

## BOARD GOVERNANCE

# Governance under Fire: *A Dustup in Fresno*

by the editors

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IN THE COURSE OF COVERING THE STORIES OF THE sector, *NPQ* occasionally comes across one that gives us pause. The following story, from Fresno, California, recently came our way via Nathan Garber, an academic from Canada. For Garber it raised all kinds of governance considerations, and we agreed, so we decided to pass it along as food for thought about the complexities of governance. But before you read on, we caution you that this account was taken from news sources other than our own, and may contain some inaccuracies.

In July 2009, the board of Fresno's Central Valley Regional Center found it had an end-of-year surplus, and decided to give a one-time salary adjustment to its employees—in other words, a bonus. The employees had gone two years without a pay increase, and they were looking forward to what was expected to be a cash-poor year in which many of them would be furloughed or even let go. Every employee was to receive something in the neighborhood of 2.5 percent of his or her annual salary, averaging approximately \$1,400 each. With 300 employees in the mix, the total for the bonuses would come to roughly half a million dollars.

And, in fact, the employees got their bonuses. At least, they did for a time... until the agency took them back. Why? The local newspaper and

a local television station had gotten wind of the organization's move and issued stories characterizing it as yet another example of taxpayer-funded excess—involving bonuses, no less.

But the media were simply responding to the complaints of others. The *Fresno Bee* reported that California State Senate Majority Leader Dean Florez had sent a letter to the agency's director stating that the granting of the bonuses "certainly raises a whole host of ethical and programmatic questions... News of such pay bonuses is especially disturbing at a time when critical services, such as those your agency provides for the developmentally disabled, are being slashed to address the revenue shortfall in state government."

And in what must have been an "Et tu?" moment, the Central Valley Caucus of the California Disabilities Association issued a statement saying that it was "extremely shocked, confused and disappointed."

At a time when we are being asked to slash needed programs that help protect the health and safety of Central Valley residents with developmental disabilities, the board's decision to offer bonuses is difficult to comprehend.

Thus the board's claw-back of the bonuses a month after they had been awarded. The board

required employees to pay back their bonuses, reducing the salary of any staff member who could not pay his or her bonus back immediately. According to a local television station, these repayments were not used for services to the developmentally disabled but instead were returned to the State General Fund.

The way this story was framed suggested to us at first that the board had lost its relationships with some of its key partners and/or had misread the political and public-opinion environment—and that may or may not have been the case. But the full scope of the problem was larger than just this one organization.

On November 21, 2010, the *Sacramento Bee* reported that the regional centers, which that year had distributed \$3.4 billion to organizations serving the developmentally disabled, were considered to be less than transparent, and often awarded contracts without a competitive bidding process. That same month, the Nonprofit Newswire reported that Jack Hinchman, a director of Benson House (a grantee of the Inland Regional Center), was paid \$521,000 for his oversight of the \$7 million agency. During the same period, Hinchman was also reported to have netted \$281,000 from leasing personal properties to the organization. And Hinchman's own mother, as well as another relative, sat on the organization's board of directors.

Around that time, Jim Stream of The ARC of Riverside County said of the regional centers, "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 . . . They feel that without increased scrutiny by an entity outside DDS, it will be business as usual."

This story seems to exemplify David Renz's point made in "Reframing Governance," in *NPQ*'s winter 2010 issue, that the act of governance rarely

resides within a single agency and that the framing decisions often occur elsewhere at a larger systemic level. A system that is perceived as far less than fully accountable sets itself up for unsympathetic treatment from both colleagues and stakeholders—even when it may not be fully deserved.

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