

**Audit Results From
CAFR and Single Audit Procedures**

Department of Children's Services

**For the Year Ended
June 30, 2004**

**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY**

**Department of Audit
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**Department of Children's Services
For the Year Ended June 30, 2004**

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**Department of Children's Services
For the Year Ended June 30, 2004**

EXECUTIVE SUMMARY

Findings

- FINDING 1 The department has not collected overpayments; uncollected overpayments totaling at least \$1,174,601 are due from foster care and adoption assistance parents. This finding was noted in the ten previous audits.
- FINDING 2 The department charged the Title IV-E program for children's expenditures that were not Title IV-E reimbursable, and the department had no documentation of criminal background checks of approved foster parents. This finding was noted in the prior two audits. Federal questioned costs for the cases sampled totaled \$47,860.
- FINDING 3 Children's case files did not contain adequate documentation of case manager compliance with departmental policies regarding contacts, timeliness of case recordings, and permanency plans for foster children. This finding was noted in the five previous audits.
- FINDING 4 The foster parents' files did not contain documentation of annual foster home reassessments and that foster parents completed PATH training.
- FINDING 5 Adoption Assistance files did not contain adequate documentation to support the adoption assistance subsidies paid to adoptive parents. Federal questioned costs for the cases sampled totaled \$51,093. This finding was noted in the two previous audits.
- FINDING 6 The department did not obtain adequate approval for administrative leave with pay and inappropriately used federal funds. The department did not have the necessary authorization from the Department of Personnel to pay eight individuals administrative pay for more than 30 calendar days. Federal questioned costs for these payments totaled \$29,968.

This report addresses reportable conditions in internal control and noncompliance issues found at the Department of Children's Services during our annual audit of the state's financial statements and major federal programs. For the complete results of our audit of the State of Tennessee, please see the State of Tennessee *Comprehensive Annual Financial Report* for the year ended June 30, 2004, and the State of Tennessee *Single Audit Report* for the year ended June 30, 2004. The scope of our audit procedures at the Department of Children's Services was limited. During the audit for the year ended June 30, 2004, our work at the Department of Children's Services focused on two major federal programs: Foster Care Title IV-E and Adoption Assistance. In addition, our work encompassed funding from the Bureau of TennCare for the care of children in state custody. A significant portion of these funds are from the Medical Assistance Program, a major federal program administered by the Department of Finance and Administration, Bureau of TennCare. We audited these federally funded programs to determine whether the department complied with certain federal requirements and whether the department had an adequate system of internal control over the programs to ensure compliance. Management's response is included following each finding.



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
State Capitol
Nashville, Tennessee 37243-0260
(615) 741-2501

John G. Morgan
Comptroller

April 26, 2005

The Honorable Phil Bredesen, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243

and
The Honorable Viola P. Miller, Commissioner
Department of Children's Services
Cordell Hull Building, Seventh Floor
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith are the results of certain limited procedures performed at the Department of Children's Services as a part of our audit of the *Comprehensive Annual Financial Report* of the State of Tennessee for the year ended June 30, 2004, and our audit of compliance with the requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement.

Our review of management's controls and compliance with laws, regulations, and the provisions of contracts and grants resulted in certain findings which are detailed in the Findings and Recommendations section.

Sincerely,

John G. Morgan
Comptroller of the Treasury

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT

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December 3, 2004

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have performed certain audit procedures at the Department of Children's Services as part of our audit of the financial statements of the State of Tennessee as of and for the year ended June 30, 2004. Our objective was to obtain reasonable assurance about whether the State of Tennessee's financial statements were free of material misstatement. We emphasize that this has not been a comprehensive audit of the Department of Children's Services.

We also have audited certain federal financial assistance programs as part of our audit of the state's compliance with the requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement. The following table identifies the State of Tennessee's major federal programs administered by the Department of Children's Services. We performed certain audit procedures on these programs as part of our objective to obtain reasonable assurance about whether the State of Tennessee complied with the types of requirements that are applicable to each of its major federal programs.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Major Federal Programs Administered by the
Department of Children's Services*
For the Year Ended June 30, 2004
(in thousands)**

CFDA Number	Program Name	Federal Disbursements
93.658	Foster Care Title IV-E	\$20,963
93.659	Adoption Assistance	\$13,853

Source: State of Tennessee's Schedule of Federal Financial Assistance for the year ended June 30, 2004.

* The department also received funding from the Bureau of TennCare for the care of children in state custody. A significant portion of these funds are from the Medical Assistance Program (CFDA Number 93.778), a major federal program administered by the Department of Finance and Administration, Bureau of TennCare.

