

PERFORMANCE AUDIT REPORT

100-HOUR AUDIT

**Reviewing Quarterly Payments
Made By Community
Developmental Disability Organizations**

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
April 1999**

Legislative Post Audit Committee

Legislative Division of Post Audit

THE LEGISLATIVE POST Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$8 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. General Accounting Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

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LEGISLATURE OF KANSAS
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April 15, 1999

To: Members, Legislative Post Audit Committee

Representative Kenny Wilk, Chair
Representative Richard Alldritt
Representative John Ballou
Representative Lynn Jenkins
Representative Ed McKechnie

Senator Lana Oleen, Vice-Chair
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This report contains the findings, and conclusions from our completed performance audit, *Reviewing Quarterly Payments Made by Community Developmental Disability Organizations*.

We would be happy to discuss the findings presented in this report with any legislative committees, individual legislators, or other State officials.

Sincerely,

Barbara J. Hinton
Legislative Post Auditor



EXECUTIVE SUMMARY
LEGISLATIVE DIVISION OF POST AUDIT

Question 1: Have Community Developmental Disability Organizations Delayed Their 4th Quarter Payments To Parents and Guardians of People With Developmental Disabilities, and If So, Why?

The Department provides State and federal funding to CDDOs on a page 2
quarterly basis. The Department contracts with 28 CDDOs to provide a variety
of services for developmentally disabled Kansans. The Department passes on
funding from State general funds, federal block grants, and other matching
funds. The CDDOs then pass some funding directly to parents to help with
expenses associated with having a developmentally disabled person living at
home.

Parents of developmentally disabled people who receive family page 3
assistance became concerned after a March 31st newspaper article indicat-
ed the Department wouldn't be making its last quarterly payments. We
visited three CDDOs during this audit. They indicated they initially became
concerned after reading that the Department had decided to immediately stop
payments to service providers, including CDDOs, but of budget cuts being
made by the House. At the same time, an advocacy group for the developmen-
tally disabled sent faxes to the CDDOs raising the alarm about the potential
budget cuts. Both the advocacy group and several CDDOs encouraged people
to contact the Governor or their legislators to express their concerns.

The Department released about 88% of the money it owed to page 3
CDDOs within 24 hours of deciding to hold up those payments, and re-
leased the rest of the money about two weeks later. Based on the House
Appropriations Committee's March 30 decision to cut \$29 million from the
Department's current budget, the Department put a hold on all payments to
assess its fiscal situation. The next day the Department released most of
payments to CDDOs, based on a recommendation from the Senate Ways and
Means Committee. The three CDDOs in our sample didn't receive these funds
until April 7. On April 12, the Department released the remaining payments.

