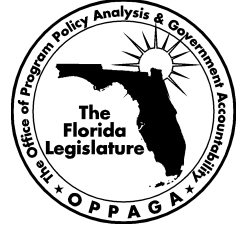




# The Florida Legislature

## OFFICE OF PROGRAM POLICY ANALYSIS AND GOVERNMENT ACCOUNTABILITY



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### RESEARCH MEMORANDUM

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## The Department of Children and Families and the Agency for Persons with Disabilities Have Improved Their Working Relationship, but Several Problems Remain

October 12, 2009

### *Summary*

As requested, OPPAGA examined how the Department of Children and Families and the Agency for Persons with Disabilities work together to coordinate the administrative services the department provides to the agency. While the two entities established a new service-level agreement in 2008 and subsequently worked to improve their relationship, several problems remain. To address these challenges, we examined the advantages and disadvantages of three options: 1) maintain the status quo but improve administrative service delivery; 2) require the Agency for Persons with Disabilities to become self-sufficient; and 3) transfer the developmental disabilities program back to the Department of Children and Families. Either options 2 or 3 would enable the state to receive \$640,000 in additional federal reimbursements for administrative costs, although they would raise other issues.

### *Program Purpose, Organization, and Funding*

The Department of Children and Families provides a variety of administrative services to support the Agency for Persons with Disabilities, which serves persons with developmental disabilities.

The **Department of Children and Families** (DCF) protects vulnerable populations such as children and elders from abuse and neglect, provides economic assistance to qualifying individuals and families, and treats individuals and families affected by mental health or substance abuse. The department has four major program groups: Economic Self-Sufficiency, Family Safety, Mental Health/Institutional Facilities, and Substance Abuse. DCF plans, administers, and delivers most of its services through its central office, six regions, and 20 circuits and provides direct services for its clients through contracts with private, not-for-profit entities. For Fiscal Year 2009-10, the Legislature appropriated the department nearly \$3 billion and 13,268.5 positions.

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RE: The Department of Children and Families and the Agency for Persons with Disabilities Have Improved Their Working Relationship, but Several Problems Remain

Date: October 12, 2009

Page 2

In 2004, the Legislature transferred responsibility for programs serving persons with developmental disabilities from DCF to the newly created **Agency for Persons with Disabilities (APD)**.<sup>1,2</sup> The agency ensures the safety and well-being of clients with developmental disabilities and provides opportunities for clients to work, socialize, and recreate as active members of their communities.<sup>3</sup> APD operates state-run institutional programs, administers the programmatic management of Medicaid waivers established to provide services to persons with developmental disabilities, and works with local communities and private providers to identify and assist persons who have developmental disabilities. APD administers the developmental disabilities program through a central office, four state developmental disabilities centers, and 14 area offices.<sup>4</sup> For Fiscal Year 2009-10, the Legislature appropriated the agency over \$1 billion and 3,403 positions.<sup>5</sup>

DCF provides APD a variety of administrative support services. When the Legislature established APD, it directed the agency to enter into an interagency agreement with DCF for the provision of administrative and operational services. Under the law, the department is to continue to provide these services to the agency for as long as necessary.<sup>6</sup> In addition, APD entered into a second service-level agreement with DCF to provide for its information technology services.

Through an **administrative service-level agreement**, DCF currently provides assistance with the following services to APD: background screenings, contract administration services, financial management services, human resources services and general services (which includes functions such as property, records, facilities and fleet management and purchasing).<sup>7</sup> As provided by the Legislature, the funding for these services remains with DCF rather than APD.

A number of problems developed between the two entities because the original service agreement did not clearly outline the specific terms or deliverables regarding DCF's responsibilities, which resulted in communication problems and dissatisfaction for both parties.<sup>8</sup> In 2008, the agency and the department established a new service-level agreement that more clearly outlines department and agency responsibilities. As a result, DCF and APD staff report improvements in communication and in their overall working relationship.

APD created a separate **technology service-level agreement** for two reasons. First, the Legislature provided information technology funding directly to the agency. Second, a separate agreement appeared appropriate because of pending changes associated with the state data center

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<sup>1</sup> As part of the transfer, 3,871 positions were shifted from DCF to APD. Most of these positions are staff that serve clients at the state's developmental disability centers. Since the initial transfer of positions in 2004, the department transferred 14 additional positions to the agency, which included staff for finance, contract management, legal, and information technology.

<sup>2</sup> While administratively housed within DCF, the agency is not subject to control, supervision, or direction by the department.

<sup>3</sup> Persons with developmental disabilities include individuals who have or are at risk of having mental retardation, autism, cerebral palsy, spina bifida, or Prader-Willi syndrome.