We have issued an unqualified opinion, dated December 3, 2004, on the State of Tennessee's financial statements for the year ended June 30, 2004. We will issue, at a later date, the State of Tennessee *Single Audit Report* for the same period. In accordance with *Government Auditing Standards*, we will report on our consideration of the State of Tennessee's internal control over financial reporting and our tests of its compliance with certain laws, regulations, and provisions of contracts and grants in the *Single Audit Report*. That report will also contain our report on the State of Tennessee's compliance with requirements applicable to each major federal program and internal control over compliance in accordance with OMB Circular A-133.

As a result of our procedures, we identified certain internal control and/or compliance issues related to the major federal programs at the Department of Children's Services. Those issues, along with management's response, are described immediately following this letter. We have reported other less significant matters involving the department's internal control and instances of noncompliance to the Department of Children's Services' management in a separate letter.

This report is intended solely for the information and use of the General Assembly of the State of Tennessee and management, and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.

Sincerely,



Arthur A. Hayes, Jr., CPA,
Director

FINDINGS AND RECOMMENDATIONS

- 1. The department has not collected overpayments; uncollected overpayments totaling at least \$1,174,601 are due from foster care and adoption assistance parents**

Finding

As noted in the ten previous audits, from July 1, 1993, to June 30, 2003, the Department of Children's Services (DCS) still has not collected overpayments from foster care and adoption assistance parents. Management concurred with the prior audit finding and stated,

Beginning February 2004, monthly letters will be mailed to the last known address for persons with accounts that have had no collection activity in the ninety days prior to January 31, 2004. The number of monthly letters mailed will comply with Finance and Administration's Policy 23 based on the dollar amount to be collected. Mailing of all letters required by Policy 23 will be completed prior to April 30, 2004. A file of all accounts adhering to the requirements of Policy 23 that remain uncollected as of May 31, 2004, will be submitted to the Department of Finance and Administration to be turned over to the assigned collection agency prior to June 30, 2004. All accounts returned uncollected by the assigned collection agency will be reviewed by DCS legal staff to determine the appropriate legal action, if any. This referral will be completed within thirty days from the date the accounts have been returned by the Department of Finance and Administration. At the time that all collection activities have been exhausted, uncollected accounts will be written off in compliance with Policy 23.

As of June 30, 2004, the department's records indicated an outstanding accounts receivable balance for these parents totaling \$1,174,601, an increase of \$52,609 since June 2003. The balance for foster care resulted in an overall increase of \$19,517, and the balance for adoption assistance resulted in an overall increase of \$33,092. The prior audit finding disclosed a total decrease of \$8,336 in the outstanding accounts receivable balance.

Management has identified the account receivable balances that contained no activity since January 2004 and sent out 888 letters. Of those letters, 590 accounts were turned over to a collection agency; however, as of November 4, 2004, the department has not written off any accounts as uncollectible. In addition, controls regarding Adoption Assistance continue to allow overpayments to be made.

An analysis of the 794 foster care receivable accounts revealed that five of the new accounts added during the fiscal year were for vendors who had declared bankruptcy prior to the current fiscal year. According to management, they had inadvertently deleted these accounts from the receivables listing. These balances accounted for a total of \$17,967.

Of the 147 adoption assistance receivable accounts, our review of 17 of the larger balances that were added during the fiscal year indicated that:

- Five of these overpayments were due to disrupted adoptions where the parents surrendered rights to the children. These cases indicated that overpayments to parents ranged between one and 12 months.
- Three of these overpayments were due to the child having left school and DCS not being notified. Two of these children were over 18 and were not attending school, which made them ineligible to receive Adoption Assistance. These overpayments ranged from 6 to 10 months.
- Three of these overpayments were due to the children receiving social security income and the adoptive parents not notifying DCS. These overpayments ranged from 8 to 15 months.
- Two overpayments were due to a child who had gotten married and a child who left home to live with his or her birth mother. In both of these cases, DCS was not notified by the adoptive parents when these changes occurred. These overpayments were 5 and 6 months, respectively.

The remaining four receivable accounts were for overpayments due to the following: a child who was removed from home; a child's case that should have been closed but was set up in another county by error; a child who had turned 21 and was no longer eligible for the program; and a child's adoption assistance renewal contract that was not returned to DCS. In all of these cases, DCS did not have adequate internal controls to prevent overpayments to these adoptive parents. These overpayments ranged from 2 to 10 months.