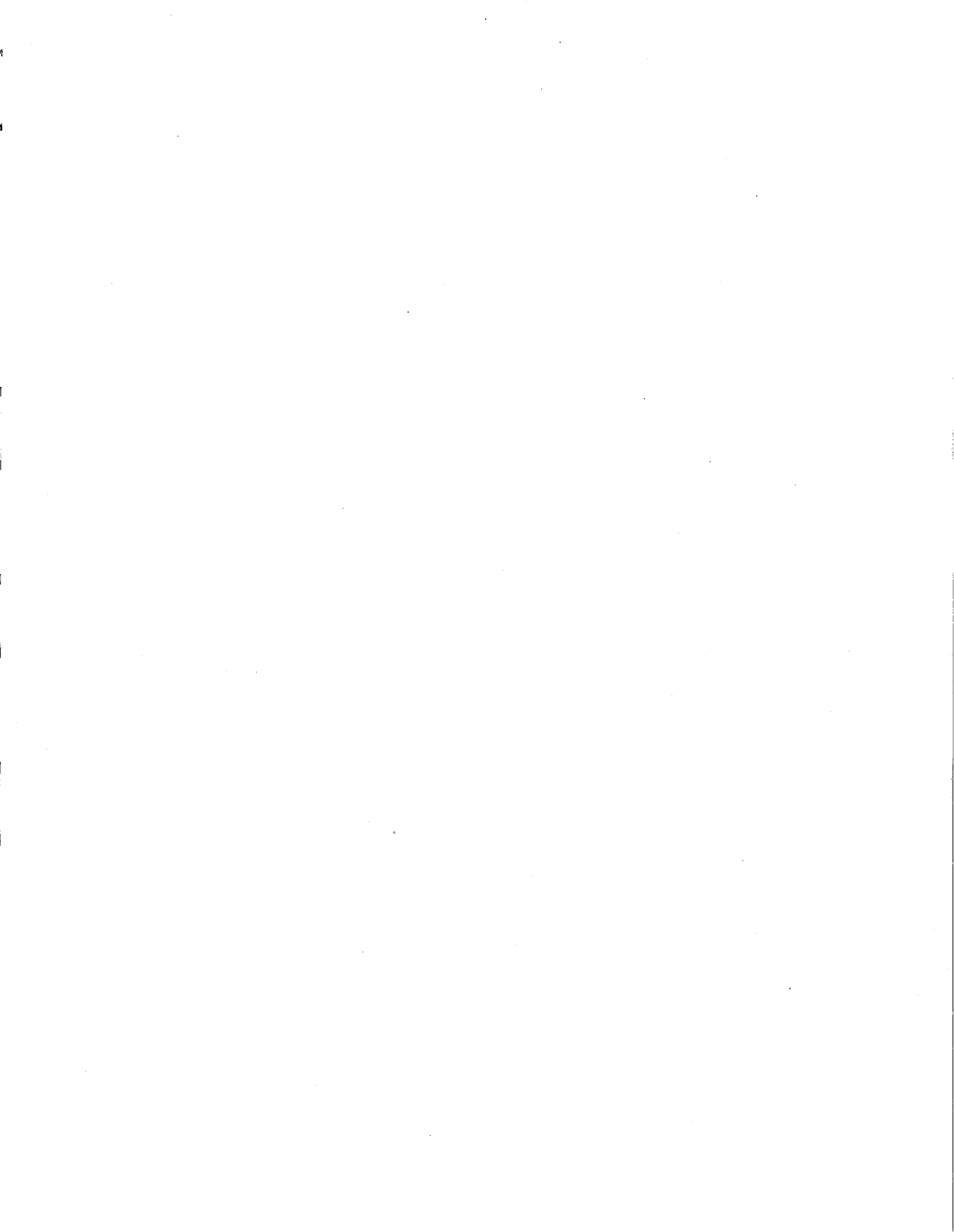
Overall, the timing of the Department's payments to the CDDOs and the CDDOs
payments to their families was similar to other quarters. As a result of the
temporary hold, one of the CDDOs we visited did delay making payments to its
families a few days, but still sent out those payments out before it received its
4th quarter payment from the Department.

Conclusion page 5

Appendix A: Fourth Quarter Amounts Paid and page 6
Still Outstanding.

Appendix B: Agency Response page 8

This audit was conducted by Chris Clarke. Leo Hafner was the audit manager. If you
need any additional information about the audit's findings, please contact Ms. Clarke at the
Division's offices. Our address is: Legislative Division of Post Audit, 800 SW Jackson
Street, Suite 1200, Topeka, Kansas 66612. You also may call us at (785) 296-3792, or con-
tact us via the Internet at: LPA@lpa.state.ks.us.



Reviewing Quarterly Payments Made by Community Developmental Disability Organizations

One of the major thrusts of the Disabilities Reform Act enacted by the 1995 Legislature was to, when possible, move disabled people out of institutions and provide the services they need in community settings close to their homes and families. To help accomplish this, the Department of Social and Rehabilitation Services has contracted with community developmental disability organizations (CDDOs) at the local level.

Currently, 28 community developmental disability organizations serve Kansas' 105 counties. These organizations serve as a single point of application, eligibility determination, and referral for those seeking developmental disability services. The service areas for the individual organizations range from one to as many as 18 counties.

A portion of the funding the Department provides to the CDDOs is used for direct payments to families who have developmentally disabled children living at home. These funds are used to arrange for services such as respite care and in-home support, as well as for items such as shoes and diapers. Eligible families receive \$200 per month, or \$600 per quarter. Some CDDOs pay families quarterly; some pay them monthly.

