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California regional centers spend without public scrutiny

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While the state weighed billions of dollars in social services cuts to bridge a gaping budget deficit, tax records show one state-funded nonprofit group paid its president a salary of $520,000 to oversee the housing and care of several dozen people with developmental disabilities.

Jack Hinchman, president of the Ontario-based nonprofit Benson House, also received $281,800 that year to lease his own properties to the organization, according to the group's 2008 tax return, the most recent available.

The nonprofit's board of directors, charged with monitoring Benson House's practices, included Hinchman's mother and another relative.

Advocates for disabled people and two state legislators said the practices at Benson House aren't isolated cases in California's system of 21 nonprofit regional centers, which distribute billions of dollars in state money each year to groups aiding developmentally disabled people.

Regional centers award often lucrative contracts to service providers without competitive bids, which would shed light on proposed spending and help tamp down costs. State laws don't require regional centers to reveal to the public the rates they pay specific service providers.

The state doesn't even require the centers to produce lists of the providers they use, said Boyd Bradshaw, director of a coalition representing 1,200 state service providers.

As nonprofits, the regional centers aren't subject to the same public information requirements that govern state agencies, although virtually every dime they receive comes from state and federal sources. The centers received $3.4 billion from the state in the 2009-10 fiscal year to serve 240,000 people.

Of the $7.7 million in revenue Benson House reported in 2008, all but $210,522 came from fees and contracts from government agencies. The group received its vendor contract from the Inland Regional Center – the state's biggest.

Hinchman also enjoys a special pipeline into the regional center, serving as the residential facility representative on the center's Vendor Advisory Committee.

"It's not just about how much (Hinchman) gets paid," Bradshaw said, "but what are these contracts that are so lucrative that allow him to get paid so much?"

No comment by nonprofit

Hinchman refused to comment on his compensation when reached by telephone last week. Chris Hinchman, listed on the tax return as the president's niece and a Benson House board director, also declined to comment.

Jack Hinchman's accountant, Gary Brendzel, said his client donated $201,600 to Benson House in 2008. On Saturday, he faxed The Bee a letter from the secretary of the Benson House board to Hinchman, dated Jan. 20, 2009, that described the donation.

The organization's tax record does note $210,000 in contributions but doesn't specify the sources or how the money was used.

Brendzel also wouldn't explain why Hinchman would receive the salary only to give it back.

"He doesn't keep the entire $520,000," Brendzel said.

Bradshaw pointed out such an arrangement would likely cost Benson House thousands of dollars in payroll taxes.

Such compensation and corporate governance issues don't receive regular scrutiny by the Inland Regional Center, said Executive Director Carol Fitzgibbons.

"We just haven't gotten into that," Fitzgibbons said. "There isn't anything in the state statutes or in the regulations that direct us toward that."

Instead, the regional center focuses on regulating the quality of care at the facilities and other service matters.

National experts called the compensation and leasing procedures at Benson House highly questionable, especially for an organization with a $6.7 million budget in 2008.

A year later, the state Department of Developmental Services, which funds the regional centers, cut its general fund spending by $334 million.

Hinchman's salary topped those set for Gov. Arnold Schwarzenegger, who doesn't accept his pay, Lt. Gov. Abel Maldonado and Attorney General Jerry Brown combined.

State oversight limited

Benson House operates 10 homes and two training facilities in Southern California, employing more than 130 people and caring for 43 clients, Brendzel said.

Federal law allows a maximum of six clients in non-institutional care facilities, while most regional centers allow only four people per facility.

"From our experience, a compensation of $520,000 for a less-than-$7 million organization is extremely out of the ordinary," said Ken Berger, president of the New Jersey-based company Charity Navigator, which bills itself as the country's largest charity evaluator.

"Unfortunately, because of the lack of transparency and accountability, there are many more stories like this than there should be."

By comparison, the nonprofit Angel View Crippled Children's Foundation in Desert Hot Springs, which runs 18 homes for the developmentally disabled, paid its executive director, David Thornton, $117,533 in 2008 with a $13.8 million budget.

Department of Developmental Services spokeswoman Nancy Lungren said her agency has taken steps to make the regional center system more transparent, including setting a new protocol for the bidding process. That protocol, however, doesn't necessarily require open bids. The regional centers already undergo a state audit every two years.

The department has acted on recommendations of the Bureau of State Audits, which released a special review of six regional centers, including the Inland Regional Center, at the request of Assemblyman Hector de la Torre, D-South Gate.

Among its recommendations, the audit suggests that regional centers "document the basis of any … vendor selection and specify which comparable vendors (when available) were evaluated."

"There is room for improvement," Lungren said. "We took the report as an opportunity to strengthen and improve the system."

Disclosure law sought

De la Torre said much more needs to be done, given the regional centers' checkered track record.

Other stories of unusual practices that have been publicized by the media include that of Edward and Marcia Dawson, who earned $1.4 million in compensation in 2009 while running the Torrance-based nonprofit Social Vocational Services, according to the group's tax return.

Social Vocational Services' budget that year was about nine times that of Benson House's in 2008, at $59.6 million.

"You have to question a system where two people make that much money off of developmentally disabled people where you're trying to stretch every dollar providing services they need," de la Torre said. "Unfortunately no one has bothered to look at it, and regional centers hide behind the idea that they're nonprofits."

De la Torre and Assemblyman Jim Silva, R-Huntington Beach, have introduced legislation protecting whistle-blowers in the regional center system and requiring that the centers be subject to the state Public Records Act.

Robert Baldo, director of the Association of Regional Center Agencies, countered that the vast majority of centers and service providers are acting appropriately and that more disclosure requirements would burden already strained regional center staff.

Since adopting the system in the 1960s, California has remained one of the few states to channel such funds through nonprofit third parties.

"It's a successful system and saves the state millions of dollars," Baldo said. "It's more effective and more efficient than a government-operated entity."

That, however, didn't match the opinions of several service providers, who blamed what they said was the opaque regional center system for cases such as Hinchman's and others.

"The lack of transparency and the lack of effective oversight by the Department of Developmental Services is of great concern to many families of people with developmental disabilities," said Jim Stream, executive director of the nonprofit The Arc of Riverside County. "They feel that without increased scrutiny by an entity outside DDS, it will be business as usual."

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