Recommendation

The Executive Director of Program Support should continue efforts to recover all funds from foster care or adoption assistance parents who received overpayments but are no longer keeping children according to the Department of Finance and Administration (F&A) Policy 23, "Accounts Receivable – Recording, Collection, and Write-Offs." After management has taken all appropriate steps to collect the outstanding receivable, the Executive Director of Program Support should request through F&A that the uncollectible accounts be written off. The Commissioner of DCS should develop protocol for the different divisions within the department, particularly between DCS Fiscal Services, DCS Adoption Services, DCS regional offices' adoption units, and Child Protective Services, so that the proper individuals are informed in a timely manner of changes in children's cases and/or changes that affect adoption assistance eligibility. The Executive Director of Child Permanency should ensure that adoption assistance paid to adoptive parents is terminated when eligibility terminates. Since adoption assistance payments are based on information indicated on the Subsidized Adoption Turnaround Document (Form 16), regional designees should verify this information before authorizing payments.

Management's Comment

We concur. The department continues to make progress toward recovering uncollected overpayments, and when all reasonable efforts are exhausted, obtain permission to write-off these outstanding accounts. In September 2002, the department initiated collection activities with a collection agency for some of these overpayments. After the collection agency concluded its work, the department forwarded these uncollected accounts to the department's legal counsel to further attempt collection. The department's legal counsel determined that \$75,000 was uncollectible. The department will request permission from the Department of Finance and Administration in March 2005 to "write-off" this amount. Of the total outstanding, 55% (\$648,610) is currently being handled by the collection agency prior to turning these accounts over to the department's legal division, and if necessary, to the Department of Finance and Administration to write-off. The department has recovered \$21,229 from the collection agency and \$10,333 from DCS efforts. There are 290 remaining accounts currently at the department for recovery. The department will continue to make progress with these overpayments, as resources within the agency allow.

The department has strengthened controls and improved intra-agency coordination to reduce adoption assistance overpayments, which account for the greatest portion of the overpayment cited in the audit finding. Prior to the conclusion of the audit, the department finalized procedures effective May 2004 that require the submission of copies of any revised, renewed, or new agreements along with the payment request (Form 16). No payment is made until a copy of the agreement is received. Procedures were also strengthened to address payments inadvertently made on behalf of children turning age 18, 21 or 3. Additional documentation is required with the submission of payment, plus joint signatures by the parent and field staff attesting to the accuracy of the child's status.

- 2. The department charged the Title IV-E program for children's expenditures that were not Title IV-E reimbursable, and the department had no documentation of criminal background checks of approved foster parents**

Finding

Nonreimbursable Expenditures

As noted in the prior two audits covering the period July 1, 2001, through June 30, 2003, the Department of Children's Services (DCS) charged the Title IV-E Foster Care program for children's expenditures that were not Title IV-E reimbursable. The Adoption and Safe Families Act of 1997 requires documentation that efforts were made to preserve the family and that removal of a child from his or her home was appropriate and necessary to ensure the child's safety, health, and welfare. To meet these requirements, DCS Policy 16.36, "Title IV-E Foster Care Funds, Court Orders and the Initial Eligibility Determination Process," states,

DCS legal staff and/or case managers shall ensure that the first court order sanctioning the removal of the child shall include a judicial determination to the

effect that continuation in the home is “contrary to the welfare of the child” or that “placement is in the best interest of the child” or words to that effect.

Furthermore, DCS Policy 16.35, “Title IV-E Foster Care Funds and On-Going Reasonable Efforts to Finalize Permanency Plans,” requires DCS to secure a new court order at each permanency hearing that includes a judicial determination that reasonable efforts have been made to finalize the goal of the permanency plan. Permanency hearings are to be held no later than 12 months after a child enters custody and every 12 months thereafter. Without the required reasonable efforts language in judicial determinations, the department may not receive Title IV-E Foster Care reimbursement for the care and maintenance of an otherwise eligible child. Policies 16.35 and 16.36 provide specific instructions for case managers to follow in recording the child’s benefit status in the appropriate computer systems and documenting the child’s status in the case files.

Management concurred with the prior audit finding and stated:

To address the Permanency Plan issues, DCS will implement the following controls. The department will revise its Policy 16.35, “Title IV-E Foster Care Funds and Ongoing Reasonable Efforts to Finalize Permanency Plans,” and Policy 16.36, “Title IV-E Foster Care Funds, Court Orders, and the Initial Eligibility Determination Process,” to include the directive that all case files must contain a signed copy of any court orders. The revisions will be effective March 15, 2004. In addition, training will be completed for all appropriate staff by April 15, 2004. Designated staff will provide the training regionally. The training will focus on the importance of reasonable efforts and the need for compliance with existing laws and policies. All Regional Administrators will be briefed on the Title IV-E Regulations and the importance of compliance. These requirements will be communicated at the monthly Regional Administrator’s meetings. The Director of Quality Assurance will ensure that the training is completed by April 2004. In addition, Federal IV-E Regulations will be addressed during exit interviews for the foster care file reviews. These reviews are performed quarterly and are ongoing.