<sup>4</sup> The state's developmental disability centers are the Gulf Coast Center in Fort Myers, Tacahale Center in Gainesville, Sunland center in Marianna, and the Mentally-Retarded Defendant Program housed within the DCF's Florida State Hospital in Chattahoochee. These centers were formerly known as developmental services institutions.

<sup>5</sup> While 3,871 positions were transferred to APD when it was created, 300 positions were subsequently eliminated for Fiscal Year 2009-10 due to the planned closure of the Gulf Coast Center in 2010. The remaining positions were eliminated with the prior closing of the Landmark center.

<sup>6</sup> Chapter 2004-267, *Laws of Florida*.

<sup>7</sup> The current administrative service-level agreement between DCF and APD is effective as of July 1, 2008.

<sup>8</sup> A survey conducted by the Auditor General in 2007 indicated that the agency was dissatisfied with the services provided by the department and that department staff was concerned about workload issues.

consolidation initiative planned for July 2009.<sup>9</sup> Under the information technology service-level agreement, DCF's Office of Information Systems provided services to APD including desktop, custom application, computer operations, network and electronic messaging, and support services. APD paid DCF for technology services from funds specifically appropriated for information technology and reimbursed the department 100% of its cost up to the amount appropriated.

***Transferring administrative functions from DCF to APD has resulted in a fragmented and inefficient administrative service system***

When the Legislature created APD, the agency began performing various administrative tasks, while DCF continued to provide some administrative services. APD has assumed responsibility for additional administrative functions in a piecemeal fashion, resulting in a fragmented administrative service system. While some functions were transferred from DCF to APD based on an established schedule, the department has abruptly transferred other functions that the agency could not staff. If the two entities established a comprehensive plan for transferring responsibilities from DCF, APD would have more opportunity to prepare to perform these services and reduce the likelihood of service disruptions.

The administrative service system is fragmented and inefficient. DCF provides assistance with background screenings, contract administration services, financial management services, human resources services, and general services (which include functions such as property, records, facilities and fleet management and purchasing) to APD. DCF provides these services primarily for APD's central and area offices and also provides assistance with statewide financial statements, payroll, property tracking and inventory, purchasing card administration, fixed capital outlay, payment processing, contract monitoring, and information technology. The state developmental disability centers that APD oversees provide for many of their own administrative services, except for items like fixed capital outlay.

Over time, APD has taken on some functions and tasks originally carried out by DCF. However, due to a lack of statewide staff, APD has at times taken on these responsibilities for only certain areas of the state and left DCF to continue to provide these services in the remaining areas of the state. The result is a fragmented, inefficient administrative service system where both the department and the agency perform some functions (e.g., contract administration), but at different office locations. Contract administration involves a number of functions, including writing and conducting legal review of contracts, contract management, and contract monitoring. As shown in Exhibit 1, DCF conducts legal review of contracts for area offices, while APD conducts legal review of contracts for the central office and the developmental disability centers. In addition to taking on responsibility for certain contracting functions, APD also has taken on some personnel, payroll, and revenue accounting functions, which also are divided between the department and the agency across the central and area offices.<sup>10</sup>

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<sup>9</sup> Section 17, Ch. 2008-116, *Laws of Florida*, requires that all data center functions performed, managed, operated, or supported by state agencies with equipment currently located in a state primary data center (Southwood Shared Resource Center and Northwood Shared Resource Center) be transferred to the primary data center, with agencies becoming full-service customer entities by July 1, 2010. The transfers to the shared resource centers do not include application development.

<sup>10</sup> Agency officials reported that this division of duties was based on a comprehensive review of available resources.

**Exhibit 1**

**APD and DCF Both Perform Contract Administration Functions for the Agency**

<b>Task</b>	<b>Offices Served by APD</b>	<b>Offices Served by DCF</b>
Write contracts	All	None
Write procurement documents	All	None
Legal review and approval of procurement documents	Central office, centers	Area offices
Legal review and approval of contract documents	Central office, centers	Area offices
Contract administration review/ approval of procurement documents	Central office	Centers, area offices
Contract administration review/ approval of contract documents	Central office	Centers, area offices
Review and approval of all procurement documents	Central office	Centers, area offices
Contract oversight units to monitor contracts	None	All
Enter contract encumbrances into FLAIR	Centers	Central office, area offices
Write and update DCF policy and procedures	None	All
Manage, update, and warehouse contract data	All	None
Provides contract manager training	All	None
Conduct annual contract manager file reviews	None	All

Source: OPPAGA analysis.

