



November 3, 2015

President Wayne Niederhauser
Speaker Greg Hughes
Members of the Legislative Audit Subcommittee

Report ILR 2015-D: A Follow-up Audit of the Division of Services for People with Disabilities' Response to Audit Report 2014-10

The Division of Services for People with Disabilities (DSPD) is required by legislative action to provide a report that includes: 1) a response to each specific recommendation as found in *A Performance Audit of the Division of Services for People with Disabilities* (Report 2014-10), 2) identification of specific efficiencies gained by implementing the recommendations, 3) estimated savings, if any, and 4) measures that demonstrate effective implementation. The Legislature also required the Office of the Legislative Auditor General to assess if the reported measures demonstrate effective implementation of the recommendations and the accuracy of the saving estimates.

Pursuant to this request, we conducted a limited review and found the following:

- DSPD has implemented a process to review individuals' budgets which, in its first year of implementation, has resulted in a reduction of inflated budgets by \$1,307,409. Although no actual savings from this process will be realized, aligning client budgets to actual expenditures reduces DSPD's liability to pay for unneeded services.
- DSPD is in the process of creating policies and controls to better assess client service requests and ensure all service requests are appropriately addressed. At this time, the effect of additional client services on DSPD's budget and expenditure process changes cannot be determined.

These issues are addressed in the following sections.

DSPD Has Implemented a Process To Review Individuals' Budgets

In June 2015, DSPD began reducing clients' budgets to the actual expenditures, thereby closing the gap that previously exposed DSPD to paying for services that were not truly needed. This action initiated the first in a four-step, multi-year process implemented by DSPD to review individual budgets, as recommended in Audit Report 2014-10. The initial adjustments, which took place during fiscal year 2015, reduced 414 clients' budgets by \$1,307,409 in General Funds and over \$4,432,645 in total funds (including General Funds and federal Medicaid matching funds). With three years left to fully implement this new budget review process, we expect further reductions in client budgets over the next few years. These reductions represent overinflated, unused portions of client budgets that increase the liability of DSPD paying for unneeded services. The budget amounts greatly exceed DSPD's available funds and, if spent, would require DSPD to seek a supplemental appropriation.

In April 2015, DSPD created a policy to align client budget plans with actual expenditures. The purpose of the policy is to create a consistent and standardized process for budget review. The policy also establishes criteria justifying why a client's budget may legitimately be underused, thereby allowing a portion of the budget to remain unspent until the funds are needed. Finally, it sets forth procedures for appealing a Notice of Agency Action (NOA) if the budget is ultimately reduced.

The four-step process in aligning client budgets is as follows:

- Year One: (fiscal year 2015) DSPD identified budgets that demonstrated an underuse of \$5,000 or more for at least the last two completed plan cycles. DSPD then contacted support coordinators, alerting them of the planned reduction. The support coordinators had 30 days to contact DSPD with justification of why the budgets should not be reduced. If no contact was made after 30 days or if the support coordinator's justification was inadequate, DSPD issued an NOA, allowing 10 days to appeal.
- Year Two: (fiscal year 2016) DSPD will review budgets that demonstrate underuse of \$3,000 or more.
- Year Three: (fiscal year 2017) DSPD will review budgets that demonstrate underuse of \$1,000 or more.

- Year Four: (fiscal year 2018 and beyond) DSPD will determine the appropriate threshold to use as a target based on its administrative capacity.

Figure 1 breaks down the results of this first year’s analysis.

Figure 1. By June 29, 2015, DSPD Had Reduced 414 Client Budgets by \$1,307,409 in General Fund Dollars. Two of the appealed reductions ultimately received a reduction.