Based on discussion with management, DCS has implemented a new program to retroactively review the changes in status of the children by comparing status information between the Children’s Plan Financial System (ChiPFInS) and the funding databases. According to management, this retroactive review is to be performed quarterly. Based on review of the funding files in which funds were allocated to the Title IV-E program, DCS performed its reviews during and after the current audit period. The last review noted was on September 20, 2004. Refunds to the Title IV-E program were noted.

During a review of 127 children’s case files, it appeared the department received Title IV-E funds for 28 children (22%) during periods when the children’s expenditures were not Title IV-E reimbursable. The prior-audit error rate was 28%.

- Thirteen of the children’s case files did not contain documentation that the permanency hearings were held within the 12-month requirement. Therefore, the children’s expenditures were not reimbursable by the Title IV-E federal funding for the period in which the court orders with the proper reasonable efforts language were not obtained. Title IV-E funds were claimed for periods between one and 12 months when these expenditures were not eligible for federal reimbursement. The department’s Director of Internal Audit was subsequently able to locate permanency hearings court orders with the reasonable effort language for 4 of these children. The order for one of these court hearings was signed by a judge on November 8, 2004, for a court hearing held on December 2, 2003; another court hearing order was signed by a judge on October 22, 2004, for a court hearing held on April 6, 2004. These court orders should have been in the children’s case files during the auditor’s regional children’s case files reviews. The other two court orders were obtained from legal staff at Davidson County but were not in the children’s case files at the time of the review. The federal questioned costs for payments on behalf of the 9 children without court orders totaled \$11,448 with an additional \$6,302 in state matching funds.
- Four of the children’s case files contained court orders that did not include a judicial determination that DCS had made reasonable efforts (or words to that effect) to finalize the permanency plan. Therefore, the children’s expenditures were not Title IV-E reimbursable for the periods associated with these court orders. The periods of unallowable reimbursements ranged from 9 to 12 months. The federal questioned costs for these payments totaled \$18,788, with an additional \$10,343 in state matching funds.
- Two children’s case files contained court orders documenting the permanency plan hearings; however, the court orders (dated June 1, 2004, and October 7, 2003, respectively) were not signed by the judges. The periods of unallowable Title IV-E reimbursements during the audit period were one and 8 months. The federal questioned costs for these payments totaled \$3,101, with an additional \$1,707 in state matching funds.
- One child’s case file contained a court order, dated March 8, 2004, which stated that “DCS is not making reasonable efforts toward making a permanent and appropriate placement resolution for this child . . .” Therefore, the child’s expenditures were not reimbursable by the Title IV-E federal funding for the 3 months claimed during the audit period. The federal questioned costs for these payments totaled \$2,412, with an additional \$1,328 in state matching funds.
- One child was not eligible for Title IV-E reimbursement because her monthly Social Security Administration income exceeded the Aid to Families with Dependent Children (AFDC) standards. According to eligibility guidelines under foster care, a child’s income cannot exceed the eligibility requirements of the AFDC program. Title IV-E reimbursements were claimed for the entire fiscal year. The federal

questioned costs for these payments totaled \$8,129, with an additional \$4,475 in state matching funds.

- Two children were on runaway status for 7 and 13 days, respectively, during periods when Title IV-E funding was claimed. The federal questioned costs for these payments totaled \$246, with an additional \$136 in state matching funds.
- Three children were not in state custody for 6, 8, and 45 days, respectively, during periods when Title IV-E funding was claimed. The federal questioned costs for these payments totaled \$1,337, with an additional \$736 in state matching funds.

Criminal Background Checks

Title 45, Section 1356.30(a), of the *Code of Federal Regulations* requires states to provide documentation that criminal records checks have been conducted with respect to prospective foster and adoptive parents.

Also, DCS Policy 16.4, “Foster Home Study, Evaluation and Training Process,” states:

A criminal background check to include fingerprinting and sex offender registry check must be completed on each foster parent applicant, as well as any other adult member of the household, and documented in the foster home record.

