no cap on vendors' administrative costs.*

*Without a cap on administrative costs, the State runs the risk that vendors are spending unreasonable amounts on these types of expenditures.*

Although the other three vendors did not cite this as a reason for their differences, this explanation could reasonably apply given they also offer services under the Employer of Record model. Further, Table 6 shows that In-Roads reported the highest administrative cost, at almost 30 percent. Although the wages and benefits it reportedly paid to its administrative staff are significantly lower than the amounts the three other vendors reported, the amount reported by In-Roads in the other operating expenditures category is substantially higher than two of the vendors. When we requested additional information about these expenditures, In-Roads could not provide an exact breakdown of the costs that make up this category, but did explain various reasons for the high costs, including the use of attorneys to understand labor laws and rent for many outlying offices that its staff and consumers use.

Inland Respite reported administrative costs at more than 28 percent and indicated that a substantial portion of its other operating expenditures were from mileage for respite workers. Accredited reported administrative costs of roughly 19 percent, which includes an amount for the provision for income taxes and a large amount dedicated to wages and benefits of administrative employees. Without a cap on administrative costs, the State runs the risk that vendors are spending unreasonable amounts on these types of expenditures. Further, without obtaining cost statements from vendors and ensuring that they are promptly submitting audited financial statements, DDS remains unaware of the financial condition of these vendors or whether their rates are appropriate.

The information provided by the four vendors in Table 6 also indicates that their reported net income ranged from nearly 2 percent to almost 8 percent. However, DDS officials explained that it does not have information regarding the profit margins in-home respite vendors are earning. DDS also has not developed guidance or conducted any analysis on an appropriate or reasonable amount vendors should be retaining for net income or spending on administrative costs as it relates specifically to in-home respite services. Although DDS has issued some guidance on what constitutes appropriate administrative costs for service providers subject to the 15 percent administrative cost cap, this guidance is not specific to net profit.

### **Vendors Providing In-Home Respite Services Receive Minimal Monitoring Once They Are Authorized by the Regional Centers**

The five regional centers we reviewed have adequate processes for initially authorizing vendors to provide in-home respite services. The vendorization process requires regional centers to verify—before a vendor is allowed to provide services to consumers—that the vendor’s application meets the requirements specified in regulations.

Specifically, regulations state that a vendor's application must contain a proposed or existing service design, a service provider agreement, and a disclosure statement form, among other things. The five regional centers we visited used varying approaches to review vendors' applications. For example, the regional centers have checklists, guidelines, or policies and procedures to assist with their review. These types of documents can help staff identify the items that regulations require as well as additional information or documents that the regional center may require. For example, North Los Angeles explained that it has a detailed technical assistance process that includes conducting orientations to ensure that vendors are aware of the requirements to become authorized and to encourage each vendor to determine whether it has a sound business plan. Further, some regional centers have additional requirements, such as carrying workers' compensation or abuse and molestation liability insurance, and they require vendors to certify that they will comply with various requirements, including those applicable to in-home respite services.

Once a regional center has authorized the vendor, the vendor sends the necessary information to DDS so that it can establish an hourly rate of pay that the vendor will receive for its service. DDS is required to perform another review of the program design to ensure that it satisfies applicable requirements, and if satisfied, it issues the vendor a temporary hourly rate. Regulations also require that regional centers at least biennially review all vendor files they maintain to determine whether the vendorization information is current, accurate, and complete. In addition, regional centers have the authority to terminate vendorization for noncompliance with vendorization requirements.

Our review found that regional centers could not demonstrate adequately, if at all, that they conduct reviews of vendor files at least every two years as required to ensure that vendors continue to comply with the vendorization requirements. In fact, although three regional centers indicated they review the files to ensure they are current, none could fully demonstrate that this review is conducted. For example, North Los Angeles's community services director explained that the regional center requires staff to use a checklist during its review of the files, but does not require staff to document or retain the completed checklist; she further explained that she will require the checklist to be documented and retained going forward. Westside's director of community services stated that although the regional center does not have a formal policy to review vendor files, staff job duties require staff members to routinely review the files. She provided us with a job description for these staff members, which indicates they are to maintain accurate vendor records; however, there is no evidence to verify whether the staff members actually perform those duties. Inland Regional Center indicated that in accordance with regulations, it conducts a review of the vendors' files at least biennially, but it

***Regional centers could not demonstrate adequately, if at all, that they conduct reviews of vendor files at least every two years as required to ensure that vendors continue to comply with requirements.***

could not provide any documentation of the review. The remaining two regional centers acknowledged that they do not review the files as required by regulations. Because the regional centers could not provide sufficient evidence demonstrating that they consistently perform a review of the vendor files, the regional centers risk that some vendors may not comply with vendorization requirements after initially being authorized to provide in-home respite services.

Nonetheless, we did observe that North Los Angeles takes steps to help ensure vendors comply with certain requirements. State law in effect during our audit period required that a vendor receiving \$500,000 or more from one or more regional centers during the respective vendor's fiscal year obtain an independent audit of its financial statements for the period. North Los Angeles includes information on its website regarding this requirement and emphasizes the need for vendors to submit the required audits. As part of this information, North Los Angeles states that regional centers are required by state law to take appropriate action, up to termination of vendorization, for the vendor's failure to provide an independent audit report as well as adequate resolution of issues identified in the report. In addition, North Los Angeles sends notices to those vendors that fail to submit the independent audit report as required and informs the vendor that failure to meet this requirement will result in termination of its vendorization. As mentioned previously, Accredited, which is vendorized by North Los Angeles, was one of only two vendors that received more than \$7 million in revenue during fiscal year 2014–15 that obtained a current audit of its financial statements. Further, North Los Angeles decided to terminate one of its vendors that consistently failed to satisfy this requirement, a decision that DDS upheld in May 2016. Without obtaining those reports, the regional centers are hindered in their ability to monitor a vendor's financial condition and identify issues that could have an impact on regional center services.

***The regional centers do not have procedures that include ensuring vendors provide sufficient training to respite workers, that respite workers obtain the required certifications, and that the quality of services provided by the vendor for in-home respite care is adequate.***

Moreover, although all regional centers we reviewed informed us that they have a process to review information, such as billing and payment authorizations, regarding vendors' services provided to consumers, none have procedures that include ensuring vendors provide sufficient training to respite workers, that respite workers obtain the required certifications, and that the quality of services provided by the vendor for in-home respite care is adequate and consistent across consumers. Although regional centers generally ensure that vendors have updated business licenses and insurance certificates, we did not identify any other actions that the regional centers are taking to monitor the vendors' compliance with their program design and service outcomes. In addition, regulations require each vendor to perform certain activities, such as submitting to the regional center an annual self-review of the vendor's effectiveness in relation to its service design. This review includes a

self-assessment of the vendor's ability to meet the in-home respite needs of consumers served, the number of consumers served, and the degree to which family members were satisfied with the service the vendor provided. However, in our review of vendor files, none of the regional centers consistently ensured that vendors submitted these self-reviews as required. Vendors' submission of these reviews was notably infrequent; in fact, at the time we conducted our audit, only two of the 25 vendor files we reviewed included an annual self-review for the vendor's most recent fiscal year. One of the regional centers whose vendor files we reviewed that did not contain the self-reviews stated that if it does receive them from the vendor, it places the self-reviews in the vendor file; however, the regional center stated that the review is not something that it requires because the regional center believes it has limited value. The remaining four regional centers explained that they have not required vendors to submit self-reviews or that they lacked the staff resources during the period of our review to ensure that they were collected. Nevertheless, ensuring that these self-reviews are submitted and evaluated provides regional centers with an opportunity to gauge the vendors' performance, evaluate consumer satisfaction, and identify any areas of needed improvement in their quality of service.

Although there are no requirements that regional centers monitor vendors, they are not precluded from doing so, and we found that two regional centers had previously performed reviews of vendors but chose to stop doing so because of funding constraints. For example, in 2011 the Inland Regional Center formally conducted quality assurance audits of the program, employee, and consumer records for two of the five vendors we selected for review. One of these audits concluded that the respective vendor should require all routine respite workers to have ongoing training on developmental disability topics, among other things, and recommended conducting such trainings twice a year. The audit also found that not all of the employee files contained all of the required documentation, including CPR and first aid certifications. In the audit of the other vendor, Inland Regional Center had a similar finding related to training and noted that regular respite workers should be offered trainings on developmental disability topics. The conclusions reached in these quality assurance audits highlight the value of conducting such reviews, since Inland Regional Center identified key areas for needed vendor improvement in respite service delivery.

Nevertheless, when we asked Inland Regional Center why it no longer conducts these audits, the director of community services stated that the auditing requirement is not mandated or funded; as a result, he cut funding for the auditing program about five years ago and shifted the resources toward other business needs. Similarly, the community services director of North Los Angeles, which conducted its last quality assurance review in 2004 for one of

***None of the regional centers consistently ensured that vendors submitted annual self-reviews as required.***

*Although in-home respite workers provide direct services and care to individuals with developmental disabilities, these workers are not required to undergo criminal background checks.*

the five vendors we selected for review, explained that it no longer evaluates in-home respite vendors annually because there is no requirement to do so and no funding to conduct such evaluations. The remaining three regional centers we reviewed had similar responses as to why they do not monitor vendors regularly.

Finally, although in-home respite workers provide direct services and care to individuals with developmental disabilities, these workers are not required to undergo criminal background checks. In contrast, a program implemented in 2016 that was established by state law to create a home care aide registry, overseen by the California Department of Social Services, does require certain home care aides to undergo a criminal background check with the California Department of Justice to demonstrate they are of reputable and responsible character. Previous analysis related to similar proposed legislation indicates that services provided under the Lanterman Developmental Disabilities Services Act (Lanterman Act), which includes in-home respite services, were excluded from this recent program because these services are provided in accordance with individual program plans that are developed, implemented, and monitored by regional centers, which in turn, are overseen by DDS. The analysis concluded that workers, including in-home respite workers, providing services under the Lanterman Act are already subject to oversight, quality assurance, and training requirements that, for the most part, far exceed the requirements of the proposed legislation. Although we acknowledge this oversight framework exists, there is no requirement that in-home respite workers undergo criminal background checks. Also, as noted in this report, we found the oversight exerted over the provision of in-home respite services by the regional centers and DDS to be very limited. Further, in-home respite services—the focus of this audit—is just one of many services offered under the Lanterman Act, and workers providing other services under the act may also not be required to undergo criminal background checks. Such a requirement could help ensure the health and safety of individuals with developmental disabilities that receive these services.

### **DDS Should Increase Its Oversight of Regional Centers' Compliance With State and Federal Requirements**

DDS performs limited monitoring of regional centers' compliance with the state and federal requirements applicable to in-home respite services. In fact, its current monitoring efforts in this area consist entirely of the fiscal audits of regional centers it is required to conduct at least every two years. However, these audits generally do not include a review of in-home respite services. We are not alone in our concern with DDS's limited monitoring. Several years ago CMS reported that, among other findings, DDS needed to do more to ensure that regional centers had methods for identifying, investigating, and referring vendor

fraud cases, and to ensure that vendors' owners and key management disclose all required criminal conviction information. DDS needed to take these actions in order for the State to continue receiving federal funding. Although at that time DDS took some steps to address these concerns, we found that regional centers continue to not ensure their vendors' compliance with these requirements. Without increased oversight from DDS to ensure that regional centers are complying with requirements related to in-home respite services, DDS lacks assurance that services are being provided as intended.

