

January 09, 2024

Dr. Mark Ghaly, Secretary  
California Health and Human Services Agency  
1215 O Street  
Sacramento, CA 95814

Dear Secretary Dr. Mark Ghaly,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the Department of Developmental Services submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2023.

Should you have any questions please contact Pete Cervinka, Chief Deputy Director, Data Analytics and Strategy, at (916) 607-0594, [Pete.Cervinka@dds.ca.gov](mailto:Pete.Cervinka@dds.ca.gov).

## **GOVERNANCE**

### **Mission and Strategic Plan**

The Department of Developmental Services (DDS) is committed to providing leadership that results in quality services to all Californians with intellectual and developmental disabilities, consistent with their needs, choices, and rights. The Lanterman Developmental Disabilities Services Act (Lanterman Act), enacted in the mid-1960s, created a vision and structure for a community-based system of services for some of the most vulnerable Californians. The Lanterman Act stipulates that individuals with developmental disabilities have several rights, including the right to services and supports that will facilitate their ability to live in the least restrictive, most integrated setting possible. The developmental services system is designed to meet the needs and choices of individuals at each stage of their lives; and, to the extent possible, to serve individuals in their chosen community, providing choices that are reflective of their lifestyle, cultural and linguistic backgrounds and preferences.

DDS is responsible for overseeing the coordination and provision of services and supports to over 420,000 Californians with intellectual and developmental disabilities, which include cerebral palsy, autism, epilepsy and related conditions. DDS' total annual budget is over \$14 billion, including federal funds and reimbursements. Services and supports are offered through a network of 21 contracted, private, non-profit community agencies known as regional centers (RCs) that develop, purchase, manage and coordinate local services and resources. DDS currently operates one developmental center (DC), several community facilities, and mobile crisis response teams.

California's developmental services system is making important changes. Investments in rate reform, workforce, information technology, and service access and equity are being used to move the system toward a person-centered, outcome-focused future. The future focus will prioritize data-informed and supported by performance, quality and outcome measures; associated benchmarks incentives and increased transparency. The Department has begun

a strategic planning effort in 2023, with the support of a contractor. These efforts incorporate internal and external interviews, and include diverse stakeholders including individuals and families who receive services, regional centers, service providers, and various advocacy groups. It is intended that this work be completed by Spring 2025.

## **Control Environment**

The Department continues to evolve its structure to support state and federal changes for California's developmental disabilities services system. The evolution of these changes systematically aligns resources to achieve system-wide improvements to better serve Californians and their families. This restructuring provides increased accountability, oversight and monitoring services that improve services overall, such as increased risk management and quality assurance strategies, increased monitoring of regional centers and providers, and efforts focused on compliance with state and federal requirements.

The Department obtained new positions in 2023-24 to address various departmental needs. The work for these positions may include establishing a workforce plan that focuses on the organization's strategic direction, critical functions and overall environmental factors. DDS will complete a comprehensive analysis of the organization's staffing and competency gaps, develop strategies for where the Department should be with the organization's workforce into the future, and develop a coordinated and measurable effort to carry out and support the strategies of the workforce plan.

The Department's organizational structure is illustrated here: [DDS Org Chart 20230927 \(ca.gov\)](#). Executives, managers and all employees are subordinate to the Director, and each has assigned areas of responsibility outlined in their duty statements. DDS' executive management sets appropriate steps and timelines and identifies clear assignments of responsibility consistent with their assigned areas. Specific to the SLAA, employees working on risks designated in the SLAA report submit information to capture progress for executive management review and appropriate engagement.

DDS managers hold regular staff and management meetings. Meeting topics include discussion of current and potential internal control issues that need to be addressed. These meetings allow management to discuss risk and steps needed to mitigate those issues.

DDS collects, utilizes and reports significant amounts of data and information to support its operations and ensure accountability and transparency. Data and Information are gathered from a variety of sources, using various tools and systems. DDS uses the data for program planning; policy development, implementation, and oversight; decision making; budgeting, fiscal claiming, and accounting; legislative reporting; and to support external research, among many other purposes.