Management concurred with the prior audit finding and stated:

Current policy is clear on the requirements for criminal background checks . . . prior to having children placed in the foster home. DCS policy 16.4 states, “A criminal background check to include fingerprinting and sex offender registry check must be completed on each foster parent applicant . . .” and it must be documented in the foster home record. It is apparent that DCS staff is not consistently complying with this policy. The department contracted with a vendor to complete computerized fingerprinting. To further improve fingerprinting procedures, the Commissioner has appointed a committee to review the current process and make recommendations for improvements. In addition Regional Administrators, with the aid of the Director of Foster Care, will develop regional plans for monitoring and review of Foster homes to ensure that background checks are performed . . . per DCS policy. Regional Administrators will be notified of the regional plans at the RA meeting scheduled for April 2004. All regional plans must be completed by April 30, 2004. At the same time, central office foster care staff will compile a list of all foster homes lacking a background check. . . . Any foster home lacking . . . a background check . . . has ninety days to meet all Title IV-E requirements. If established requirements are not met, the foster home will be closed. DCS contracts with The University of Tennessee for all training on background checks. . . . DCS staff will meet with the University of Tennessee staff in March 2004. At that time, the department will stress the importance of criminal background checks . . . during the foster home approval

process. DCS will communicate the significant role they play in educating and training DCS field staff, new and current, on . . . background checks.

The sample of 127 children's case files represented 106 foster parents' files. For 3 of the 106 foster parents' files tested (3%), the files did not contain documentation that the background checks were performed. The prior audit finding disclosed that in 5 of 91 foster parents' files tested (5%), the file did not contain documentation that the background checks were performed as described in DCS policy. The federal questioned costs relating to these cases totaled \$2,399 with an additional \$1,321 in state matching funds.

In summary, the total foster care payments of \$74,208 were made during periods when the children's expenditures were not Title IV-E reimbursable and are questioned costs. The federal questioned costs total \$47,860, and the remaining \$26,348 is state matching funds. Total Title IV-E payments to foster care parents for the year were \$27,913,427.

During the period July 1, 2004, through September 20, 2004, management refunded \$35,604 of the federal questioned costs above.

Recommendation

In accordance with departmental Policies 16.35 and 16.36, case managers should ensure that the eligibility and reimbursability of children for Title IV-E Foster Care are adequately documented in the case files and that prompt and accurate status changes are recorded in the department's computer systems. As part of the department's prepayment authorization process, case managers should review information in the eligibility database and ensure that the Title IV-E reimbursement status is correct prior to payment. Furthermore, the Deputy Commissioner for Protection and Permanency should ensure that criminal background checks are performed on all foster parents prior to a foster child being placed in the home.

Management's Comment

We concur. The department has, however, bolstered training, processes and procedures designed to adequately document reimbursement by Title IV-E. In July 2004, the department initiated annual training with child welfare benefits staff on the timely and accurate recording of a child's Title IV-E status in the ChiPFinS eligibility database. The department will continue to provide this training. In 2004, the department also began annual training by regional attorneys on Title IV-E eligibility legal requirements and court orders to child welfare benefits staff. This training will also be ongoing.

In March 2004, the department issued monthly reports of court orders that are absent the required Title IV-E language to Regional Administrators, deputy general counsels and regional supervising attorneys for review and follow-up. It is believed that these training and monitoring efforts will result in improved compliance.

Further, procedures have been put into place with the child welfare benefits counselors directing that they can only deem a child eligible for Title IV-E if a signed court order is documented. The child welfare benefits counselors are prohibited from deeming a child eligible for Title IV-E until there is proof of the signed court order.

The department will continue to work aggressively with judges to ensure that the judges and/or referees issue court orders at the annual permanency plan hearing or at other hearings, e.g., termination of parental rights hearings, and that the annual court orders include a judicial determination that reasonable efforts were made to finalize the permanency plan. In those instances where a judge or referee does not timely issue an annual reasonable efforts judicial determination, DCS regional program, eligibility staff, and central office Fiscal staff will coordinate procedures to ensure that prompt action is taken to designate the child's ChiPFinS Title IV-E status as non-reimbursable until the required judicial determination of reasonable efforts to finalize the child's permanency plan is obtained.

The supervising attorney will continue to contact the judge that issued the order to address the reasonable efforts language required by federal Title IV-E regulations. DCS attorneys will continue to offer to draft a revised order if the proof supports a finding of reasonable efforts. The departments' attorneys will assure that all orders drafted by staff attorneys contain the required Title IV-E language.

In order to address the timeliness of permanency plan hearings, the department will continue to send notice or file motions to set permanency plan hearings sufficiently in advance of the 12 month date. This includes tracking due dates of the hearings, and working with the courts on assuring hearings are scheduled timely.

To further strengthen compliance of criminal background checks of foster homes, DCS policy 16.4 was reviewed and modifications were made January 2005 to insure that the State of Tennessee was in compliance with federal regulations. These modifications require that all homes be in full compliance with all of the provisions in Policy 16.4 for DCS foster home approval, including criminal background checks and PATH training prior to approval as a foster home.