Legislative concerns about CDDO payments were prompted by telephone calls from parents and guardians saying that at least some CDDOs had told parents they wouldn't get their family support checks on April 1. Legislators had heard that the Department had provided all the 4th quarter money to the CDDOs except for a small amount designed to cover the organizations' administrative costs. If this were true, the legislators were concerned about why the CDDOs would be withholding payments to the families and guardians. To address these concerns, the Chair of the Legislative Post Audit Committee directed this 100-hour audit to answer the following question:

Have community developmental disability organizations delayed their fourth quarter payments to parents and guardians of people with developmental disabilities, and if so, why?

To answer this question, we reviewed applicable statutes and payment provisions in the CDDOs' contracts with the Department. We also visited CDDOs in Topeka, Lawrence, and Leavenworth. While there, we reviewed these CDDOs' accounting records for the past four quarters to determine when they received payments from the Department, and when they issued payments to the families. We also reviewed recent correspondence sent to parents regarding their payments for the 4th quarter of fiscal year 1999. Finally, we interviewed organization directors and Department officials about the reasons for any payment delays.

In conducting this audit, we followed all applicable government auditing standards set forth by the U.S. General Accounting Office.

Have Community Developmental Disability Organizations Delayed Their Fourth Quarter Payments to Parents and Guardians Of People With Developmental Disabilities, And If So, Why?

Our review of fourth-quarter payments by three CDDOs showed that Topeka and Leavenworth made payments to parents even though they hadn't received money from the Department. Leavenworth delayed its payments for approximately 5-6 days, and officials said they were concerned about when or whether they would receive their 4th-quarter payments from the Department after it announced it was temporarily freezing all payments to contractors and grantees. One day after the Department announced the freeze, it notified the CDDOs that it was releasing part of the moneys it owed them. CDDO officials were told they wouldn't receive approximately half of their State aid pending the outcome of budget discussions being held in the Legislature. The CDDOs received their partial payments for April 1999 about one week into the month, which was no later than they had received payments from the Department in any of the past three quarters. On April 12th, the Department notified CDDO officials that it was releasing the remainder of the State aid.

The Department Provides State and Federal Funding To CDDOs on a Quarterly Basis

The Department of Social and Rehabilitation Services has a contract with each of the 28 community development disability organizations in Kansas to provide a variety of services for developmentally disabled people. Under the terms of those contracts, the Department is to pay the CDDOs one-fourth of their yearly grant award in July, September, January, and April.

During the first 3 quarters of fiscal year 1999, those quarterly payments ranged from about \$22,000 to \$950,000, depending on the size of the CDDO. These moneys come from State aid for the developmentally disabled, State general funds, federal block grants, and other federal matching funds.

Part of the grant money they receive helps the CDDOs cover their administrative costs. However, CDDOs pay out the largest portion of those funds directly to subcontractors or affiliates who operate such things as infant development centers, preschools, adult life skills training centers, supported employment, and an array of residential programs. As noted earlier, a portion of that funding also is paid directly to parents and guardians who have developmentally disabled people living at home.

Parents of Developmentally Disabled People Who Receive Family Assistance Became Concerned After a March 31st Newspaper Article Indicated the Department Wouldn't Be Making Its Last Quarterly Payments

During this 100-hour audit, we visited officials at three nearby community developmental disability organizations:

- TARC in Topeka
- Cottonwood, Inc., in Lawrence
- Riverside Resources, Inc., in Leavenworth

Officials from all three organizations told us they initially became concerned after reading an article in the March 31st edition of the *Topeka Capital-Journal* stating the Department had decided to immediately stop payments to service providers and grantees, including the CDDOs.

In addition, the same day the article appeared, an advocacy group for the developmentally disabled began sending faxes to CDDOs. Those faxes expressed considerable alarm about the potential budget cuts and the Department's reported decision not to make its 4th quarter payments. The advocacy group encouraged CDDO officials to write to their legislators and the Governor.

In response to these events, officials from one CDDO we visited contacted families in its service areas that normally received family assistance payments. A follow-up letter dated April 1 informed the families that the funding had been released by SRS and encouraged families to contact the Governor and their legislator to voice support for HB 2519 (a bill which would maintain mental health and developmental disability funding for the next year). Another CDDO went ahead and paid the families on the 1st of the month before receiving money from the Department. This CDDO inserted a note with the checks apologizing for any lateness, and suggesting that families contact the Governor if they had questions or concerns.