## **Information and Communication**

The Department's structure includes an Office of Community Engagement to improve overall communications, both internally and externally. This includes stakeholder engagement and outreach activities, including working with the media, public advocacy groups, members of the population served by the Department, labor organizations, and many other entities. When

DDS seeks to implement changes to address issues within the system, it works closely with individuals, families, advocacy groups, community service providers, RCs, the Association of Regional Center Agencies (ARCA), various organizations and associations, and others impacted or interested, which may have competing or conflicting viewpoints. DDS works collaboratively with these various entities to secure appropriate participation in various public forums for effective change. Additionally, the Department continually works with and involves and/or updates other governmental entities and the Legislature on policy and program initiatives.

Additionally, regular internal updates are used to inform management of the monitoring practices being conducted, improvements needed, and the overall success of monitoring.

DDS encourages employees to speak with their supervisors if they discover an issue that should be addressed to better assist DDS with fulfilling its mission, goals, and objectives.

DDS' Executive Management sets necessary steps and timelines and identifies clear assignments of responsibility whenever actions toward mitigation are identified to address a known deficiency. Staff assigned to mitigating risks identified in the SLAA report provide recurring updates regarding progress against the milestones for executive management review.

## **MONITORING**

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Department of Developmental Services monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Pete Cervinka, Chief Deputy Director, Data Analytics and Strategy.

The DDS' executive monitor and executive management receive monthly updates from the Internal Audits Unit. These updates provide information for monitoring and documenting activities and actions taken towards risk mitigation, including progress. DDS also endeavors that employees receive information vital to the effectiveness and efficiency of controls applicable to their roles.

## **RISK ASSESSMENT PROCESS**

The following personnel were involved in the Department of Developmental Services risk assessment process: executive management, middle management, front line management, and staff.

The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, audit/review results, questionnaires, and consideration of potential fraud.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, potential impact of remediation efforts, and tolerance level for the type of risk.

Employees in all organizational units, and at all levels of the organization, are involved in DDS' ongoing risk assessment process. The following methods were used to identify risks:

brainstorming meetings, ongoing monitoring activities, audit/review results, questionnaires, and consideration of potential fraud. The following criteria were used to rank identified risks: likelihood of occurrence, potential impact to mission/ goals/objectives, potential impact of remediation efforts, and tolerance level for the type of risk.

Informational and overview presentations were held across the Department to discuss the overall SLAA process. This overview included the history of SLAA, the SLAA process life cycle, SLAA timelines and DDS' previous identified risks under SLAA. The presentations also provided a high-level review of DDS' risk assessment process and the ongoing monitoring and reporting requirements.

The subsequent organization-wide risk assessment process for the production of this SLAA report was performed by surveying 120 members of the DDS management team. The risk assessment survey identified areas of risk that may negatively impact the people we serve, jeopardize our service delivery system, compromise our internal controls, result in inefficiencies or ineffectiveness, allow fraud or waste to occur, or result in financial, political, legal and/or media liabilities. These identified risks then were ranked, as described above.

## **RISKS AND CONTROLS**

### **Risk: Data Security**

The Department handles confidential personal information for hundreds of thousands of people in California each year. This information includes but is not limited to: personal identifying information, eligibility determinations, service authorizations and service delivery records, fiscal information, and regular and emergency contact information. The Department is a Medicaid agency, subject to the federal Health Insurance Portability and Accountability Act (HIPAA) and the State's Confidentiality of Medical Information Act. Under these laws, others, and various contractual and data agreements, the Department is responsible for safeguarding the information within its control. During recent information security assessments by various entities, and our own reviews of risks, a number of risks were identified that the Department continues to address by the Controls identified below.

#### **Control: Building a Risk Register**

A risk register is being created for all moderate- or high-risk systems and network appliances (e.g., firewalls, vulnerability scanners, mobile device management, web application firewall, etc.) that cannot be linked through Azure Active Directory, to ensure Multi-Factor Authentication (MFA) measures are implemented for all users. This register will document, track and enforce MFA procedures to ensure these systems meet the requirements laid out by the DDS Authentication Standard (ITD-5360-S2). This control will reduce the risk that credentials compromised by a bad threat actor can be used to access confidential information or resources.