The department is putting in place better procedures to ensure that foster homes not in compliance do not receive payment. At this writing, efforts are underway with a target date of April-May 2005 for payments in ChiPFinS to be validated via a programmatic interface against the Foster Home Application and Child Placement system (FHACP), a web-based application that tracks foster home certification and re-certification. This same functionality will be maintained when ChiPFinS is converted into the TnKids system in a later TNKids release. Contracts with private agencies that provide for foster home services for DCS were amended effective October 1, 2004 to allow DCS to assess a penalty for unapproved placement of a custody child in a home that does not meet minimum standards per DCS Policy 16.4.

Finally, the department has refunded the remaining \$12,256 in questioned cost effective March 3, 2005.

3. Children's case files did not contain adequate documentation of case manager compliance with departmental policies regarding contacts, timeliness of case recordings, and permanency plans for foster children

Finding

As noted in the prior five audits covering the period July 1, 1998, through June 30, 2003, the Department of Children's Services (DCS) did not have adequate documentation in the children's case files showing case manager contact with the child, family, or other individuals. DCS also did not maintain timely case note recordings or hold timely permanency plan hearings.

DCS Policy 16.38-BA (A) regarding face-to-face visits with children in foster homes or other DCS residential facilities states,

If a child moves to a new DCS placement at any time following his/her initial placement, the child shall be visited as if he/she were just entering care and shall be visited and seen face-to-face: (a) Six (6) times during the first eight (8) weeks of the new placement, (b) Once every two weeks for the second eight (8) weeks, and (c) Not less than two (2) times per month thereafter. The Case Manager shall have face-to-face contacts with the foster parents or agency staff as often as necessary, but no less than once each month.

Problems were again noted involving time lapses between documented case manager contact with the child, family, or other individuals as evidenced by case note recordings. Twenty-six of 127 children's case files tested (21%) did not contain adequate documentation of case manager contact in accordance with DCS policy at the time the file was reviewed. In all 26 instances, there were gaps in dates between case manager contacts as documented in the case recordings, indicating noncompliance with applicable policies. Time lapses between documented contacts ranged from 35 to 248 days (averaging 65 days) in the 26 files. The prior audit finding disclosed inadequate documentation of case manager visits in 17 of 127 case files examined (13%), with gaps ranging from 34 to 81 days (averaging 47 days).

Policy 31.14 states, "Each contact (successful or unsuccessful) with or on behalf of clients will be documented in TN Kids case recordings within thirty (30) days from the date of the contact." Policy 31.14 continues to state, "Case recordings serve as the official record of efforts made to serve DCS client children/youth and families. . . . Regardless of whether or not TN Kids case recordings are printed and placed in the child/youth's record, the official case recordings are those in TN Kids."

Management concurred with the prior finding and stated,

To continue to improve the process, DCS began production of a TNKIDS report on contacts in December 2003. The report is based on case recordings that document case manager-child visits, parent-child visits, sibling visits, and case manager-parent visits. This is a live report on TNKIDS available to all TNKIDS

users. Supervisors can use this report to easily identify case managers who may be struggling to comply with contact and visitation standards. Quality assurance will continue to review 120 cases each month for compliance with contact and visitation standards. Regional Administrators will be required to use available data to more closely monitor case manager and team performance, and to provide support and leadership in this area. Job Performance Plans will be revised for case managers and supervisors specifically listing contact and visitation standards. In occurrences of extended non-compliance progressive discipline can be exercised.

As previously mentioned, DCS Policy 31.14 requires that case recordings and all other documentation be added to the case file within 30 days of case work activity. The TN Kids system electronically records the date of each case recording entry to the file. Testwork comparing the date of entry with the date of activity disclosed several instances of untimely entries. Fifty-four of 127 children's case files tested (43%) contained instances of case notes being recorded in TN Kids more than 30 days after activity. Time lapses between the case activity and the date that the information was entered into TN Kids for the 54 files ranged from 7 to 367 days past the 30-day deadline (averaging 68 days past the deadline). The prior audit finding disclosed that time lapses between the case activity and the date that the information was entered into TN Kids for 39 of 127 case files tested (31%) ranged from 3 to 133 days past the 30-day deadline (averaging 30 days).

Policy 16.31-BA states, "All children/youth placed in the custody of the Department of Children's Services shall have a written permanency plan. The permanency plan shall establish realistic goals for the family, the child/youth, and the Department necessary to achieve permanency for the child/youth. The permanency plan shall identify the permanency goal or concurrent permanency goals for the child/youth. . . . The court of venue shall ratify or approve the permanency plan with the exception of youth placed in the Youth Development Centers." In addition, DCS Policy 16.33 states, "The court shall hold a permanency hearing within twelve (12) months of the date of a child's placement in foster care and every 12 months thereafter until permanency is achieved or until the child reaches the age of majority."