For certain eligible consumers, including those receiving in-home respite services, the regional centers can purchase services from vendors using Medicaid funds made available to them through DDS. Medicaid, known as Medi-Cal in California, is a jointly funded, federal-state health insurance program that includes long-term care benefits for certain low-income persons and people in financial need. To ensure that regional centers implement the requirements of the Medicaid Home and Community-Based Services Waiver (Medicaid Waiver), DDS conducts, among other activities, fiscal audits of the regional centers. In its Medicaid Waiver policy manual, DDS commits to conducting fiscal audits of each regional center at least every two years with follow-up audits in alternate years. Further, the Lanterman Act requires DDS to audit state funds provided to the regional centers, which DDS can accomplish through the biennial fiscal audits it is supposed to conduct. DDS's standard audit program directs its auditors to test a sample of the regional centers' expenditures for services, which may include in-home respite services, that are provided to consumers to ensure that the expenditures are allowable.

However, DDS has not audited regional centers every two years as required, and for those audits it has conducted, its review of in-home respite services has been minimal or nonexistent. Specifically, we found that DDS completed 14 of the 21 fiscal audits required for fiscal years 2013–14 and 2014–15. According to DDS's deputy director of administration, the delays in completing its audit reports are due to audit staffing shortages and a lengthy internal review process for the audit report and the evaluation of information the regional centers submit. She stated that DDS is working with its personnel section on improving recruitment efforts for auditors and is moving toward a more streamlined internal review process. Even so, DDS's fiscal audits are a key monitoring mechanism that, if not completed every two years, could allow any fiscal problems at an unaudited regional center to continue undetected. Further, these audits do not always include a review of vendor files maintained by the regional center or a review of expenditures related to vendors that provide in-home respite services. Specifically, according to the deputy director of administration, in-home respite vendors are part of the universe of vendors from which DDS selects a sample to review. A sample

***DDS has not audited regional centers every two years as required, and for those audits it has conducted, its review of in-home respite services has been minimal or nonexistent.***

may not include any in-home respite vendors because the audits cover all service types, and in-home respite services is just a small percentage of regional centers' expenditures.

Further, DDS performs no other monitoring activities specific to in-home respite services. When we requested information on its monitoring efforts of this program, DDS provided us with a list of various monitoring and oversight activities that it stated it performs on all its services. However, when we asked the assistant deputy director which of these activities were specific to in-home respite services, he confirmed that only the biennial fiscal audits might include a review of in-home respite services. Without effective monitoring of regional centers, DDS has little assurance regional centers are complying with applicable laws and regulations and whether consumers are receiving the intended in-home respite services.

As an example of the need for additional oversight by DDS, in January 2011 CMS published a comprehensive program integrity review of Medi-Cal that identified concerns that regional centers were not always ensuring that vendors were eligible providers and were regardless allowed to receive federal funds. Specifically, CMS reported that the State does not capture all required ownership, control, and relationship information from vendors. In response to this finding, in December 2011 DDS adopted emergency regulations requiring all vendors to complete a disclosure form identifying certain individuals, such as their business owners and key managers. Further, biennially, the regulations require the regional centers to ensure that vendors disclose all required criminal conviction information for fraud involving government programs and are otherwise eligible for vendorization. Any such unqualified vendors are ineligible to receive federal funds.

Nevertheless, although DDS has taken some steps to address these concerns, it can increase its oversight to ensure regional centers' compliance with requirements regarding vendors' disclosure forms. Specifically, in our review of the five regional centers and a selection of five vendor files at each center, for a total of 25 vendor files, we found that only one regional center—North Los Angeles—fully complied with this requirement. At the remaining four regional centers, we found problems in eight of the 20 vendor files we reviewed. In some cases, the regional centers could not demonstrate that they had collected the disclosure forms at all, and in other cases the regional centers could not demonstrate that they had verified that the individuals on the forms were not excluded from receiving federal funds. Three of the regional centers acknowledged that the issues we identified were caused by a lack of oversight on their part in ensuring that the forms were collected and verified in a timely manner. The remaining regional center, Inland Regional Center, could not explain why it did not collect the vendor disclosure form or verify whether the individuals were eligible to receive federal funds.



Although the responsibility for collecting and verifying these disclosure forms resides with the regional centers, DDS has a responsibility to ensure that regional centers are complying with applicable requirements. State law requires regional centers to review the disclosure information. According to the deputy director of administration, as part of its audit procedures, DDS reviews the disclosure forms and supporting documentation of the regional center's verification that vendors are eligible to receive federal funding. However, we question how effective these reviews are, given that, as described previously, DDS has not conducted these audits in a timely manner as required, and we identified several problems with regional centers' compliance with the requirements regarding vendors' disclosure forms. Thus, until DDS implements appropriate oversight measures to ensure that regional centers are adhering to these requirements, it runs the risk that some vendors may not be eligible to receive federal funding.

## **Recommendations**

### ***Legislature***

To ensure that DDS is paying reasonable and appropriate rates to vendors for in-home respite services, the Legislature should clarify whether the rate freeze imposed by the 1998 legislation is still in effect despite the numerous legislative rate adjustments made since then. Further, the Legislature should clarify whether the 2003 legislation that imposed a cap on vendors' hourly payment rates constitutes only a ceiling on increases of in-home respite rates and require DDS to resume collecting cost statements and adjust the rates if appropriate.

To ensure that vendors' in-home respite hourly payment rates are reasonable and appropriate, particularly when compared to their administrative costs and the hourly wages they pay to respite workers, the Legislature should require DDS to conduct an in-depth review of its in-home respite rates by November 1, 2017. In conducting this review, the Legislature should require DDS to perform the following:

- Obtain and analyze all vendors' cost statements to determine their costs of providing services and whether vendors' administrative costs are reasonable.
- Obtain information from vendors on the hourly wages they pay to respite workers and analyze this information to determine whether vendors' hourly rates are reasonable.

- Using information from the cost statements, identify whether vendors' temporary rates should be converted to permanent rates.
- Submit a report to the Legislature on the results of its review, including a proposal on the extent to which legislative changes are needed to ensure that in-home hourly respite rates are appropriate.

To ensure the health and safety of individuals with developmental disabilities, the Legislature should require workers who provide in-home respite services to consumers to undergo a criminal background check. For the other services that fall under the Lanterman Act, the Legislature should require DDS to conduct a review of the types of services provided directly to consumers and whether any oversight mechanisms are in place to ensure that workers providing these services do not have criminal backgrounds. The Legislature should require DDS to report the results of this review no later than December 31, 2017, and, using the results of this review, determine whether legislation requiring such workers to undergo criminal background checks is necessary to protect the health and safety of individuals with developmental disabilities.

### ***DDS***

To ensure that regional centers are aware of the benefits, including cost savings to the State that can be realized by using FMS vendors, DDS should formally communicate to regional centers regarding the model.

To ensure that in-home respite vendors are providing quality services and that vendors are adhering to state requirements, DDS should issue regulations requiring regional centers to conduct periodic and ongoing reviews of vendors' programs, employees, and consumer records.

To ensure that in-home respite vendors comply with vendor requirements on an ongoing basis, DDS should require the regional centers to develop a process to conduct biennial reviews of the vendor files the regional centers maintain and document the outcome of the review in the files. DDS should require the regional centers to take appropriate action to ensure that vendors comply, up to and including terminating the vendorization, if necessary.

To ensure that it is providing oversight in accordance with state law and federal requirements, DDS should ensure that it performs audits of each regional center every two years as required. In conducting these audits, DDS should consistently include a review of in-home respite services.

We conducted this audit under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives specified in the Scope and Methodology section of the report. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Respectfully submitted,



ELAINE M. HOWLE, CPA  
State Auditor

Date: October 25, 2016

Staff: Laura G. Kearney, Audit Principal  
Rosa I. Reyes  
Ryan T. Canady  
Veronica Perez, MPPA, CFE

Legal Counsel: Heather Kendrick, Sr. Staff Counsel

For questions regarding the contents of this report, please contact Margarita Fernández, Chief of Public Affairs, at 916.445.0255.

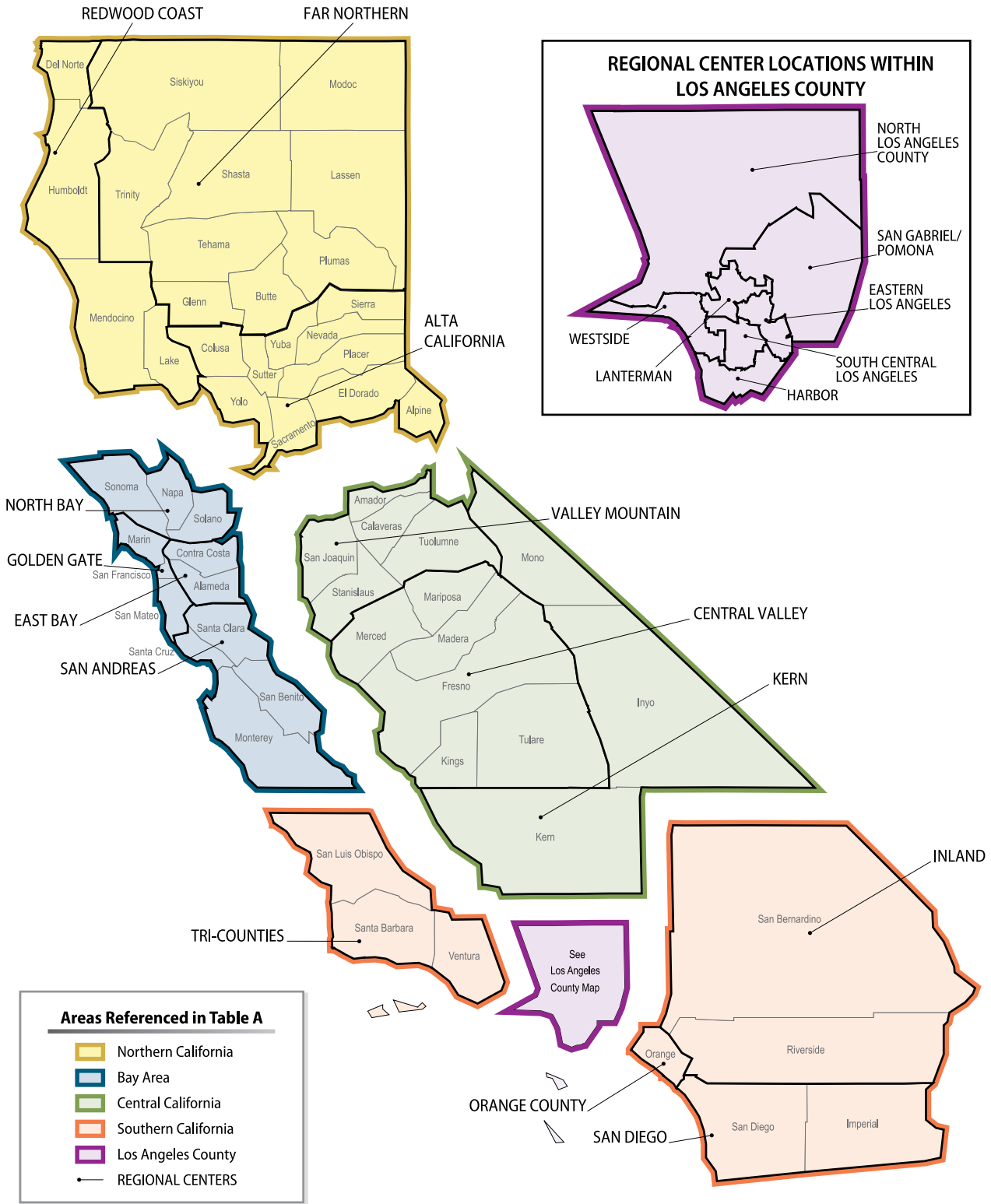
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## Appendix A