#### **Control: Preventing Data Loss and Protecting Assets**

DDS is configuring its data loss protection (DLP) capabilities on outbound transmissions to detect and automatically prevent confidential, sensitive and/or personal information from

release. Configuration of DLP is expected to automate the quarantine of data outside of authorized communication channels that do not adhere to data protection standards (e.g. encryption) prior to release and support compliance with SIMM 5315-A. Asset Information Protection is part of the same control, but classifies data at the point of creation, alerting staff that the information they are working with appears sensitive and auto-applying the appropriate classification to the document. In addition, DDS has started to strategize remediation methodologies to utilize existing technologies and adhere with the spirit of BL-23-27 and limitations on new IT procurements.

### **Control: Information Technology Asset Management (ITAM)**

ITAM has been identified in several review findings for the department, from software licensing, patch management, and an inability to track assets effectively across the entire Enterprise. The Department has recently deployed ServiceNow® ITOM software, which is an enterprise asset management system that scans all IT assets on the department network across all locations. Use of a unified ITAM for the Enterprise will enable DDS to make informed decisions about asset capacity, refresh, and vendors while automating lifecycle processes from procurement to disposal. This will enable faster outcomes and minimize spending and license compliance risks. Currently, the exposure window is too broad when vulnerabilities are discovered, and assets must be manually tracked and patched across multiple tools and locations.

This tool and the creation of a single configuration management database provides DDS with an Enterprise view of IT assets from a single source. This allows the department to integrate vulnerability management with asset management and monitor patching efforts more effectively. Moreover, DDS has established a vulnerability management unit to cover all DDS locations.

### **Risk: System Workforce Capacity**

For several years, access to and the quality of services to RC consumers has been affected by workforce shortages and staff turnover. These impacts increased due to the COVID-19 pandemic and persist despite the economic recovery. In 2022, DDS launched a statewide staff stability survey to collect information beginning with calendar year 2021 regarding the developmental services workforce employed by RC service providers. Based on 2,095 provider agency responses from California, Direct Service Professionals (DSPs) across the State have a turnover rate of approximately 44%, with 30% leaving the DSP workforce within six months of employment. Service providers indicate that supervisory staff increasingly are being required to cover direct care shifts as the impact of workforce shortages continues to grow. Providers have shared that other factors which may contribute to the workforce shortage are relatively lower benefit packages for health, dental, and vision care; lengthy job application processes; and required minimum standards of education and training that pose barriers to workforce entry into the direct care profession when balanced against available compensation in other employment opportunities.

### **Control: Direct Service Professionals (DSP) Academy Tied to Wage Differentials**

Assembly Bill (AB) 136 (Chapter 76, Statutes of 2021) establishes a training and certification program ("DSP University") for direct service professionals (DSPs) that is tied to wage differentials and aims to foster a more stable and professional workforce. The DSP University, which currently is in development, will be a tiered competency-based training and certification program. DSPs who successfully complete each tier will receive an hourly pay increase.

Aside from providing a comprehensive training program to improve and enhance DSP skills, this training program also intends to increase staff recruitment and retention rates by providing DSPs the opportunity to have higher and more competitive wages while advancing through a clearly defined career ladder that also improves the quality of care provided to Californians.

### **Control: DSP Bilingual Pay Differential**

AB 136 also requires DDS to establish and implement a system that promotes equity in access to services for individuals served by providing a pay differential to DSPs who can communicate with individuals served in a language or medium other than English. DSPs who are American Sign Language or bilingually certified will be eligible to receive a pay differential of at least \$100 per month per language, up to two distinct languages.

This program aims to encourage retention among existing DSPs who can communicate through a language or medium aside from English. It also recognizes the value of effective communication between DSPs and the consumers and families they support.

### **Control: DSP Training Stipends**

AB 136 authorized a training stipend program that provides up to two \$625 (before taxes) training stipends to DSPs who complete training and development courses approved by the DDS. The purpose of this program is to train the DSP workforce and provide an immediate financial incentive for time and effort spent obtaining additional relevant training that better equips them to work in the developmental services system.

### **Control: DSP Internships**

AB 136 authorized a three-month paid training and internship program that includes outreach, recruitment and job placement, and provides standardized, new direct care workforce entry-level training and practical work experience for up to 2,500 interns.