Clients identified for possible budget reduction based on underuse of \$5,000 or more	526
Number of NOAs sent	432
Number of appeals	20
Number of budgets actually reduced	414

Source: Auditor analysis of DSPD data

Initially, 526 clients were identified as having underspent their budgets by \$5,000 or more in the last two plan years. Emails and letters were sent from DSPD’s finance director to support coordinators regarding the proposed cuts to their clients’ budgets. DSPD reports that 94 individuals’ budget levels were retained because the respective support coordinators were able to justify why the individuals had unspent portions of budgets. Some of those reasons included the following:

- One service was not being used because the individual needed a more intensive service that had not yet been requested by the support coordinator or approved by DSPD.
- Another individual was sick and hospitalized but would still need the services.
- A third individual was in the process of changing service plans but would then be using the funds.

Therefore, after the 94 budgets were retained, the remaining 432 clients were sent NOAs indicating they had 10 days to appeal the budget reduction.

We found that 20 individuals appealed within the required 10 days. DSPD reports that, while those appeals were being informally settled, DSPD held the budgets constant. Some individuals received one-time funding to finish their plan year, having shown they would actually use the services. Other appeals are still being processed. As of this report, 414 budgets had been reduced.

We believe that these reductions represent potential future savings because if these clients had chosen to exercise the use of these funds by accessing the services allowed in their budgets, DSPD would have had to pay for these services. However, since DSPD's operating budget is not directly tied to individual client budgets, reducing unused client budget amounts will not result in a corresponding reduction to DSPD's overall budget and will not presently be evidenced through actual savings. Closing access to these funds has ensured that, in the future, DSPD will not be paying for services that are not needed.

One concern raised in Report 2014-10 was that clients who had never requested additional services had not ever had their budgets reviewed by anyone other than the private support coordinators, who work for the client. That process placed the support coordinators in a compromised position. DSPD's new process intends to create the appropriate separation of responsibilities and ensure resources are being appropriately managed.

DSPD Is Creating Policies and Controls to Better Assess Amending Client Services

In August 2015, DSPD provided a letter to our office stating that it is currently in the process of both creating policies to guide the request for services and building the interactive module in their information system that will impose those policies. After examination, we found that DSPD's new policies do provide a more standardized, criteria-driven analysis of service requests. We also observed how those policies have been incorporated into their interactive information system, as well as had discussions with DSPD's programmers and staff, and conclude that DSPD is indeed progressing on developing these systems. However, full implementation of the system is not expected until February 2016.

Report 2014-10 contained five recommendations pertaining to DSPD's request for additional services (RAS) programs. The recommendations centered on DSPD creating a RAS program that was clear, accurate, well-structured, and consistent. The system should also be measurable and reliable to better understand client needs and the DSPD processes that help get those needs addressed.

DSPD Services Are Being Coded and Associated with Specific Requirements. Each service DSPD provides is represented by a service code. DSPD representatives provided us with the policy they created, which establishes the documentation and criteria needed when requesting additional services. Establishing the required criteria to support each service request, while not the largest part of the overall project, is about 95 percent complete. DSPD must still complete the program development and implementation of the new

process statewide. The new process assigns specific criteria that must be provided as evidence for the need of a particular service code. DSPD defines its process stating, “The criteria will be used as a guiding principle to determine first, if the waiver participant meets the requirements for the usage of that specific service code, then to determine if the service code is applicable to the request for services.”

For example, part of the criteria established for a client to request the service BCI (behavioral consultant 1) is that the person must have a need for a behavioral consultant to address targeted behavior that is annoying, worrisome, objectionable, or singular, but not dangerous. If the client is requesting BCI for the first time as a new service, the request must be accompanied by at least one of the following: incident reports, support coordinator log notes, or the person’s supports intensity scale report (SIS), which is a tool created by the American Association of Intellectual and Developmental Disabilities that DSPD uses to measure a person’s support needs. If the request for BCI is an increase to the client’s already existing service plan, the support coordinator must provide at least one of the following: incident reports, support coordinator log notes, SIS report, behavior assessment, behavior support plan, or behavior data.