APD has assumed responsibility for administrative functions in a piecemeal fashion and has not developed a comprehensive plan for moving forward. APD assumed responsibility for providing some services such as several human resource functions based on a schedule established in the 2008 service-level agreement. However, due to budget reductions in administrative staff, DCF has had to shift some functions to APD, even though the agency was not prepared to assume these responsibilities. For example, in February 2008, DCF eliminated its sole contract monitoring position in one district, which left APD to immediately assume responsibility for performing this function at that office.<sup>11</sup> APD officials report that transferring functions affects the agency's efficiency and effectiveness because it does not have existing staff with necessary experience.

In addition, for services for which APD depends completely on DCF, agency officials express concern that they do not have sufficient staff to conduct quality assurance oversight of the services provided by the department. DCF selects a sample of contracts for monitoring each year. However, APD's contracts represent only a small fraction of the total contracts monitored by DCF, agency contracts may not be selected as part of a small sample, creating concern for APD officials regarding contract oversight.

DCF and APD have not developed a comprehensive plan outlining a systematic schedule for transferring additional administrative functions to the agency. A comprehensive plan for transferring functions from DCF would give APD an opportunity to prepare to perform these services and reduce the likelihood of service disruptions. Due to the breadth and complexity of services needed by APD and current budget constraints, DCF and APD officials have not taken any formal steps to develop a comprehensive plan to transfer remaining administrative functions.<sup>12</sup>

<sup>11</sup> The DCF employee responsible for performing this function retired. However, due to budget constraints, DCF chose not to fill the position.

<sup>12</sup> During our review, APD and DCF established a workgroup to examine the transfer of additional financial positions and functions that could be moved from DCF to APD.

### ***Financial challenges limit DCF's ability to fulfill its duties and provide services to APD***

The current economic downturn has had a significant impact on the state's budget, leading to resource reductions for many agencies. For DCF, these budget and staff reductions have affected its ability to provide necessary administrative services within DCF as well as to APD. In addition, shortfalls in APD's information technology services budget have created further financial challenges for DCF. Moreover, the current administrative structure also results in a loss to the state of an estimated \$640,000 annually in Medicaid reimbursement for the agency-related administrative costs.

Budget cuts have reduced DCF's ability to provide administrative services to the agency. Like other state agencies, DCF has experienced budget cuts in each of the past few fiscal years. Specifically, the department's administrative budget has been reduced by over \$61 million since Fiscal Year 2004-05. These budget cuts reduced the number of full-time equivalent positions available to support DCF's programs and affected its ability to perform the functions outlined in its agreement with APD. For example, DCF's financial services unit has lost 30 positions in recent years. Consequently, the unit has struggled to meet the department's workload as well as its responsibilities to APD.<sup>13</sup>

APD's technology budget does not cover all costs. For each of the past three fiscal years, APD's technology budget has fallen short of its needs. The technology service-level agreement requires APD to pay DCF for technology services from funds appropriated for technology. In Fiscal Year 2008-09, the Legislature appropriated \$921,292 to APD for data services. However, at the end of the fiscal year, DCF absorbed a shortfall of nearly \$700,000 for providing technology services to the agency during this period (see Exhibit 2).

DCF staff explained that no specific event or service caused the shortfall; APD's budget simply did not cover its annual information technology service needs. Specifically, each year, midway through the fiscal year, APD's technology budget was completely expended. However, DCF continued to provide the services outlined in the technology services agreement rather than jeopardize client services. The shortfall further reduced the resources available to DCF to support its own operations. With the development of the Northwood Shared Resource Center, managed by the Agency for Enterprise Information Technology, as of July 2009, DCF is no longer responsible for providing technology services to APD.<sup>14</sup> Nevertheless, the total shortfall DCF absorbed over the last three fiscal years totaled more than \$2.2 million.

#### **Exhibit 2**

#### **The Agency's Technology Budget Has Not Covered DCF's Cost for Providing Technology Services**

<b>Fiscal Year</b>	<b>Amount DCF Billed APD for Technology Services</b>	<b>Amount Paid by APD</b>	<b>Difference</b>
2006-07	\$1,986,557	\$1,454,313	532,244
2007-08	2,293,588	1,237,743	1,055,845
2008-09	1,610,673	921,292	689,381
<b>Total</b>	<b>\$5,890,818</b>	<b>\$3,613,348</b>	<b>\$2,277,470</b>

Source: The Department of Children and Families.

<sup>13</sup> APD officials reported that its budget reductions totaled \$2.8 million and 30 full time equivalents for Fiscal Year 2008-09 and 2009-10.

<sup>14</sup> Although APD began receiving most of its technology services from the Northwood Shared Resource Center, DCF continues to provide APD minimal technology services.

Neither DCF nor APD can seek federal reimbursement for department costs. State policy requires agencies to maximize reimbursement of federal funding whenever possible. Generally, federal law allows for reimbursement of indirect costs for entities administering federal grants and programs. However, an agency can seek reimbursement for only its indirect cost rate, the administrative costs incurred to support its own programs.