The Department Released About 88% of the Money It Owed to CDDOs Within 24 Hours of Deciding To Hold Up Those Payments, And Released the Rest of the Money About Two Weeks Later

According to the Department's Commissioner of Mental Health and Developmental Disabilities, after the House Appropriations Committee recommended on March 30 cutting about \$29 million from the Department's budget for the current fiscal year (1999), the Department decided to hold all payments to service providers and

grantees and assess the situation. The Department was looking for ways to address an expected \$2.4 million shortfall in the Developmental Disabilities budget.

Approximately 24 hours later, based on a recommendation from the Senate Ways and Means Committee, the Department released all payments except for one-half of the State aid to CDDOs. The amount held back (about \$750,000) was to be used to help cover the budget shortfall.

The Department faxed a memo to the CDDO executive directors dated March 31st stating that they would be receiving their payments for the 4th quarter, less half of the State aid portion. On April 2nd, the Department sent a more detailed memo to the CDDOs explaining that the remaining half of the State-aid funding might not be paid until May 1999. In a memo dated April 12, 1999, the Department informed CDDO directors that the remaining State aid payments had been released and were being processed.

The three CDDOs in our sample all received their partial 4th quarter payment for fiscal year 1999 on April 7th. Again, those payments excluded half the State aid portion owed to the CDDOs. The following table shows the amount those three organizations normally received in a quarter, and the amount they received for the 4th quarter, as of April 7, 1999. Appendix A lists the amounts temporarily withheld from each CDDO's 4th quarter payment.

Amounts Owed and Paid to CDDOs 4th Quarter of Fiscal Year 1999		
<u>CDDO</u>	<u>Quarterly Amount Due</u>	<u>Amount Paid April 7, 1999</u>
Cottonwood	\$255,067	\$235,352
Riverside Resources	\$123,599	\$105,143
TARC	\$434,389	\$392,703

- Under the terms of its contracts with the CDDOs, the Department must make its 4th quarter payments in April 1999. Thus, at the time this audit was written the Department still was in compliance with the terms of its contracts. According to the Commissioner, the remaining payments due are currently being processed. If it sends out the rest of the State portion anytime during April 1999, the Department will have fully met those terms.

As the table on the next page shows, the Department's partial 4th quarter payments to these three organizations also weren't made any later than the payment dates for the three previous quarters.

**Dates Payment Received by CDDOs
Fiscal Year 1999**

<u>CDDO</u>	<u>1st Qtr</u>	<u>2nd Qtr</u>	<u>3rd Qtr</u>	<u>4th Qtr</u>
Cottonwood	8/14/98	10/7/98	12/31/98	4/7/99partial
Riverside Resources	8/7/98	10/7/98	12/31/98	4/7/99partial
TARC	8/7/98	10/7/98	12/30/98	4/7/99partial

One of the three CDDOs we visited (Leavenworth) delayed payments to its families a few days, but still sent them out before receiving its 4th quarter payment from the Department. Riverside Resources in Leavenworth sends family support checks out monthly, and normally would have sent the April checks at the end of March. Due to the confusion surrounding the fourth quarter payment from the State, this CDDO sent the family checks out April 5th and 6th. Leavenworth didn't receive its fourth quarter payment from the Department until April 7th.

TARC in Topeka also sent its family support checks out before receiving any money from the Department. Cottonwood in Lawrence sent the family payments out the day after receiving its fourth quarter payment from the Department. Families for these two CDDOs received their payments in the normal timeframe.

Each of the three CDDOs we visited has less than 40 families who receive these family assistance payments. All three CDDOs paid the families the full amount due.

Conclusion

Publication of the Department's decision to temporarily delay payments to CDDOs caused a chain reaction which resulted in some parents or guardians of disabled individuals not receiving their fourth quarter payments as quickly as they otherwise would have. However, the delay was relatively short, and in the meantime all funding has been restored.

APPENDIX A

Fourth Quarter Amounts Paid and Still Outstanding

The following appendix lists the fourth quarter amounts due each community developmental disability organization, the amount of the partial payment made by the Department of Social and Rehabilitation Services, and the amounts still owed. The Department indicated on April 12th that the remaining moneys due were being processed.