Support Coordinators Must Provide Justification Statement. In addition to the required document(s), the support coordinator must provide a narrative addressing: 1) why the new/increased service is justified, 2) other alternative supports or mitigations to attempt to address the issue, and 3) justification for the proposed number of service units. Each service code is defined in a similar way with an accompanying narrative. There are 35 different types of documentation that can accompany a request for services, in a multitude of combinations.

DSPD believes that the effect of the new systems appropriation requests for additional needs may not be measurable for at least two years after full implementation. When DSPD staff project the value of anticipated additional services that will be needed for the upcoming fiscal year, they use a calculation based on the actual expenditures for additional needs from the history of the prior two years. DSPD projects in this manner because, at the time DSPD is required to submit budget requests for the next fiscal year, they are unable to evaluate what will be spent during the entire current fiscal year (as the year has not come to a close). Therefore, they go back two years where the expenses have been finalized.

This lag in the system prohibits our immediate analysis of how system process changes will affect DSPD’s need for additional future service funds. Similarly, the effect the new system has on DSPD’s ability to provide measureable, meaningful data on additional service need and use cannot be evaluated until the system has had sufficient time to be used by clients. However, we believe these new process changes should increase DSPD’s control, oversight, and consistency of service approvals.

An additional concern we had in Report 2014-10 was that, in managing requests for additional services, much of the process was maintained and adjusted manually in DSPD's information system. We observed that the new interactive module in the information system will automate this process. This change should reduce errors and provide for more reliable reporting and measuring of why services are allocated and where DSPD may need to focus their resources.

Recommendation

1. We recommend that the Legislative Audit Subcommittee direct the Office of the Legislative Auditor General to conduct a follow-up audit in four years to report the following:
 - How DSPD's realignment of budgets has effected client service budgets
 - What threshold DSPD selected for budget review for year four and beyond, as stated in their new budget alignment policy and how it was implemented.
2. We recommend that the Legislative Audit Subcommittee direct the Office of the Legislative Auditor General to conduct a follow-up audit in four years to report the outcome of DSPD's new system for evaluating additional service requests.

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Agency Response



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October 13, 2015

Mr. John M. Schaff, CIA
Auditor General
State of Utah - Office of the Legislative Auditor General
W315 Utah State Capitol Complex
Salt Lake City, UT 84114-5315

RE: Report No.2014-10

Dear Mr. Schaff,

The Division of Services for People with Disabilities (DSPD) appreciates the opportunity to respond to the follow-up of the Performance Audit conducted by the Office of the Legislative Auditor General. Please find the recommendations and DSPD's response below.

Recommendation 1:

We recommend that the Legislative Audit Subcommittee direct the Office of the Legislative Auditor General to conduct a follow-up in four years to report the following:

- How DSPD's realignment of budgets has effected client service budgets
- What threshold DSPD selected for budget review for year four and beyond, as stated in their new budget alignment policy and how it was implemented.

DSPD agrees with this recommendation. As noted in the review, DSPD has largely completed the first year of budget alignment. DSPD will continue to implement the budget alignment and intends that the annual budget alignment will become a standard practice that is implemented annually for the foreseeable future.

Recommendation 2:

We recommend that the Legislative Audit Subcommittee direct the Office of the Legislative Auditor General to conduct a follow-up audit in four years to report the outcome of DSPD's new system for evaluating additional service requests.

DSPD agrees with this recommendation. DSPD anticipates that with the implementation of the new system module, data will be available to clearly monitor the impacts of the revised process for adjusting people in services' budgets. DSPD intends that the system will provide the requisite information to

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clearly document the process and provide the needed data to demonstrate the criteria used in the decision to modify the services people receive. DSPD believes the process will be fully implemented at the time of the follow-up audit and will ensure that services are consistently adjusted in a fair and equitable process for all the citizens of Utah who are enrolled in DSPD programs.

Regards,

A handwritten signature in black ink, appearing to read 'P. T. Smith', written in a cursive style.

Paul T. Smith
Division Director