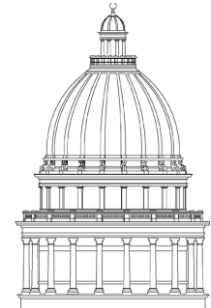


Office of
LEGISLATIVE AUDITOR GENERAL
State of Utah

**REPORT NUMBER ILR2009-A
August 18, 2009**



**A Review of Allegations Made Concerning
The Division of Services for People with
Disabilities**

At the request of the Speaker of the House and the President of the Senate, we conducted a review of allegations our office received anonymously concerning the Division of Services for People with Disabilities (DSPD). The purpose of this review was to determine if an audit should be opened. Our conclusion is that any further review of these allegations is not merited.

On April 21, 2009, our office received an anonymous letter. The following excerpts contain the letter's salient points.

“We are writing to you regarding all of the recent changes in the Division of Services for People with Disabilities. . . . the forecasting process they are using is not **accurate**, and the Division's staff who have constructed the current numbers for the changes really have overestimated the savings in many areas. They don't get regular budget forecasts from the regions, and they were not at all involved in developing the projected savings. . . . We understand that the Department has the right to make changes, but in this case we think they are putting people at risk. The current situation needed more thought and study before it was implemented. . . . We would

This review is in response to an anonymous letter containing allegations about DSPD forecasting and changes being made within DSPD.

encourage you to take a look at what is going on here, and really see if this is the best approach to change the State of Utah's community based services.”

Since this was an anonymous letter, we could not clarify specific concerns or relationships between stated concerns (e.g., forecasting and changes being made). However, we believe that the primary issue surrounds the budget cuts being made within DSPD. Specifically, we addressed two questions:

- How have the budget cuts been implemented by DSPD?
- Did forecasting play a role in these budget cuts?

During the review, conflict of interest allegations were made by anonymous individuals concerning specific employees. We followed up on these individuals and found the department was aware of all individuals named through self-reported conflict of interest declarations. Department management had reviewed each case and had made a determination as to whether the conflict could be managed. Given the department's awareness and action, we did not pursue the matter further.

We received and followed up on conflict of interest allegations; given the department's awareness and action, we did not pursue the issue further.

Further Review of These Allegations Seems Unnecessary

While DSPD does have a budget forecasting model, this model does not appear to have played a role in the budget cuts themselves or the implementation of the budget cuts. The budget cut amounts were decided by the Legislature, and DSPD's budget cut methodology appears reasonable. However, in implementing these budget cuts, DSPD has decided to privatize many of its support coordinator positions, a significant change to client service delivery. The privatization movement is controversial with some.

Forecasting Model Appears Unrelated to Budget Cuts

The forecasting model used by the Department of Human Services (DHS) has been in use for about five years. The model is built on the belief that expenses are primarily driven by the number of clients receiving a certain service and the average cost of that service. The

forecasting model is used to estimate potential costs in each DSPD region based on the specific client types being served in the regions. Some client types are more expensive than others.

We talked with the three region directors and/or their administrative services managers about the forecasting model. While a few concerns were cited, none of these individuals believed that the forecasting model was in any way related to the budget cuts. We also reviewed the DSPD forecasts made by the model from fiscal year 2005 through fiscal year 2008. In our opinion, the model seemed to do a reasonably good job predicting DSPD's expenditures. For example, for fiscal year 2008, the model forecast DSPD's expenditures to be \$191 million; the actual expenditures were \$192 million. As one region director said, "I don't know of any perfect forecasting methodology . . . it appears the Division is using a methodology that forecasts our actual expenditures fairly well with an acceptable variance based on the size of the Division budget." Consequently, we did not pursue the forecasting question further.

Budget Cuts Made by Legislature and Implemented by DSPD

During the 2009 General Session of the Legislature, cuts were made to DSPD's administration and service delivery general fund appropriations. Prior to the cuts, these general fund appropriations totaled approximately \$2.2 million and \$6.5 million, respectively. The cuts are shown in Figure 1.1.

No one that we talked with believed the forecasting model was in any way related to the budget cuts.

One region director commented that the methodology used forecasts actual expenditures fairly well with an acceptable variance given the size of DSPD's budget.

Figure 1.1 DSPD Budget Cuts During 2009 Legislative General Session. DSPD took approximately \$2.9 million in general fund budget cuts and received \$1.9 million in a one-time offset.

Appropriation Bill	Type of Reduction	Amount
House Bill 3	FY 2009: Ongoing cut to service delivery	\$ 386,900
Senate Bill 3	FY 2010: Ongoing cut to service delivery	1,863,100
Senate Bill 3	FY 2010: Ongoing cut to DSPD administration	105,100
Senate Bill 3	FY 2010: Ongoing cut to DSPD service delivery	501,900
SUBTOTAL		2,857,000
Senate Bill 3	FY 2010: One-time money to offset the ongoing cuts	(1,950,000)
TOTAL	Budget Cuts Required By June 30, 2009	\$ 907,000

DSPD was required to cut \$907,000 in general funds; their budget cut implementation plan estimates general fund savings of \$1.2 million.

To develop their strategy to implement the budget cuts, DSPD management began meeting with client groups and employee groups March 13, 2009. After meetings with division leadership, which includes DSPD regional directors, DSPD management issued a proposed budget cut implementation strategy for comment on April 1, 2009. The final budget cut implementation strategy was issued April 29, 2009.

The final budget cut implementation plan estimates general fund savings of \$1,189,675, approximately \$283,000 more than necessary to meet the \$907,000 in legislative cuts. DSPD’s director justifies the additional estimated cuts two ways. First, he indicated that the Legislature told them that deeper cuts are coming and to plan accordingly. Second, some of the estimated savings (e.g., savings from office reorganizations or closings) may not be as great as hoped. If this is the case, there will be another round of cuts in November or December.

We are not particularly concerned over the fact that the implementation plan's estimated savings are more than required. If ongoing revenue does not increase or if the Legislature does not provide additional one-time revenue (e.g., backfill money) for fiscal year 2011, then DSPD will need to make an additional \$1,950,000 in general fund service delivery cuts to cover the ongoing cuts the Legislature made in fiscal years 2009 and 2010.

Support Coordinator Privatization Is One Part of Budget Cut Plan

One element in the budget cut implementation plan is the privatization of 24 DSPD support coordinators. It is the support coordinator that assesses a client's needs and helps the client choose a provider. According to DSPD management, at least 25 DSPD employees had already become private support coordinators prior to the budget cuts, and many others had expressed interest. Management concluded that accelerating the trend would help DSPD meet the budget cuts.

Privatizing support coordinators is expected to save DSPD approximately \$160,000 in benefit costs as well as other costs associated with an employee (e.g., IT costs). In addition to these savings, some believe that privatization will improve client service through competition. Others, however, have expressed concerns with the privatization movement. For example, one employee believes private support coordinators will be more likely to develop unhealthy ties with private providers. With this change to DSPD's service delivery model, a study of the impacts of support coordinator privatization on client service and costs would be wise.

For fiscal year 2011, DSPD will need to make \$1.95 million in additional cuts if additional revenue is not available.

Some employees are supportive of the privatization move while others are wary.