### **TOTAL NUMBER OF VENDORS, CONSUMERS, AND RESPITE WORKERS BY REGIONAL CENTER AND REGION IN CALIFORNIA**

As of June 30, 2016, the 21 regional centers in California had authorized more than 250 vendors to provide in-home respite services. Those vendors provide services to almost 60,000 consumers each year. Figure A on the following page shows the five regions we identified in California and the regional centers within those regions. Table A on page 41 shows the number of vendors, consumers, and respite workers by regional center and region in California as of June 30, 2014, June 30, 2015, and March 1, 2016. Over the past two and a half years, the number of vendors and respite workers providing in-home respite services has generally increased, as has the number of consumers receiving this type of service.

**Figure A**  
Department of Developmental Services' Regional Centers Identified by Region



Source: Department of Developmental Services.

**Table A**  
**Vendors, Consumers, and Respite Workers by Regional Center and Region in California as of June 30, 2014, June 30, 2015, and March 1, 2016**

REGIONAL CENTER BY REGION	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	NUMBER OF VENDORS	NUMBER OF CONSUMERS	NUMBER OF RESPITE WORKERS	NUMBER OF VENDORS	NUMBER OF CONSUMERS	NUMBER OF RESPITE WORKERS	NUMBER OF VENDORS	NUMBER OF CONSUMERS	NUMBER OF RESPITE WORKERS
Northern California	36	7,603	4,644	37	8,224	4,698	37	8,977	4,697
Far Northern	12	1,823	1,033	13	1,959	1,171	14	2,132	1,226
Redwood Coast	7	552	552	7	597	597	7	599	297
<i>Alta California</i>	17	5,228	3,059	17	5,668	2,930	16	6,246	3,174
Bay Area	62	12,256	8,762	71	12,709	9,144	73	14,283	9,343
Golden Gate	13	2,674	3,061	14	2,696	2,972	13	2,982	2,620
North Bay	7	792	996	8	793	927	8	1,657	824
East Bay	16	3,522	2,704	18	3,617	2,780	19	3,816	2,863
<i>San Andreas</i>	26	5,268	2,001*	31	5,603	2,465*	33	5,828	3,036*
Central California	22	4,834	6,297	21	4,817	5,638	20	5,058	6,139
Central Valley	3	1,411	1,533	3	1,487	1,969	3	1,507	2,299
Kern	11	1,304	399	11	1,157	416	11	1,453	432
Valley Mountain	8	2,119	4,365	7	2,173	3,253	6	2,098	3,408
Los Angeles Area	88	16,087	19,328	99	17,268	21,274	107	17,772	22,015
Eastern Los Angeles	15	2,874	3,157	16	3,027	3,365	16	2,894	3,355
Harbor	2	3	4	4	6	12	4	11	17
Frank D. Lanterman	14	1,499	2,638	17	1,544	3,101	17	1,490	3,588
<i>North Los Angeles County</i>	28	5,070	5,594	31	5,590	6,069	33	6,284	5,946
San Gabriel/Pomona	17	1,239	2,609	17	1,614	2,918	19	1,652	3,126
South Central Los Angeles	8	3,037	3,953	9	3,040	4,433	12	3,045	4,702
<i>Westside</i>	4	2,365	1,373	5	2,447	1,376	6	2,396	1,281
Southern California	95	20,208	12,141	100	22,265	13,543	112	23,134	18,747
<i>Inland</i>	28	7,809	3,367*	29	8,823	4,111*	31	9,482	9,048
Orange County	24	4,057	1,849	24	4,545	1,849	27	4,779	1,939
Tri-Counties	13	2,433	4,271	12	2,894	4,755	13	2,835	4,787
San Diego	30	5,909	2,654	35	6,003	2,828	41	6,038	2,973
<b>Totals for California</b>	<b>303</b>	<b>60,988</b>	<b>51,172*</b>	<b>328</b>	<b>65,283</b>	<b>54,297*</b>	<b>342†</b>	<b>69,224</b>	<b>60,941*</b>

Source: Information provided by regional centers and vendors for the period of June 30, 2014, through March 1, 2016.

Note: The five regional centers in italics are those we selected for review as discussed in Table 1 on page 13.

\* The number of respite workers is understated because some vendors did not provide information on the number of respite workers.

† As of June 30, 2016, more than 250 vendors provide in-home respite services; the number presented in this table is larger because in-home respite vendors can provide services to consumers from various regional centers. Additionally, the 2016 information in this table is as of March 1, 2016.

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## Appendix B

### IN-HOME HOURLY RESPITE RATES PAID TO VENDORS AND RESPITE WORKERS' HOURLY RATES BY REGIONAL CENTER AND REGION IN CALIFORNIA

The 21 regional centers authorize vendors to provide in-home respite services to consumers. The hourly rate the Department of Developmental Services (DDS) pays to each vendor varies, as does the amount the vendor pays its respite workers. Table B beginning on the following page shows the hourly vendor rates by payment model and respite workers' hourly wages as of June 30, 2014, June 30, 2015, and March 1, 2016. Overall, Table B shows that the amount DDS pays the vendors has increased at a greater rate than the hourly wage vendors pay their respite workers. For example, as of June 30, 2014, vendors statewide received on average \$17.76 per hour under the Full Service model, while the vendors paid their workers a weighted average hourly wage of \$9.89.<sup>8</sup> As of March 1, 2016, the statewide average hourly rate paid to vendors under the Full Service model had increased by \$3.45 to \$21.21, while the amount paid to respite workers had only increased by \$1.25 to \$11.14.

We further analyzed the data by determining an average hourly rate and hourly respite worker wage by region. The Southern California region had the highest average hourly rate paid to vendors, yet it did not have the highest average hourly wage paid to respite workers. Specifically, page 50 of Table B shows that as of March 1, 2016, the average hourly rate paid to vendors in the Southern California region was \$22.23 under the Full Service model, and the average hourly wage paid to respite workers was \$11.42. In comparison, the Bay Area region shown on page 45 of Table B has the highest average rate paid to respite workers of \$11.71. Although, the average hourly wage was the highest in the Bay Area region, the average rate paid to vendors in the region was \$20.87. A key reason for the difference between the regions is the local wage increases that have taken effect in some cities in the Bay Area region.

<sup>8</sup> The average hourly wage paid to the respite worker at the statewide level, region in the State, and for each regional center is a weighted average. This average takes into consideration the numbers of consumers served by each vendor as a proportion of the total number of consumers served by the respective regional center.

**Table B****Vendor Rates by Payment Model and Respite Workers' Hourly Wages as of June 30, 2014, June 30, 2015, and March 1, 2016**

VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE
<b>California—weighted average</b>	<b>\$17.76</b>	<b>\$14.39</b>	<b>\$9.89</b>	<b>\$19.02</b>	<b>\$15.05</b>	<b>\$10.43</b>	<b>\$21.21</b>	<b>\$16.64</b>	<b>\$11.14</b>
<b>Northern California—weighted average</b>	<b>\$17.60</b>	<b>\$14.35</b>	<b>\$8.97</b>	<b>\$18.71</b>	<b>\$14.54</b>	<b>\$10.04</b>	<b>\$21.11</b>	<b>\$15.79</b>	<b>\$10.80</b>
<b>Far Northern Regional Center</b>	<b>\$15.91</b>	<b>\$14.33</b>	<b>\$9.62</b>	<b>\$16.94</b>	<b>\$14.46</b>	<b>\$9.98</b>	<b>\$19.41</b>	<b>\$16.26</b>	<b>\$10.90</b>
Accredited Respite Services		14.33	10.12		14.33	9.38		16.80	12.50
ARC of Butte County, Inc.	15.61		8.81	16.78		9.81	19.39		10.81
Arcadi Home Care & Staffing—Redding	18.12		9.88	19.29		9.15	21.63		9.61
Carry On Special Care				19.29		10.00	21.63		10.50
Home Health Care Management, Inc.	18.34		10.00	19.51		12.00	21.87		15.00
Lassen Life Skills & Job Training	17.23		9.00	18.40		10.00	20.69		10.00
Mains'I California, LLC		10.71†	8.61		11.88†	9.40		13.10†	10.00
Maxim Healthcare Services		14.33	9.09		14.33	9.09		15.16	10.00
Modoc Work Activity Center	20.50		9.00	21.67		9.00	24.15		10.00
Plumas Rural Services, Inc.	19.00		12.90	20.17		10.81	22.56		11.30
Premier Healthcare Services		10.71†	8.77		11.88†	9.73		13.10†	10.79
Premier Healthcare Services		14.33	10.12		14.73	10.12		16.81	10.12
Rowell Family Empowerment	18.12		11.00	19.29		11.00	21.63		11.50
Work Training Center							21.63		10.50
<b>Redwood Coast Regional Center</b>	<b>\$16.72</b>	<b>\$14.91</b>	<b>\$9.11</b>	<b>\$17.91</b>	<b>\$14.91</b>	<b>\$9.50</b>	<b>\$20.55</b>	<b>\$15.27</b>	<b>\$10.39</b>
Community Care Respite	17.11		9.00	18.28		9.50	20.99		10.00
CTFS In Home Respite	16.24		9.00	17.41		9.50	20.03		10.00‡
DNADS Respite	16.38		9.00	17.55		9.50	19.90		10.00
Families United—Respite	15.39		9.00	16.56		9.50	19.15		10.65
HCAR In Home Respite	15.87		9.00	17.04		9.50	19.64		10.00
People Services, Inc./Konocti Respite Services	18.66		9.00	19.83		9.50	22.55		10.00‡
Premier Healthcare Services	18.12	14.91	9.50	19.29	14.91	9.50	22.01	15.27	11.00
<b>Alta California Regional Center</b>	<b>\$18.28</b>	<b>\$13.80</b>	<b>\$8.72</b>	<b>\$19.41</b>	<b>\$14.26</b>	<b>\$10.17</b>	<b>\$21.74</b>	<b>\$15.84</b>	<b>\$10.81</b>
AccentCare Unskilled Div	\$	\$	8.00‡						
Accredited FMS		10.71†	8.00‡		11.88†	9.76		13.10†	10.97
Colusa Support Services	21.27		9.00	22.44		10.00	24.97		10.00
Desire Home Care/Choice Home Care, Inc.	18.12		11.88	20.41		12.38	21.85	17.26	12.38
Elder Options	18.35		10.00	19.52		10.15	21.88		10.15
Family Respite Services	18.89		8.00‡	20.06		11.03	21.68		11.50
Grace In Home Respite/Community Resource	21.27		9.25	22.44		9.50	25.17		10.00
Mains'I California, LLC		10.71†	8.61		11.88†	9.40		13.10†	10.00
Mains'I California, LLC		10.71†	8.61		11.88†	9.40		13.10†	10.00
Manos Home Care	20.65		10.50						
Maxim Healthcare	18.12	13.80	9.00	19.29	13.80	9.00	21.63	16.17	10.50
Maxim Healthcare Services	18.12		9.50	19.29		9.50	21.99		10.50
Pacific Homecare	18.12	13.80	9.61	19.29	13.80	9.61	22.00	14.97	10.50
Pacific Homecare					15.62	10.11			
Premier Healthcare Services		10.71†	8.77		11.88†	9.73		13.10†	10.79
Premier Healthcare	18.12	13.80	8.00‡	19.29	13.80	10.49	22.00	14.97	10.49

VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE
Personalized Homecare	18.12		10.00	19.29		9.00	21.63		10.00 <sup>‡</sup>
Serenity Respite Services				19.29		10.06	21.63		11.75
Tri-Counties Caregiver Relief	17.94		10.82	19.11		10.05	21.78		11.35
<b>Bay Area—weighted average</b>	<b>\$17.30</b>	<b>\$15.01</b>	<b>\$9.88</b>	<b>\$18.42</b>	<b>\$15.20</b>	<b>\$10.59</b>	<b>\$20.87</b>	<b>\$16.41</b>	<b>\$11.71</b>
<b>Golden Gate Regional Center</b>	<b>\$14.09</b>	<b>\$17.29</b>	<b>\$9.43</b>	<b>\$15.28</b>	<b>\$17.29</b>	<b>\$10.21</b>	<b>\$17.71</b>	<b>\$17.78</b>	<b>\$11.34</b>
24Hr HomeCare, LLC				19.29		13.50	22.18		15.00
Abilities United	21.27		8.00 <sup>‡</sup>	22.44		9.00 <sup>‡</sup>	25.25		10.00 <sup>‡</sup>
Accredited Respite	18.71		11.88	21.04		12.00	22.54		11.37
Arcadia Health Care	18.12	17.29	11.59	19.29	17.29	11.92	21.63	17.78	12.38
Bay Respite	18.70		10.18	19.64		10.80	22.00		11.45
ComForCare Senior Services	18.12		13.25	19.29		13.75	21.63		14.50
Innovative Home Care Services	\$	\$	8.00 <sup>‡</sup>	\$	\$	9.00 <sup>‡</sup>			
Golden Valley Home Care, LLC	18.12		10.74	19.29		12.25	21.63		12.25
Kindred at Home/Professional Healthcare	21.27		10.50	22.44		10.50	24.97		11.38
Levana Autism Support Service, LLC	18.12		14.00	19.29		14.75	21.63		14.75
Neighborhood Nursing Care	19.20		8.00 <sup>‡</sup>	20.37		9.00 <sup>‡</sup>	22.78		10.00 <sup>‡</sup>
Precious Heritage Respite Program	18.12		10.50	19.29		15.00	21.63		15.00
Public Partnerships		10.71 <sup>†</sup>	8.00 <sup>‡</sup>		11.88 <sup>†</sup>	9.00 <sup>‡</sup>		13.10 <sup>†</sup>	10.00 <sup>‡</sup>
Special Home Needs	19.21		12.25	20.38		11.25	23.40		11.40
<b>North Bay Regional Center</b>	<b>\$18.62</b>	<b>\$15.11</b>	<b>\$10.16</b>	<b>\$19.54</b>	<b>\$15.11</b>	<b>\$10.78</b>	<b>\$22.02</b>	<b>\$15.11</b>	<b>\$11.54</b>
AccentCare, Inc.	18.12		8.00 <sup>‡</sup>	18.12		9.00 <sup>‡</sup>	18.12		10.00 <sup>‡</sup>
Accredited Respite Services	19.29		13.99	19.29		13.99	22.54		12.72
Arcadia Health Care		15.53	10.56		15.53	10.56		15.53	10.56
Bay Respite Care	18.70	14.76	10.18	19.64	14.76	10.80	22.00	14.76	11.45
Maxim Healthcare Services		14.52	10.00		14.52	11.00		14.52	11.00
Maxim Healthcare Services	19.29		10.00	19.29		11.00	21.63		11.00
Pacific Homecare		15.62	9.61		15.62	10.11	22.01	15.62	11.50
People Services				19.83		9.00	19.83		10.00
<b>Regional Center of the East Bay</b>	<b>\$19.08</b>	<b>\$13.99</b>	<b>\$10.38</b>	<b>\$19.66</b>	<b>\$14.05</b>	<b>\$10.91</b>	<b>\$22.75</b>	<b>\$16.23</b>	<b>\$12.02</b>
24Hr HomeCare, LLC	18.12	13.00	11.90	18.12		12.75	22.18	16.63	12.50
AccentCare	18.12		11.80	\$	\$	12.45	20.41		12.50
Accredited Respite Services	18.71		9.50	21.04		10.08	22.54	16.51	12.50
Arcadia Employee Services		15.53	8.90	\$	\$	9.15		16.21	9.87
Bay Area Caregivers				19.29		9.00	20.41		11.75
Bay Respite Care	18.70	14.76	10.18	19.64	14.76	10.80	22.00	14.76	11.45
ComForCare	18.12		11.00	19.29		11.00	20.41		12.25
East Bay Innovations	18.12		13.40	19.29		13.40	20.41		13.40
Family Support Services	20.72		11.25	21.89		12.00	26.51		13.00
FCSN	18.12		13.00	20.41		13.00	20.86		13.25
Hatch	\$	\$	12.50	20.41		13.63	21.63		13.63
Manos Home	20.65		10.50	20.85		11.50	23.88	16.60	12.00
Maxim Healthcare Services	18.12		12.00	20.41		11.50	21.97		14.75
Pacific Homecare	18.12	13.00	10.00	19.29	14.17	10.00	22.03	16.21	13.00
Praising Hands				\$	\$	13.00	21.63		13.00
Premier Healthcare Services	18.12	13.65	9.05	20.41	14.27	9.05	22.06	16.69	10.00
Professional Healthcare	21.27		9.50	22.44		9.50	24.97		11.00
Quality Respite	18.12		9.78	19.80	13.00	9.78	22.56		10.65
Superior Quality Home							21.63		12.88

continued on next page...

VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE
<b>San Andreas Regional Center</b>	<b>\$17.54</b>	<b>\$13.65</b>	<b>\$9.75</b>	<b>\$18.96</b>	<b>\$14.35</b>	<b>\$10.61</b>	<b>\$20.92</b>	<b>\$16.53</b>	<b>\$11.78</b>
24Hr HomeCare, LLC				19.29	18.00	14.50	22.17		14.50
24Hr HomeCare, LLC							22.07		10.00
Abilities United	21.27		8.00‡	22.44		9.00‡	25.25		10.00‡
AccentCare of California	18.12		8.00‡	19.29		9.00‡	21.63		10.00‡
Amelia Spencer, Mother's Nest Home Care	18.12		8.00‡	20.41		9.00‡	\$	\$	10.00‡
Arcadi Employee Services				\$	\$	9.00‡			
Balance4Kids	18.12		11.25	20.41		11.25	21.63		11.25
Care at Home	18.12		10.58	19.29		10.58	22.15		10.30
CareFocus Companion Services	18.12		12.00	20.41		11.50			
Caregivers That Deliver	19.29		8.00‡	20.41		9.00‡	22.46		10.00‡
ComForCare—Santa Cruz	18.12		10.13	19.29		10.13	21.95		10.50
ComForCare Home Care				20.41		9.00‡	21.63		10.00‡
ComForCare Senior Services	18.12		8.00‡	20.41		9.00‡	\$	\$	10.00‡
Central Coast Kids & Families	18.12		8.00‡	20.41		9.00‡	21.63		10.00‡
Easter Seals Central	18.12		8.00‡	19.29		9.00‡	21.63		10.00‡
Friends of Children with Special Needs	18.12		13.00	19.29		13.00	21.99		11.50
Golden Valley Home Care, LLC	18.12		10.58	20.41		11.65	21.63		11.65
Home of Guiding Hands							22.30		10.93
Maxim Healthcare Services				19.29	13.80	9.00	21.63	16.17	10.50
Maxim Healthcare Services							22.02		10.75
Maxim Healthcare Services	21.27	13.65	9.40	22.44	14.67	9.85	25.36	16.19	12.50
Maxim Healthcare Services (FMS)		10.71†	8.00‡		11.88†	9.00‡		13.10†	10.00‡
Maxim Healthcare—San Jose	18.12	13.65	11.05	19.29	14.67	11.00	22.03	17.08	13.25
Neighborhood Nursing Care	20.37		8.00‡	21.56		9.00‡	22.78		10.00‡
NP Plus, LLC	18.12		8.00‡	20.41		9.00‡			
Orela, Inc.				19.29		9.00‡	21.63		10.00‡
Organization of Special Needs Families	18.12		10.00	20.41		9.50	21.63		11.00
Praising Hands							21.63		13.00
Premier Healthcare—San Jose	18.12	13.65	8.00‡	20.41	14.27	10.75	22.06	16.69	11.75
Premier Healthcare Services (FMS)		10.71†	8.00‡		11.88†	9.00‡		13.10†	10.00‡
Quality Respite—Santa Clara	18.12		11.83	19.80		12.13	22.56		13.40
Rowell Family Empowerment	18.12		11.00						
Special Home Needs	19.21		12.25	20.38		11.25	23.40		11.40
Special Kids Crusade, Inc. (FMS)					11.88†	9.00‡		13.10†	10.00‡
United Cerebral Palsy—San Joaquin							25.19		10.13
Victorian Home Care	18.12		8.00‡	20.41		9.00‡	21.63		10.00‡
Victorian Home Care	18.12		8.00‡	20.41		9.00‡	\$	\$	10.00‡
<b>Central California—weighted average</b>	<b>\$15.53</b>	<b>\$14.48</b>	<b>\$9.79</b>	<b>\$16.42</b>	<b>\$15.03</b>	<b>\$10.09</b>	<b>\$18.42</b>	<b>\$17.18</b>	<b>\$10.99</b>
<b>Central Valley Regional Center</b>	<b>\$13.14</b>		<b>\$9.83</b>	<b>\$14.09</b>		<b>\$10.29</b>	<b>\$15.53</b>		<b>\$11.72</b>
Accredited Respite Services		13.75	10.78		14.92	11.12		14.92	10.27
Maxim Healthcare Services	14.52		10.22	15.69		10.50	18.17		13.67
Premier Healthcare Services		10.71†	8.77		11.88†	9.73		13.10†	10.26
<b>Kern Regional Center</b>	<b>\$15.90</b>	<b>\$14.34</b>	<b>\$8.85</b>	<b>\$16.59</b>	<b>\$15.51</b>	<b>\$9.34</b>	<b>\$18.43</b>	<b>\$17.55</b>	<b>\$10.31</b>
Accredited Respite Services		14.34	9.38		15.51	9.38		18.17	10.00
Alternative Care	18.12		9.50	19.29		10.00	21.63		10.50
Aven Care Providers	18.12		8.00‡	19.29		9.00‡	21.63		10.00‡
Delano Association Development for Disabled	19.81		8.00	22.44		9.00	24.97		10.00

VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE
Full Circle Support	18.12	14.34	9.81	19.29	15.51	9.81	20.47	16.80	10.75
In Home Respite	18.12		9.00	19.29		9.00	21.63		10.00
Maxim Healthcare	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>	21.96		10.00 <sup>‡</sup>
Maxim Healthcare Services		14.34	8.00 <sup>‡</sup>		15.51	9.00 <sup>‡</sup>		17.01	10.00 <sup>‡</sup>
Premier Healthcare Services		14.34	9.67		15.51	9.67		18.23	10.00
Premier Healthcare Services (FMS)		10.71 <sup>†</sup>	8.77		11.88 <sup>†</sup>	9.73		13.10 <sup>†</sup>	10.79
Respite Works	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>	21.63		10.00 <sup>‡</sup>
<b>Valley Mountain Regional Center</b>	<b>\$16.90</b>	<b>\$14.62</b>	<b>\$9.86</b>	<b>\$17.92</b>	<b>\$14.55</b>	<b>\$10.06</b>	<b>\$20.48</b>	<b>\$16.81</b>	<b>\$10.59</b>
Accredited Respite		13.85	11.88		13.90	12.00		16.24	11.37
Family Respite Services	18.89		9.50						
Howard Training Center	18.12		12.00	19.29		12.00	21.63		12.00
Manos Home Care	19.38		9.50						
Maxim Healthcare	13.65		10.22				18.17		13.67
Pacific Homecare Services	17.93	15.62	9.61	19.29	15.62	9.61	22.01	17.50	10.50
Premier Healthcare					14.27	9.50			
Premier Healthcare Services		14.40	9.50		14.40	10.49		16.69	10.49
Quality Respite and Home				19.29		9.50			
United Cerebral Palsy—San Joaquin	21.27		9.68	22.44		9.78	25.19		10.13
<b>Los Angeles Area—weighted average</b>	<b>\$17.90</b>	<b>\$13.80</b>	<b>\$10.01</b>	<b>\$19.43</b>	<b>\$14.63</b>	<b>\$10.26</b>	<b>\$21.01</b>	<b>\$16.27</b>	<b>\$10.76</b>
<b>Eastern Los Angeles Regional Center</b>	<b>\$17.88</b>		<b>\$9.70</b>	<b>\$18.83</b>		<b>\$10.17</b>	<b>\$21.67</b>		<b>\$10.95</b>
24Hr HomeCare, LLC							22.07		10.38
Accredited Respite Services (FMS)		10.71 <sup>†</sup>	8.88		11.88 <sup>†</sup>	9.76		13.10 <sup>†</sup>	10.97
Accredited Respite Services	18.71		9.10	19.88		9.84	22.54		10.31
Acumen Fiscal Agent		11.30	8.77		11.88	9.00		13.10	10.00
California Respite Care				§	§	9.00	21.97		10.00
Cambrian Homecare	18.12		10.00	18.12		10.10	18.12		10.10
Cherish Care Staffing and Caregiving Services				19.29		10.00	20.41		10.00
ComForCare, Inc.	18.12		9.50	19.29		10.00	19.29		10.50
Connections for Care	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>			
Cordova Consulting	18.12		9.50	19.29		9.50	22.07		10.00
GSG Supported Services	18.12		10.50						
Glen-Park 24/7 Homecare				18.12		9.00 <sup>‡</sup>	18.12		10.00 <sup>‡</sup>
Li, Jen Juan	18.80		8.00						
Maxim Healthcare Services	18.12		10.31	19.29		11.25	22.00		12.50
Premier Healthcare Services	18.12		9.63	19.29		9.63	22.01		10.00
Premier Healthcare Services		10.71 <sup>†</sup>	8.67		11.88 <sup>†</sup>	9.73		13.10 <sup>†</sup>	10.00
Respite Reachout	16.76		8.81	17.93		9.25	20.48		10.25
Tender Touch Homecare	18.12		9.00	19.29		9.00	21.97		10.00
Volunteers of America	16.94		8.81	18.11		9.81	20.38		10.81
<b>Harbor Regional Center</b>	<b>\$18.12</b>		<b>\$9.10</b>	<b>\$18.18</b>		<b>\$9.23</b>	<b>\$19.79</b>		<b>\$9.86</b>
24Hr HomeCare, LLC	18.12		9.50	19.29		9.50	22.07		10.00
Libertana Home Health of Sherman Oaks				19.87		9.00 <sup>‡</sup>	20.59		10.00 <sup>‡</sup>
Maxim Healthcare Services	18.12		8.31	19.29		9.38	22.01		9.50
Premier Healthcare Services				15.66		9.00 <sup>‡</sup>	16.22		10.00 <sup>‡</sup>
<b>Frank D. Lanterman Regional Center</b>	<b>\$17.71</b>	<b>\$12.88</b>	<b>\$9.24</b>	<b>\$18.88</b>	<b>\$13.82</b>	<b>\$9.49</b>	<b>\$21.17</b>	<b>\$15.36</b>	<b>\$10.87</b>
24Hr HomeCare, LLC				19.29		9.50	21.63		11.00

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VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE
AccentCare, Inc.							\$21.63		\$10.30
Accredited Respite Services	\$18.12		\$9.50	\$19.29		\$9.50	21.63		11.00
Alternative Care	18.12		9.50	19.29		10.00	21.63		10.50
California Respite	18.12		9.50	19.29		9.50	22.00		10.00
Care 4 U							21.63		11.00
Caring Connection, Inc.	18.12		10.00	19.29		9.50	21.63		10.00
Choice Homecare	18.12		9.50	19.29		9.50	21.63		11.00
Connections for Care	18.12		9.50	19.29		9.50			
Cordova Consulting				19.29		9.50	21.63		11.00
DCC Staffing Services, Inc.	18.12		10.00	19.29		10.00	21.63		10.50
Glen-Park 24/7 Home Care				19.29		9.00 <sup>‡</sup>			
Helpful Hands Health Services	18.12		9.50	19.29		9.75	21.63		10.50
Maxim Healthcare Services		\$12.88	10.31		\$13.82	11.25		\$15.36	12.50
Maxim Healthcare Services	18.12		9.11	19.29		10.00	22.02		10.75
Premier Healthcare	18.12		9.50	19.29		9.50	21.63		11.00
Right Choice	18.12		11.00	20.41		11.00	21.90		11.75
Tender Touch Homecare	18.12		9.50	19.29		9.50	21.63		11.00
Volunteers of America	16.94		8.00 <sup>‡</sup>	18.11		9.00 <sup>‡</sup>	20.38		10.00 <sup>‡</sup>
<b>North Los Angeles County Regional Center</b>	<b>\$17.61</b>	<b>\$14.40</b>	<b>\$10.77</b>	<b>\$20.07</b>	<b>\$15.10</b>	<b>\$11.08</b>	<b>\$21.93</b>	<b>\$16.98</b>	<b>\$11.28</b>
24Hr Homecare, LLC	18.12	14.33	8.00	19.29	15.26	9.50	22.05	17.45	10.50
24Hr Homecare, LLC (FMS)		§	8.00		11.88 <sup>†</sup>	9.00		13.10 <sup>†</sup>	10.00
AccentCare, Inc.	18.12	14.33	8.00 <sup>‡</sup>	19.29	15.26	9.00 <sup>‡</sup>			
Accredited (FMS)		10.71 <sup>†</sup>	9.00		11.88 <sup>†</sup>	9.76		13.10 <sup>†</sup>	10.97
Accredited Respite Services	18.71		11.88	21.04		12.00	22.54		11.37
All Saints Home Care	18.12		10.00	19.29		10.00	21.63		10.00
Assisted Healthcare Services	18.12		9.50	19.29		10.00	22.06	17.43	10.50
Aven Care Providers	18.12		10.25	19.29		10.25	21.63	17.12	10.50
Bell Homecare Staffing, LLC	18.12		9.75	19.29		9.75	21.63	17.12	10.00
Care 4 You, LLC							21.63		11.00
Caring Connection, Inc.	18.12		10.00	19.29	15.26	9.50	21.63	17.12	10.00
Channel Islands Social Services	21.27		10.25	22.44		11.25	25.41		12.50
Choice Home Care, Inc.	18.12		11.88	20.41		12.38	21.85	17.26	12.38
ComForCare Senior Services							21.63	17.12	11.00
Connections for Care	18.12	14.33	8.00 <sup>‡</sup>	19.29	15.26	9.00 <sup>‡</sup>	21.63		10.00 <sup>‡</sup>
Continuity Care Staffing	18.12		9.00	19.29		10.00	21.63		10.00
DCC Staffing Services, Inc.	18.12		10.00	19.29		10.00	21.63	17.12	10.50
Helpful Hands Health Services	§	§	9.50	20.41		9.75	21.63		10.50
Home Care Solutions							21.63		12.00
In-Home Respite and Caregivers	18.12	14.33	9.00	20.41	15.26	9.00	21.63		10.00
Libertana Home Health	18.12		9.50	19.29		10.00	22.01	17.40	11.00
Maxim Healthcare Services	18.12		10.08	19.29		10.50	22.03	17.41	10.75
Maxim Healthcare Services		12.88	10.31		13.82	11.25		15.36	12.50

VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE
Maxim Healthcare Services	18.12		10.19	19.29		10.35	22.01	16.03	10.00
Needed Respite Care	18.12			19.29		9.00	21.63		10.00
Noble Care Providers, LLC							21.63	17.12	11.00
Premier Healthcare Services	18.12		9.85	19.29		9.85	22.01	16.04	10.00
Respite Works, Inc.	18.12		9.88	19.29		11.00	21.63		11.50
Right Choice In-Home Care	18.12		11.00	20.41		11.00	21.90		11.75
Road to Independence, Inc.				19.29		9.33	21.63	17.12	10.25
Tender Touch Homecare	18.12		10.00	19.29	15.26	10.50	21.97	17.39	11.00
Uni Healthcare, Inc.	18.12	14.33	10.00	19.29	15.26	10.00	21.63		11.00
Vincent Child and Health Care	18.12		8.00 <sup>‡</sup>	§	§	9.00 <sup>‡</sup>	§	§	10.00 <sup>‡</sup>
Vincent Child and Health Care				19.29	15.26	9.00	§	§	10.00 <sup>‡</sup>
Volunteers of America		16.29	8.00 <sup>‡</sup>			9.00 <sup>‡</sup>			
<b>San Gabriel/Pomona Regional Center</b>	<b>\$18.18</b>	<b>\$14.13</b>	<b>\$9.34</b>	<b>\$19.35</b>	<b>\$14.96</b>	<b>\$9.71</b>	<b>\$22.04</b>	<b>\$16.70</b>	<b>\$10.51</b>
Accredited Respite Services	18.71	15.23	10.05	19.88	15.43	10.33	22.54	17.27	10.58
Assisted Health Care Services	18.12		14.50	19.29		14.50	22.08		15.50
California Respite Care	18.12	14.47	8.50	19.29	14.71	9.50	21.97	16.48	10.00
Care Unlimited Health	19.74		8.00 <sup>‡</sup>	20.91		9.00	23.35		10.00 <sup>‡</sup>
Cherish Care Staffing	18.12		9.50	19.29		9.58	21.63	17.30	10.00
Choice Home Care, Inc.	18.12		8.00 <sup>‡</sup>	19.29		12.38	21.63		12.38
ComForCare, Inc.	18.12	16.23	8.00 <sup>‡</sup>	19.29	17.17	9.00	22.03	19.39	10.00 <sup>‡</sup>
Cordova Consulting	18.12		9.50	19.29		9.50	22.07	16.23	10.00
Homewatch Caregivers							21.63		11.00
In-Roads Creative Programs, Inc.	18.75		9.00	19.92		10.15	22.30		10.15
Inland Respite	21.27	12.72	8.69	22.44	12.88	9.50	24.97	16.32	10.00
Mary & Friends, Inc.	17.70		9.30	18.87		9.50	21.52		10.00
Maulin Home Care Services, Inc.	18.12	12.88	9.00	19.29	16.06	10.50	22.05	17.43	10.75
Maxim Healthcare Services	18.12	13.58	10.31	19.29	13.75	11.25	22.00	14.18	12.50
Pacific Homecare Services								15.62	10.00 <sup>‡</sup>
Premier Healthcare Services	18.12	13.80	9.02	19.29	14.69	9.02	22.01	16.73	10.00
Respite Reachout	16.76		8.81	17.93		9.25	20.48		10.25
SGVTC/RF Respite Agency	18.48		13.50	19.65		13.50	22.01		15.00
Volunteers of America	16.94		8.00 <sup>‡</sup>	18.11		9.00 <sup>‡</sup>	20.38		10.00 <sup>‡</sup>
<b>South Central Los Angeles Regional Center</b>	<b>\$18.19</b>		<b>\$10.20</b>	<b>\$19.32</b>		<b>\$10.23</b>	<b>\$17.08</b>		<b>\$10.29</b>
24Hr HomeCare, LLC	18.12		9.50	18.12		9.50	17.98		10.00
Accredited Respite Services	18.71	14.33	11.88	19.88	15.23	12.00	17.27		11.37
All About Loving Care							19.29		10.00
All Stints Homecare							20.41		10.00
Cambrian Homecare							19.64		10.75
Choice Homecare	18.12		11.88	19.29		12.38	20.63		16.01
Cordova Consulting	18.12		9.50	19.29		9.50	22.07		10.00
Manuel Green		10.71 <sup>†</sup>	10.71		11.88 <sup>†</sup>	11.88		11.88 <sup>†</sup>	11.88

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VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE
Maxim Healthcare Services	\$18.12	\$14.94	\$9.85	\$19.29	\$15.90	\$9.85	\$18.15		\$10.00
Premier Healthcare Services	18.12	14.77	9.85	19.29	14.77	9.85	16.04		10.00
Tender Touch Homecare				19.29		10.50	21.97		11.00
Volunteers of America	16.94		9.50	18.11		9.50	20.38		11.00
<b>Westside Regional Center</b>	<b>\$18.12</b>		<b>\$9.80</b>	<b>\$19.29</b>		<b>\$9.80</b>	<b>\$22.03</b>	<b>\$16.04</b>	<b>\$10.00</b>
24Hr HomeCare, LLC	18.12		9.50	19.29		9.50	22.07	16.05	10.00
BrightStar Care	18.12		11.00	19.29		11.00	21.63		10.00‡
Livewell Homecare, Inc.							21.63		13.00
Maxim Healthcare	18.12		10.19	19.29		10.35	22.01	16.03	10.00
Premier Healthcare	18.12		9.85	19.29		9.85	22.01	16.04	10.00
ResCare HomeCare				19.29		9.00‡	21.63		11.00
<b>Southern California—weighted average</b>	<b>\$18.53</b>	<b>\$14.31</b>	<b>\$10.10</b>	<b>\$19.72</b>	<b>\$15.87</b>	<b>\$10.88</b>	<b>\$22.23</b>	<b>\$17.53</b>	<b>\$11.42</b>
<b>Inland Regional Center</b>	<b>\$19.36</b>	<b>\$13.29</b>	<b>\$8.98</b>	<b>\$20.57</b>	<b>\$15.82</b>	<b>\$9.90</b>	<b>\$23.29</b>	<b>\$17.10</b>	<b>\$10.36</b>
24Hr HomeCare, LLC				19.29			21.63	16.44	10.00‡
24Hr HomeCare, LLC	18.12		9.50	19.29		9.50	22.07		10.00
24Hr HomeCare, LLC				19.29	14.87	9.00‡	22.01	17.59	10.00‡
AccentCare, Inc.	18.12		8.00	19.29	14.41	9.50	21.63	15.25	10.00
Accredited Nursing Care Respite Registry	14.39		14.34	15.56		12.85			
Accredited Respite Services, Inc.	18.12		9.50	19.29		10.00	22.06		10.50
Alta Home Care, Inc.				19.29	16.49	10.00	22.19	17.87	10.00
Angel Care				19.29			21.63		11.50
California Psychcare, Inc.	18.12		8.00‡	19.29			21.63		
California Respite Care	18.12	12.88	9.50	19.29	16.73	9.50	21.63	17.70	10.00
California Respite Care	\$	\$	8.00‡						
California Respite Care	18.12	14.47	8.50	19.29	14.71	9.50	21.97	16.48	10.00
Cambrian Homecare	18.12	12.88	10.00	19.29	15.64	10.50	22.00	16.97	10.75
Care Unlimited Health Services, Inc.				20.91		9.00‡	23.35		10.00‡
Care Unlimited Health Systems, Inc.	19.74		8.00‡	20.91		9.00‡			
Choice Home Care, Inc.				19.29			21.63	15.98	10.50
ComForCare, Inc.	18.12	16.23	8.00‡	19.29	17.17	9.00‡	22.03	19.39	10.00‡
Community Interface In Home Respite	18.12		9.55						
Cordova Consulting	18.12		9.50	19.29		9.50	22.07		10.00
Desertarc	21.27		9.00	22.44		9.00	25.29		10.00
Desire Home Care							21.63		11.00
Extra Help at Home	18.12		9.00	19.29		9.00	20.41		10.00
Grace In Home Respite				19.29			21.63		10.00‡
Inland Respite, Inc.	21.27	12.88	8.69	22.44	15.93	9.50	25.26	17.27	10.00
In-Roads Creative Programs, Inc.	18.75	12.88	8.48	19.92	16.62	10.08	22.71	17.96	10.08
Mary & Friends, Inc.	\$	\$	8.00‡	\$	\$	9.00‡	\$	\$	10.00‡
Maulin Home Care Services, Inc.	18.12	12.88	8.25	19.29	16.06	9.75	22.05	17.43	10.00
Maxim Healthcare Services, Inc.	18.12	12.88	8.91	19.29	16.35	9.50	22.01	17.71	11.00
Maxim Healthcare Services, Inc.	18.12	12.88	8.98	19.29	16.35	9.75	22.02	17.64	10.00



VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE
Maxim Healthcare Services, Inc.		12.88	10.31		13.82	11.25		15.36	12.50
Premier Healthcare Services	18.12		9.85	19.29		9.85	22.01	16.04	10.00
ResCare HomeCare				19.29			21.63		11.50
Respite, Inc.	§	§	8.00 <sup>‡</sup>	§	§	9.00 <sup>‡</sup>			
Rest & Relax Respite Agency	18.12		10.50	19.29		10.50	21.63		11.50
Right Choice in Home Care, Inc.				20.41		11.00			
Shella Care Management	18.12	12.88	8.50	19.29	16.00	9.50	21.97	17.24	11.00
United Cerebral Palsy	20.62		9.25	21.79		9.75	24.65		10.63
We Care 4 You, LLC	18.12	12.88	11.25	19.29	16.17	12.00	22.10	17.54	12.46
<b>Regional Center of Orange County</b>	<b>\$17.90</b>	<b>\$13.97</b>	<b>\$9.20</b>	<b>\$19.09</b>	<b>\$14.87</b>	<b>\$9.77</b>	<b>\$21.67</b>	<b>\$17.35</b>	<b>\$10.82</b>
24Hr Homecare, LLC	18.12	13.97	8.00 <sup>‡</sup>	19.29	14.87	9.00 <sup>‡</sup>	22.01	17.59	10.00 <sup>‡</sup>
AccentCare, Inc.	18.12		8.00 <sup>‡</sup>	19.29	14.87	9.00 <sup>‡</sup>	21.63	17.21	10.00 <sup>‡</sup>
Accredited Respite Services	18.12	13.97	10.33	19.29	14.87	10.55	22.08	17.66	12.50
Alta Home Care, Inc.							21.63		10.00 <sup>‡</sup>
BHH Services, Inc.	18.12		10.63	19.29		10.85	21.96		11.30
BrightStar Care of Huntington Beach	18.12		11.00	19.29		11.00	21.63		11.50
BrightStar of San Juan Capistrano	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>			
California Respite Care, Inc.							21.97	16.48	10.00 <sup>‡</sup>
Cambrian Homecare	18.12	13.97	8.00 <sup>‡</sup>	19.29	14.87	9.00 <sup>‡</sup>	21.63	17.21	10.00 <sup>‡</sup>
Caring Matters Home Care							21.63		10.00 <sup>‡</sup>
Choice Home Care, Inc.	18.12	13.97	8.00 <sup>‡</sup>	19.29	14.87	9.00 <sup>‡</sup>	21.63	17.21	10.00 <sup>‡</sup>
College Nannies & Tutors	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>	21.63		10.00 <sup>‡</sup>
College Nannies & Tutors	18.12		11.00	19.29		11.50	21.63		12.00
ComForCare Home Care							21.63		12.00
Foreside Management Company							21.63		10.00 <sup>‡</sup>
GSG Support Services	18.12		10.13	19.29		10.25	21.95		11.00
Mary & Friends, Inc.	17.70		9.30	18.87		9.50	21.52		10.00
Maxim Healthcare Services	18.12	13.97	10.25	19.29	14.87	10.38	22.00	17.58	14.00
Orange County Homecare, LLC	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>	21.63		10.00 <sup>‡</sup>
Oxford Services	18.12	13.97	8.00 <sup>‡</sup>	19.29	14.87	9.00 <sup>‡</sup>	21.99	17.57	10.00 <sup>‡</sup>
Premier Healthcare Services		10.71 <sup>†</sup>	8.00 <sup>‡</sup>		11.88 <sup>†</sup>	9.00 <sup>‡</sup>		13.10 <sup>†</sup>	10.00 <sup>‡</sup>
Premier Healthcare Services	18.12	13.97	9.25	19.29	14.87	9.50	22.01		10.00
R&N Family Support Services	18.12		13.00	19.29		13.00	21.63		13.00
Respite Connection	21.27	13.97	10.03	22.44	14.87	10.91	25.34	17.77	12.19
Respite Works, Inc.	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>	21.63		10.00 <sup>‡</sup>
Right At Home	18.12		10.25	19.29		10.75	21.63		11.13
Roz Home Care	18.12	13.97	9.58	19.29	14.87	10.58	21.68	17.26	15.00
Shella Care Management Services	18.12		9.00	19.29		10.00	21.96		11.00
Straight Enterprises, Inc.—BrightStar	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>			
<b>Tri-Counties Regional Center</b>	<b>\$18.86</b>	<b>\$15.66</b>	<b>\$10.99</b>	<b>\$19.78</b>	<b>\$16.91</b>	<b>\$11.93</b>	<b>\$21.16</b>	<b>\$18.12</b>	<b>\$13.24</b>
24Hr Homecare, LLC		10.71 <sup>†</sup>	11.00		11.88 <sup>†</sup>	12.25		12.49 <sup>†</sup>	15.00
24Hr Homecare, LLC		15.88	11.00	19.29	16.91	12.25	20.96	18.37	15.00

continued on next page...

VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE†	AVERAGE WORKER HOURLY WAGE
AccentCare of California							\$21.63		\$10.00‡
Accredited Respite Services	\$18.71	\$14.33	\$9.16	\$	\$	\$9.38	\$	\$	10.00
Acumen Fiscal Agent		10.71†	8.65						
Channel Islands Social Services	21.27		10.25	\$22.44		11.25	24.14		12.50
Choice Home Care, Inc.	18.12	15.88	11.88	19.29	\$16.91	12.38	20.89	\$19.35	12.38
Continuity Care Home Nurses	\$	\$	10.50	\$	\$	11.00	20.41		11.50
Maxim Healthcare Services	18.12	15.88	9.38	19.29	16.91	9.50		16.91	10.00
Maxim Healthcare Services	18.12	15.88	8.00	19.29	16.91	9.00‡	20.72	18.06	10.00‡
New Heights, Inc.	18.12		10.25	19.29		11.25	21.63		12.13
Premier Healthcare Services	18.12	15.88	9.20	19.26	16.91	9.68	22.07	18.13	10.40
Respite, Inc.	18.12	15.88	11.75	19.29	16.91	12.50	20.46	17.94	13.50
United Cerebral Palsy—San Luis Obispo	15.78		9.50	16.95		9.50	18.24		9.50
<b>San Diego Regional Center</b>	<b>\$17.72</b>		<b>\$10.70</b>	<b>\$18.90</b>		<b>\$11.28</b>	<b>\$21.54</b>		<b>\$12.09</b>
24Hr Homecare, LLC	18.12		10.25	19.29		10.63	22.07		11.50
24Hr Homecare, LLC							22.17		10.00‡
A Better Solution In Home	18.12		8.00‡	19.29		9.00‡	21.63		10.00‡
A Subtle In Home Care							21.63		10.00‡
AccentCare, Inc.	18.12		10.75	19.25		10.25	21.63		11.90
Access Autism, Inc.				19.29		10.75	21.63		10.00
Accredited Respite Services	14.39		11.95	15.56		12.85	18.12		12.85
Accredited Respite Services	17.25		11.95	18.42		12.85	21.16		12.85
Act Respite Services							21.63		10.50
Affirmative Home Care	18.12		12.25	19.29		12.25	21.63		12.25
Affordable Home Care	18.12		11.80	19.29		11.80	21.91		12.30
All Valley Home Health	18.12		8.00‡	19.29		9.00‡	21.63		10.00‡
American Respite Services	18.12		9.50	19.29		9.50	21.63		9.50
ARCC Center In Home Respite	18.12		10.50	19.29		11.00	22.19		11.25
ARC—San Diego Respite Care	14.87		8.94	16.04		9.81	18.43		10.95
At Your Home Family Care	15.43		8.25	16.60		9.00	19.21		10.00
Avid Respite Services				19.29		12.50	22.16		12.50
BrightStar Care							21.63		12.00
BrightStar Care—Escondido				19.29		12.00	21.63		13.00
Cambrian Homecare				19.29		9.00‡	21.63		10.00
Circle of Life				19.29		14.00	21.63		14.00
College Nannies & Tutors	18.12		11.00	19.29		12.63	22.08		13.00
ComForCare Home Care							21.63		10.00‡
ComForCare Home Care	18.12		9.00	19.29		10.00	22.08		10.00
Community Interface In Home	18.12		9.55	19.29		9.60	21.63		10.05
East County Respite	21.27		9.50	22.44		10.38	24.97		11.38
Home of Guiding Hands	18.37		8.00‡	19.54		9.00‡	22.30		10.00‡
Imperial Valley Respite	16.08		12.12	17.25		12.38	19.83		14.38
Inland Respite, Inc.	21.27		8.00‡	21.27		9.00‡	21.27		10.00‡

VENDOR NAME*	AS OF JUNE 30, 2014			AS OF JUNE 30, 2015			AS OF MARCH 1, 2016		
	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE	FULL SERVICE RATE	EMPLOYER OF RECORD RATE <sup>†</sup>	AVERAGE WORKER HOURLY WAGE
Ivey Ranch Park Association	17.95		14.00	19.12		14.50	21.45		15.00
Maxim Healthcare Services								12.88 <sup>†</sup>	10.00 <sup>‡</sup>
Maxim Healthcare Services	18.12		10.63	19.29		11.13	22.01		11.50
Premier Healthcare Services	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>	22.10		10.00 <sup>‡</sup>
Premier Healthcare Services		10.71 <sup>†</sup>	8.00 <sup>‡</sup>		11.88 <sup>†</sup>	9.00 <sup>‡</sup>		13.10 <sup>†</sup>	10.00 <sup>‡</sup>
Rest & Relax Respite Agent	18.12		10.50	19.29		10.50	21.63		11.50
San Diego Respite Project	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>	21.63		10.00 <sup>‡</sup>
Shella Care Management	18.12		10.00	19.29		11.00	21.94		11.50
South Bay Respite	18.30		12.12	19.47		12.38	22.16		14.38
TERI—In Home Respite	21.27		10.88	22.44		12.38	25.35		13.28
Western Health Home Care	18.12		8.00 <sup>‡</sup>	19.29		9.00 <sup>‡</sup>	21.63		10.00 <sup>‡</sup>
YMCA CRS	19.64		11.03	20.81		11.03	23.65		11.03

Sources: Information provided by regional centers and vendors for the period of June 30, 2014, through March 1, 2016.

Notes: The five regional centers in italics are those we selected for review as discussed in Table 1 on page 13.

Blank cells reflect that the vendor did not provide services under the respective service model and during the respective period of time.

\* As of June 30, 2016, more than 250 vendors provide in-home respite services; the number presented in this table is larger because in-home respite vendors can provide services to consumers from various regional centers. Additionally, the 2016 information in this table is as of March 1, 2016.

† Although the rates paid under the financial management services (FMS) model are presented in this table in the column titled *Employer of Record Rate*, we removed them from our calculation of the average hourly rate for the Employer of Record model. Specifically, the FMS rates are considerably lower than the Employer of Record model rates and, had we included them in the average, the average for the Employer of Record model rates would have been understated.

‡ These rates were not reported by the respective vendor. Therefore, we presented the statewide minimum wage to ensure that the weighted averages would not be understated.

§ The vendor did not provide any information after numerous requests.

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## DEPARTMENT OF DEVELOPMENTAL SERVICES

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



October 12, 2016

Elaine M. Howle\*  
California State Auditor  
621 Capitol Mall, Suite 1200  
Sacramento, CA 95814

Dear Ms. Howle:

Response to the California State Auditor Draft Audit Report,  
"Department of Developmental Services: It Cannot Verify That Vendor Rates for In-  
Home Respite Services Are Appropriate and That Regional Centers and Vendors  
Meet Applicable Requirements"

Thank you for the opportunity to respond to the Draft Audit Report (Audit or Report) for the Department of Developmental Services' (DDS or Department) of the rate-setting policies and expenditures of in-home respite services. The Department appreciates the State Auditor's review of in-home respite services. While the Department does not agree with some of the conclusions and recommendations of the audit, there are other recommendations with which we agree and will address. Our response will provide clarifying information where appropriate for the recommendations.

### Department Response to Recommendations to the Legislature

**Recommendation 1:** *To ensure that vendors' in-home respite hourly payment rates are reasonable and appropriate, particularly when compared to their administrative costs and the hourly wages they pay to respite workers, the Legislature should require DDS to conduct an in-depth review of its in-home respite rates by November 1, 2017. In conducting this review, the Legislature should require DDS to perform the following:*

- *Obtain and analyze all vendors' cost statements to determine their costs of providing services and whether vendors' administrative costs are reasonable.*
- *Obtain information from vendors on the hourly wages they pay to respite workers and analyze this information to determine whether vendors' hourly rates are reasonable.*
- *Using information from the cost statements, identify whether vendors' temporary hourly rates should be converted to permanent hourly rates.*

**"Building Partnerships, Supporting Choices"**

\* California State Auditor's comments begin on page 61.

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- *Submit a report to the Legislature on the results of its review, including a proposal on the extent to which legislative changes are needed to ensure that in-home respite rates are reasonable.*

**Response:** The recommendation indicates the Legislature should require DDS to perform, as part of this review:

- An analysis of vendor cost statements to determine if vendor's administrative costs are reasonable.
- An analysis of hourly wages paid to respite workers to determine whether vendors' hourly rates are reasonable.
- A proposal on the extent to which legislative changes are needed to ensure that in-home hourly respite rates are appropriate.

Although this recommendation is directed to the Legislature, DDS believes it is important to provide follow-up comments for consideration. As noted in the report, Section 4519.8 was added (Statutes of 2016, 2nd Extraordinary Session, Chapter 3, Section 2,) to the Welfare and Institutions (W&I) Code, requiring DDS to conduct a rate study by March 1, 2019, addressing the sustainability, quality, and transparency of community-based services for individuals with developmental disabilities. This comprehensive study will include:

- an assessment of the effectiveness of the methods used to establish all service rates;
- whether the current rate setting methods provides an adequate supply of providers; and
- a comparison of the estimated fiscal effects of alternative rate methodologies.