Twelve of 127 children's case files tested (9%) did not contain evidence that the permanency planning hearing was held within the 12-month criteria as described in DCS policy. The permanency planning hearings occurred from one to 12 months after the required hearing date. The prior audit finding disclosed that 17 of 120 children's case files tested (14%) did not contain evidence that the permanency planning hearing was held within the 12-month criteria as described in DCS policy.

Recommendation

The Deputy Commissioner for Protection and Permanency should ensure that case managers are making the required contacts with children in state custody and documenting the contacts made. Proper documentation, as described in DCS policies, should be prepared within a reasonable time after the visit and entered into TN Kids within 30 days of the visit. All services

provided to a child should be documented in the child's case file. In addition, quarterly monitoring of case files by field supervisors and case file reviews by central office staff from the Division of Program Operations should specifically address compliance with DCS policies and procedures. Permanency planning hearings should be conducted according to DCS policies and procedures, and documentation of the hearing should be included in the child's case record.

Management's Comment

The department began new efforts to ensure that case managers make the required contacts with children in state custody and document the contacts made. The department has recently embarked on a Continuous Quality Improvement (CQI) initiative, and also enhanced its reporting tools to better monitor case manager activities. Each region has identified and hired a CQI Coordinator and the coordinators are in the process of building CQI teams in each region. These teams will focus on improving core performance in areas such as contacts and adequate documentation.

The "Zero Contact Report" has been generated, tested and refined over the past several months. The report as of March 2005 is now fully operational and will assist Regional Administrators with holding staff accountable for making the required contact. Regional Administrators will use the report to monitor activities and provide timely intervention with team leaders and case managers regarding performance. Regional Administrators will incorporate the review of this monthly report with the CQI process.

Another report generated on a monthly basis for the Regional Administrators is the "Performance Improvement Tool (Case Recording Report)" that provides data on every case manager and their cases. This report includes the following categories: Date last event occurred, Days since last event, Date event was recorded in TNKIDS, #Days between event and recording. The last two columns were recently added in order to detect and address delays in proper documentation.

Regions will develop a plan to identify and assure scheduling of the permanency plan hearings within the 12-month requirement, and will work with the legal staff in each region to meet this requirement. To address timely permanency plans, a report titled "DCS Permanency Plans Over 12 Months Old" was developed, and is being sent monthly to the regional offices. The Director of Permanency Planning identifies for each region the increase/decrease of those plans over 12 months old and the average number of months overdue for each region.

4. The foster parents' files did not contain documentation of annual foster home reassessments and that foster parents completed PATH training

Finding

The Department of Children's Services (DCS) did not comply with its policies concerning foster parents' training and foster home reassessments. The foster parents' files did

not contain documentation that DCS performed the foster home annual reassessments and that foster parents completed the required Parents As Tender Healers (PATH) training.

DCS Policy 16.16 states, “Each approved Department of Children’s Services foster home must be re-assessed within twelve (12) months of the initial approval and at least annually thereafter until the home is closed.”

Our testwork revealed that, in 11 of the 106 children’s foster parents’ files tested (10%), there was no documentation to show that DCS performed the foster home reassessment annually. At June 30, 2004, the last assessment or reassessment for 9 of these homes was performed in December 2001, January 2002, March 2002, June 2002, August 2002, December 2002, January 2003, January 2003, and May 2003. A reassessment for one home was performed in October 2002, and the next reassessment was not performed until March 2004. One child was placed with a foster family from May through July 2003; however, the parents’ file did not contain any reassessment information. Their initial home study information was not dated, and the file indicated that the home had hosted children in 2001. In addition, one of these 11 foster parents’ files did not contain documentation that the foster parents had completed PATH training.

DCS Policy 16.4(B)(1) states, “All foster parent applicants interested in foster care, kinship foster care, or adoption must complete the thirty (30) hours of PATH training.” Policy 16.4(C)(5) states, “The foster home study must be completed within sixty (60) days of the completion of the PATH training.” Policy 16.4(C)(6) states, “If approved, the Case Manager shall notify the foster parent applicants in writing, enter the foster family into the ChiPFinS data system, submit the new approval to the Field Systems Administrator for the Foster Home Registry for the region in TN KIDS, and add the new foster family to the regional foster home list.” Policy 16.4(H)(3) states, “In situations where a child has been placed in an expedited placement with a kinship care home, . . . all usual approval requirements including fingerprinting and foster parent training shall be completed within sixty (60) days of the initial placement.”