### **Control: Staff Stability Survey**

DDS has collected data on the DSP workforce in California for calendar year 2021 and 2022. Another cycle of data collection through the Staff Stability Survey is scheduled to be released early in 2024. DDS is partnering with University of California, Davis to analyze all years of data and results will be publicly available on the DDS website. The data is and will be used for the purposes of analyzing and addressing the issues in staff recruitment and

retention, and examine the rate increases and workforce investments over time. It also will be used to inform four indicators in the Quality Incentive Program (QIP).

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### **Control: Rate Model Implementation**

In preparation for the final phase of the Rate Reform Implementation. There are three platforms to communicate with stakeholders. The first platform is a series of office hours meetings for representatives from RCs, DDS, and a contractor to discuss upcoming changes, processes, questions, and issues. The second platform is a small group of regional centers that work in partnership with DDS and the contractor to address internal regional center processes. The third platform is the inbox, [ratesquestions@dds.ca.gov](mailto:ratesquestions@dds.ca.gov) for stakeholders including regional centers to submit any questions or concerns they may have about the rate study implementation process. Broader public meetings and trainings, including consumers and service providers, are being planned, as well.

DDS continues to meet with various RC representatives on a bi-weekly basis to receive comments and questions in the following areas:

- Review of current state statutes and regulations to determine changes.
- Consolidation of service codes
- Changes to billing units
- Staff qualifications
- Standardization of subcodes
- New authorizations and vendorizations based on changes to service codes.
- Communications and trainings

### **Risk: Capacity to Support Children with Complex Needs**

Increased resources are needed to provide services and supports for children with complex needs such as challenging behaviors, medical conditions, and/or multi-system involvement (developmental services, child welfare, criminal justice). Meeting the needs of children in appropriate residential settings avoids crisis, trauma and loss of placement. Current residential options for many children with complex needs are in skilled nursing facilities (SNFs), pediatric sub-acute facilities, temporary care facility shelters, protracted stays in hospital emergency rooms, institutions for mental diseases, and out-of-state placements. These facilities, due to their size and staffing and purpose, often are not able to provide age-appropriate personal and supportive care to children. In some cases, these residential facilities are highly restrictive and institutional, and located at a great distance from family members, reducing the ability to maintain social connections and supports.

As recognized by the Legislature through the enactment of AB 2083 in 2019, among other enacted measures, several factors contribute to inadequate capacity and resources to meet the needs of children with complex needs. These factors include a shortage of providers willing to serve these children, insufficient knowledge and expertise in providing services to these children, regulatory barriers to serving children, unclear interagency jurisdiction and responsibilities, and a shortage of funding for developing appropriate resources. This risk affects the Department's ability to adequately serve and support children with developmental disabilities and complex needs in accordance with the Lanterman Act.

**Control: Assess Residential Service Resources and Capacity for Children with Complex Needs**

Data on the following was collected and compiled in early 2021, and this data collection will continue at least through June 2024 to inform the analysis of system capacity, needs and growth:

- Current capacity (number of homes and beds for children with complex needs)
- Current need (number of referrals for children's residences: SNFs, sub-acute facilities, EBSHs, CCHs, STAR) and geographic location of individuals being referred
- Number of children without placements (number of children residing in temporary care shelter facilities, hotels, out-of-state facilities)
- Regional center requests for residential development for children (CPP/CRDP)
- Caseload information as defined by complex needs ratio 1:25 WIC 4640.6 (total number of children, projected growth in caseload, behavioral/medical characteristics, etc.).

**Control: Develop an Organized Plan for Resource Development and Explore Potential Options for Regulatory Changes**

Based on the data analyses, DDS will develop a set of recommendations, and an organized plan to increase residential service capacity and remove barriers for service providers for children with complex needs. This will include proposals for investments for new models of care to serve children and youth with the most complex and intense support needs (behavioral, medical, dual agency/dual diagnosis needs) and potential statutory or regulatory changes. The plan and its recommendations will be presented to the Department's executive staff.

**CONCLUSION**

The Department of Developmental Services strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.



**Nancy Bargmann, Director**

CC: California Legislature [Senate, Assembly]  
California State Auditor  
California State Library  
California State Controller  
Director of California Department of Finance  
Secretary of California Government Operations Agency