① The recommendation by the Auditor is limited to a review of rates for only one service and does not include the important considerations of providing access to respite services or an assessment of alternative rate methodologies. Further, the report does not justify why a prioritized review of rates for this one service, over all others, is warranted. DDS believes the comprehensive rate study required by W&I Code section 4519.8 is the more efficient approach as opposed to looking at rates for a single service without consideration of the potential impact to other services with similar rate setting methodologies. Completion of this study is required by March 1, 2019, to allow the time necessary to provide a thorough review of service rates and access to all services. Additionally, DDS received funding through the current Budget Act to hire a contractor to undertake this comprehensive rate study. The recommendation to the Legislature

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does not address the resources needed to complete a focused review of in-home respite rates.

**Recommendation 2:** *The Legislature should require workers who provide in-home respite services to consumers to undergo a criminal background check to ensure the health and safety of individuals with developmental disabilities. For the other programs that fall under the Lanterman Act, the Legislature should require DDS to conduct a review of the types of services provided directly to consumers and whether any oversight mechanisms are in place to ensure that workers providing these services do not have criminal backgrounds. The Legislature should require DDS to report the results of this review no later than December 31, 2017, and, using the results of this review, determine whether legislation requiring such workers to undergo criminal background checks is necessary to protect the health and safety of individuals with developmental disabilities.*

**Response:** The Department agrees the recommendation to require criminal background checks for workers who provide direct services to individuals with developmental disabilities has merit. However, depending upon how a background check program is implemented it could have costs for service providers, employees, DDS and other state departments. DDS currently requires Family Home Agencies (FHAs) to perform criminal background checks on employees and family mentors. Assuming all programs that provide direct services to consumers were required to perform similar checks, there would be a cost to either the service provider or the employee for the fee associated with performing the background check. This will increase provider costs, or if the employee is required to assume the cost, it could reduce the number of individuals willing to work in these program areas.

②

Additionally, this will increase administrative costs to DDS and other state departments. For example, the background checks performed on potential FHA employees and family mentors are sent to the California Department of Justice for review. Those with a criminal history are referred to DDS for further review, resulting in an exemption or denial of the person working in that setting. DDS may also have to coordinate background checks with licensing agencies such as the Department of Social Services or the Department of Public Health.

②

### **Department Response to Recommendations to DDS**

Specific responses to the recommendations to DDS are as follows:

**Recommendation 1:** *To ensure that regional centers are aware of the benefits, including cost savings to the State, that can be realized by using Financial Management Service (FMS) vendors, DDS should formally communicate to regional centers regarding the model.*

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**Response:** DDS will formally communicate to regional centers a reminder that participant-direction of respite, through the use of FMS vendors, is an option for the delivery of this service. The communication will note that, as stated in regulation, "...the regional center may offer Participant-Directed Services to allow the adult consumer and/or family member to procure their own ...respite...services."

**Recommendation 2:** *To ensure that in-home respite vendors are providing quality services and that vendors are adhering to state requirements, DDS should issue regulations requiring regional centers to conduct periodic and ongoing reviews of vendors' programs, employees, and consumer records.*

- ③ **Response:** As noted in the response to recommendation #3 below, there are existing regulations for periodic reviews of some vendor requirements, although perhaps not as expansive as envisioned by the Auditor's recommendations. The Auditor points out in the report that some regional centers reported they previously completed more expanded reviews of all providers but no longer do because of a lack of resources. Therefore, it is likely that compliance with any potential new requirements would pose a significant challenge for regional centers without an associated increase in funding.

**Recommendation 3:** *To ensure that in-home respite vendors comply with vendor requirements on an on-going basis, DDS should require the regional centers to develop a process to conduct biennial reviews of the vendor files the regional centers maintain and document the outcome of the review in the files. DDS should require the regional centers to take appropriate action to ensure that vendors comply and, if necessary, terminate the vendorization.*

**Response:** Pursuant to Title 17 Section 54332 (b), regional centers are required to review, at least biennially or sooner upon notification by DDS, Department of Health Care Services, or any governing licensing or certification board or entity, all vendor files maintained by the regional center to determine that:

- (1) The information required for vendorization is current, completed and accurate;
- (2) At least one consumer has been provided services by the vendor within the last 24 months;
- (3) The service currently provided by the vendor is the same service approved for vendorization;
- (4) Vendors meet the minimum program standards as specified in Sections 56710 through 56802 of these regulations, if applicable;
- (5) The vendor has signed the Home and Community Based Services Provider Agreement (6/99), if applicable; and



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(6) The vendor is not in violation of the requirement stated in Section 54314(a)(7).

In response to the concern raised by the Auditor, the Department will send a directive to regional centers reminding them of their responsibility to review vendor files, at least biennially, to ensure compliance with the above section. ④

**Recommendation 4:** *To ensure that it is providing oversight in accordance with state law and federal requirements, DDS should ensure that it performs audits of each regional center every two years as required. In conducting these audits, DDS should consistently include a review of in-home respite services.*

**Response:** DDS agrees with the Auditor that audits of all regional centers should be conducted every two years to ensure proper oversight in accordance with state and federal requirements. However, DDS disagrees with the Auditor's finding that DDS has only completed 14 of the 21 fiscal audits for fiscal years 2013-14 and 2014-15. Per the Home and Community-Based Services Waiver agreement, DDS has consistently ensured that regional centers are audited every two years. The audits are conducted within the two-year timeframe, however, for some audits the issuance and posting of the final report has been protracted due to the internal review process and evaluation of additional information from the regional centers. While there may be delays in issuing the audit reports, during the fieldwork process, regional centers are consistently updated weekly on all issues identified during the audit and DDS program staff are informed of audit issues that may require immediate attention. Nonetheless, as stated in the audit report, DDS is working to have a more efficient review process, whereby regional center audit reports would be completed in a timelier manner. ⑤


Although the current audit program does not include a separate review of the in-home respite services, the current fiscal audits of the regional centers does include the review of numerous service programs which would include in-home respite services as part of the sampling testing. One specific program included in the regional center audit is the Family Cost Participation Program (FCPP) which contains the in-home respite service. In performing the review of the FCPP, the audit staff would incorporate in their testing, the in-home respite service codes 420, 862 and 864. This testing would include the review of vendor files to verify that contracts/rate letters, Home and Community Base Service Provider Agreement Forms, Vendor Application and Applicant/Vendor Disclosure Statement Forms are on file. Furthermore, the testing will also include ensuring services are properly authorized and payments are supported with invoices and attendance records. In addition, under the State contract with the regional centers, Article III, Vendor Fiscal Monitoring, Section 10(c), regional centers are required to conduct a minimum number of audits annually which includes the service category 862, in-home respite service agencies. ⑤

In closing, DDS appreciates the Auditor's review and, where we agree, will implement the Auditor's recommendations to address the findings identified in the Audit Report. ⑥

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In closing, DDS appreciates the Auditor's review and, where we agree, will implement the Auditor's recommendations to address the findings identified in the Audit Report. Thank you for the opportunity for DDS to provide input to the Draft Audit Report. Please contact me or John Doyle, Chief Deputy Director, at (916) 654-1897, if you have any questions.

Sincerely,



for NANCY BARGMANN  
Director

## Comments

### CALIFORNIA STATE AUDITOR'S COMMENTS ON THE RESPONSE FROM THE DEPARTMENT OF DEVELOPMENTAL SERVICES

To provide clarity and perspective, we are commenting on the response to our audit report from the Department of Developmental Services (DDS). The numbers below correspond to the numbers we have placed in the margin of DDS's response.

We disagree with DDS and continue to believe it is important that it assesses the hourly rates it pays to vendors for the in-home respite services program (in-home respite services) sooner than March 2019. As we note on page 15, DDS has not assessed the appropriateness of the hourly rates it pays to vendors for in-home respite services in more than a decade. Specifically, as we state on pages 15 and 16, DDS changed its approach to calculating payment rates and no longer requires vendors to submit cost statements. Rather, DDS currently adjusts the hourly rates—whether they are temporary or permanent—based on legislatively approved rate adjustments and changes to minimum wage or labor laws. As we state on page 17, we believe obtaining and evaluating cost statements is the first step in assessing whether in-home respite hourly rates are appropriate, particularly as related to economy and whether they are sufficient to enlist enough providers. Finally, although DDS contends that our recommendation does not include certain considerations, to the extent the Legislature implements our recommendation, DDS is not precluded from considering any other factors in its review of in-home respite service rates that it believes are necessary. Further, nothing prevents DDS from revisiting its calculation of in-home respite rates to the extent the rate study it is required to complete by March 2019 identifies a reason to revisit this calculation. In fact, beginning its efforts by focusing on one service, in this case in-home respite service, could inform DDS's efforts to evaluate the appropriateness of its rates for other services.

①

Although we acknowledge there may be additional costs involved with performing background checks on in-home respite workers, we made this recommendation to the Legislature to ensure the health and safety of individuals with developmental disabilities. Additionally, to the extent the Legislature chooses to require DDS to conduct a review of the other services that fall under the Lanterman Developmental Disabilities Services Act, DDS can comment in the results of its review on any increased costs or other obstacles it believes the State will face by requiring background checks on workers providing these services.

②

- ③ As stated in our report on page 31, although there are no requirements that regional centers monitor vendors, they are not precluded from doing so, and we found that two regional centers had previously performed reviews of vendors that led to important conclusions. For example, on that same page we describe that in 2011 Inland Regional Center formally conducted quality assurance audits of the program, employee, and consumer records for two of the five vendors we selected for review. One of these audits concluded that the respective vendor should require all routine respite workers to have ongoing training on developmental disability topics and that not all of the employee files contained required documentation, including CPR and first aid certifications. In light of these conclusions and regional centers' minimal monitoring of vendors in general, which we describe on pages 28 through 32, we encourage DDS to identify cost-effective methods to help ensure regional centers conduct periodic and ongoing reviews of vendors to identify key areas for needed improvement in in-home respite service delivery.
- ④ DDS's planned action does not fully address this recommendation. Specifically, as we state on page 29, our review found that regional centers could not demonstrate adequately, if at all, that they conduct reviews of vendor files at least every two years as required to ensure that vendors continue to comply with the vendorization requirements. In its response, DDS states that it will send a directive to regional centers to remind them of their responsibility to review vendor files; however, this action falls significantly short of our recommendation as DDS does not indicate the steps it will take to ensure regional centers develop a process to conduct biennial reviews as required.
- ⑤ DDS contends in its response that it is complying with the requirement that it conduct audits of regional centers every two years. DDS also acknowledges various reasons for delays in completing and issuing the audit reports, which we describe on page 33. Although DDS indicates it is working to minimize these delays, until it completes and issues audit reports of regional centers to the public every two years, it will continue to not meet the requirement. Further, as we point out on page 33, these audits do not always include a review of vendor files maintained by the regional center or a review of expenditures related to vendors that provide in-home respite services. Thus, until DDS consistently includes a review of in-home respite services in its audits, we remain concerned that any fiscal problems or other issues these audits may otherwise reveal could continue to go undetected.

The fiscal monitoring that DDS points to in its response is limited to a review of vendors' billings for services, which may or may not include in-home respite services. However, as we indicate on page 30, we focused our review on more extensive monitoring efforts by determining whether regional centers ensure vendors provide sufficient training to respite workers, that respite workers obtain the required certifications, and that the quality of services provided by the vendor for in-home respite care is adequate and consistent across consumers.

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