CDDO	4th Qtr Total	Amount Paid 4/7	Balance Due	% Due
Achievement Services for NE Kansas	\$78,483	\$74,472	\$4,011	5.1%
Arrowhead West, Inc.	\$304,556	\$264,282	\$40,274	13.2%
Big Lakes Developmental Center, Inc.	\$197,903	\$165,575	\$32,328	16.3%
Brown County Developmental Services, Inc.	\$44,675	\$41,064	\$3,611	8.1%
CLASS, Ltd.	\$302,798	\$277,800	\$24,998	8.3%
COF Training Services, Inc.	\$215,575	\$198,566	\$17,009	7.9%
COMCARE of Sedgwick County	\$959,599	\$802,077	\$157,522	16.4%
CottonWood, Inc.	\$255,067	\$235,352	\$19,715	7.7%
Cowley County Developmental Services, Inc.	\$110,322	\$99,859	\$10,463	9.5%
Developmental Services of NW Kansas	\$409,064	\$352,872	\$56,192	13.7%
Flinthills Services, Inc.	\$111,276	\$95,629	\$15,647	14.1%
Futures Unlimited, Inc.	\$83,510	\$75,389	\$8,121	9.7%
Hetlinger Developmental Services, Inc.	\$86,903	\$79,077	\$7,826	9.0%
Johnson County Developmental Supports	\$640,497	\$580,856	\$59,641	9.3%
MultiCommunity Diversified Services, Inc.	\$96,245	\$77,347	\$18,898	19.6%
Nemaha County Training Center	\$81,055	\$76,564	\$4,491	5.5%
New Beginnings Enterprises, Inc.	\$21,947	\$19,304	\$2,643	12.0%
Northview Developmental Services, Inc.	\$132,209	\$108,711	\$23,498	17.8%
Occupational Center of Central Kansas	\$305,800	\$275,320	\$30,480	10.0%
Riverside Resources, Inc.	\$123,599	\$105,143	\$18,456	14.9%
Southwest Developmental Services, Inc.	\$132,592	\$95,929	\$36,663	27.7%
Sunflower Diversified Services, Inc.	\$125,144	\$108,413	\$16,731	13.4%
Topeka Association for Retarded Citizens, Inc.	\$434,389	\$392,703	\$41,686	9.6%
Training & Evaluation Center of Hutchinson, Inc	\$225,717	\$200,202	\$25,515	11.3%
Tri-Ko, Inc.	\$226,301	\$206,911	\$19,390	8.6%
Tri-Valley Developmental Services, Inc.	\$128,839	\$112,402	\$16,437	12.8%
Twin Valley Developmental Services, Inc.	\$111,268	\$101,025	\$10,243	9.2%
Wyandotte Developmental Disabilities Services	\$344,848	\$321,940	\$22,908	6.6%
Total 4th Quarter	\$6,290,175	\$5,544,778	\$745,397	11.9%

APPENDIX B

Agency Response

On April 14, 1999, we sent a copies of the draft audit report to the three CDDOs we visited and to the Department of Social and Rehabilitation Services for review and comment. The Department submitted a written response which is included in this appendix.



KANSAS DEPARTMENT OF SOCIAL
AND REHABILITATION SERVICES

915 SW HARRISON STREET, TOPEKA, KANSAS 66612

ROCHELLE CHRONISTER, SECRETARY

April 14, 1999



Ms. Barbara J. Hinton
Legislative Division of Post Audit
800 S.W. Jackson, Suite 1200
Topeka, KS 66612

Dear Ms. Hinton:

Thank you for the opportunity to review a draft copy of the Legislative Division of Post Audit's completed performance audit of Community Developmental Disability Organizations (CDDOs). The staff members from the Legislative Division of Post Audit who carried out the audit conducted their review in a professional manner. Their cooperation is appreciated.

I found your draft report to be a thorough and succinct examination of the issues and facts. As your report indicates, the Department remains in compliance with the requirements of the contract between the Department and CDDOs concerning fourth quarter payments for this fiscal year. In fact, the time lines for payments are consistent with previous quarters.

Throughout the budget dilemma faced by the Department, the Commission on Mental Health and Developmental Disabilities (MH&DD) remained open and honest in their communications to CDDOs, parents, guardians, and other stakeholders. I encourage CDDOs to seek clarification and/or additional information from the Commission in the future to avoid unnecessary alarm to family members and consumers.

Thank you for the opportunity to review and respond to your report. If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Rochelle Chronister".

Rochelle Chronister
Secretary

RC:mjh