With the current division of administrative functions between the DCF and APD, neither entity can seek federal reimbursement for any of the indirect costs associated with the administrative services the department provides to the agency. DCF estimated that its administrative expenses for providing services to APD during Fiscal Year 2007-08 were \$1.68 million. Therefore, the state forfeited approximately \$640,000 in federal reimbursement during this period (based on a reimbursement rate of 38%).

### *Options for Legislative Consideration*

Given that DCF and APD have not developed a comprehensive plan outlining a systematic schedule for transferring functions to the agency, financial challenges and fragmented service delivery are likely to persist for the foreseeable future. In addition, in the absence of additional resources for APD, the department will need to continue to provide these administrative services.<sup>15</sup> To address the challenges associated with the administrative and operational supports DCF provides to APD, we examined the advantages and disadvantages of three options: 1) maintain the status quo but improve administrative service delivery; 2) require APD to become self-sufficient; and 3) transfer the developmental disabilities program back to DCF.

Option 1: Maintain the status quo but improve administrative service delivery. The Legislature could direct DCF and APD to develop an official transition plan to provide for a more structured transfer of responsibilities and reduce fragmentation and inefficiencies by a specified date. This option would require the agencies to consider the most efficient method for transferring responsibilities from DCF to APD and should include a comprehensive review of the current piecemeal service delivery structure. This option would result in the least disruption within the two agencies and to services for persons with disabilities. However, this option does not resolve the problem of lost federal Medicaid reimbursement associated with DCF's provision of administrative services to APD.

Option 2: Require APD become self-sufficient. The Legislature could require APD to develop and implement a plan to perform all of its own administrative and operational functions within a specified time period. This plan would need to identify resource requirements and a timeframe for completing the transfer of responsibilities. This option would relieve DCF of the need to subsidize APD's administrative services and make the state eligible to receive federal reimbursement of an estimated \$640,000 in APD's indirect costs.<sup>16</sup>

While the Legislature would have to appropriate additional staff and funding to APD to provide administrative services under this option, centralizing administrative services within APD could provide a net fiscal benefit to the state. Specifically, APD estimated that it would need 48 full-time equivalent positions and \$2.3 million annually in funding to become self-sufficient and

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<sup>15</sup> DCF officials reported that the department may no longer have the necessary resources to provide administrative services to APD if the department experiences additional reductions in its administrative budget.

<sup>16</sup> This estimate is based on DCF's indirect costs and federal reimbursement rate. APD's federal reimbursement rate is slightly different, and therefore would affect the actual amount of this reimbursement.

RE: The Department of Children and Families and the Agency for Persons with Disabilities  
Have Improved Their Working Relationship, but Several Problems Remain

Date: October 12, 2009

Page 7

internally provide the services it currently receives from DCF. This is comparable to the \$2.4 million that we estimated DCF expended to provide administrative and technology services to APD.<sup>17</sup>

If the Legislature wishes to pursue this option, it should require APD to submit a detailed justification for each position the agency estimates it would need to become administratively self-sufficient. In addition, because APD is relatively small compared to existing programs at DCF, it may not be cost-effective for the agency to perform certain functions such as managing fixed capital outlay. To avoid creating unnecessary positions within APD, APD and DCF should analyze each function to determine if DCF could provide the service more efficiently on a reimbursed cost basis through an interagency agreement. Accordingly, APD and DCF should analyze each function to determine if they should remain within DCF and be provided through an interagency agreement under which APD would reimburse DCF for the cost of providing these services. This could reduce the amount of funding APD would require to become self-supporting and thus increase the potential state financial benefits of this option (retaining a large portion of administrative services within DCF, however, would reduce the level of federal reimbursement the state could receive for these functions).

Option 3: Transfer the Developmental Disabilities Program back to DCF. The Legislature could amend state law, abolish APD, and transfer back to the department the responsibilities and funding for the developmental disabilities program. This option would make DCF eligible to receive federal reimbursement for administrative costs incurred to support the program, which we estimated at \$640,000 for Fiscal Year 2007-08. This option could also generate cost savings if duplicative administrative positions within the two agencies, such as agency head, inspector general, and general counsel positions, were eliminated. However, these cost savings could in part be offset by transition costs to consolidate the two agencies, and transferring the program back to DCF could cause some disruption in services. In addition, developmental disabilities program stakeholders who supported the creation of a separate agency might oppose moving the program back to the department.

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<sup>17</sup> This estimate is based on the most recent information available from DCF. It includes \$1.68 million for administrative expenses and \$689,000 for technology services.