Our review revealed that 5 of the 106 children’s foster parents’ files tested (5%) did not contain documentation showing that the foster parents completed PATH training. In all instances, the foster parents did not complete the PATH training prior to placing the children at their homes or within 60 days when the placement was expedited.

Recommendation

The Deputy Commissioner for Protection and Permanency, Regional Administrators, and Team Leaders should ensure that foster parents complete the PATH training and that foster home reassessments are performed annually.

Management’s Comment

We concur. The department initiated case file reviews beginning in February 2004 to ensure that all foster care cases had the appropriate documentation of PATH dates and home

reassessments. These reviews are continuing. To ensure that DCS staff complies with DCS policy 16.4, central office staff will conduct periodic case file reviews.

5. Adoption Assistance files did not contain adequate documentation

Finding

As noted in the two previous audits covering the period July 1, 2001, through June 30, 2003, Adoption Assistance case files did not contain adequate documentation to support the Adoption Assistance subsidies paid to the adoptive parents. The total federal share of payments made for the Adoption Assistance Program was \$15,395,278.

Management concurred with the prior audit finding and stated,

The Department of Children's Services will implement more internal controls over adoption assistance case files by instituting the following procedures. Beginning February 2004, regional staff will perform a desk review of all current Adoption Assistance Agreements against a list of current payments made through fiscal services. Regional staff will be required to provide a report of the findings and suggest a corrective action plan for all discrepancies. To ensure the accuracy of payment rates, field staff will be required to submit copies of all new agreements and any renewals or revisions with the Subsidized Adoption Turnaround Document (Form 16) to fiscal services for payment and funding verification purposes.

In addition to the above procedures, Adoption Services staff is reviewing all policies, procedures, and Adoption Assistance form instructions. These documents will be revised to clarify the requirements for review, approval, and signatures by supervisory staff. Also, Policy, "Contents of Adoption Assistance Case File" has been drafted. This policy addresses the requirement of the notarized affidavit and outlines all requirements for Adoption Assistance files. This policy will be finalized in March 2004. Beginning March 2004, training for all DCS staff and provider agency staff will be conducted. All training will be completed by December 2004.

As of October 12, 2004, management stated that the above-mentioned policy was still in the process of being drafted and gave no indication when the policy would be finalized. Furthermore, as of October 12, 2004, management stated that no such training had taken place but was still being planned. Testwork indicated evidence of desk reviews, but reviewed files were still incomplete.

The Adoption Assistance Program contributes financially to assist families, otherwise lacking the financial resources, in adopting eligible children with special needs. According to Department of Children's Services Policy 15.11, families must renew assistance annually by completing an application, agreement, and a notarized affidavit. Federal regulations require the

state to make reasonable efforts to place a child for adoption without a subsidy. According to departmental policy, the case manager must ask prospective adoptive parents if they are willing to adopt without Adoption Assistance payments. If the family says it cannot adopt without Adoption Assistance payments, the department considers the reasonable efforts requirement to have been met, and the process for obtaining Adoption Assistance begins. Title IV-E federally funded Adoption Assistance is available until the child reaches age 18 or up to age 21 if the child has a mental or physical handicapping condition as established in the initial Adoption Assistance Agreement. If the child does not meet handicapping conditions at age 18, the Title IV-E Adoption Assistance payments cease. However, the adoptive parents may receive state-funded adoption assistance if the child remains in high school and the original adoption assistance agreement was created after October 1997. The adoptive parents may also receive state-funded adoption assistance if the child is in any full-time school and the original adoption assistance agreement was created prior to October 1997. Department of Children's Services Policy 15.10, "Adoption Assistance Agreements Created Prior to October, 1997," states, "School attendance or handicapping condition must be verified and documented in the adoption assistance case file."

In the prior audit, management offered the following response for correcting deficiencies in documentation to support adoption assistance subsidies.

To address payments made for children turning 18, 21, or 3 years of age, the department plans to implement better internal controls and more communication between the fiscal services staff and adoptions services staff located in the field. In April 2003 the department began distributing a monthly report of all children who will turn three, eighteen, or twenty-one within three months of the report date. Beginning March 2004, Adoption Services Team Coordinators are required to review the adoption assistance case file to ensure that payment adjustments are appropriate for children turning three years of age and that appropriate documentation is included for continuing eligibility for children turning eighteen years of age. The regional list of three and eighteen year olds and any supporting documentation must be submitted to Central Office Adoption Services staff. When all items are correct and have the proper documentation, the regional report and documentation will be submitted to Fiscal Services. All information must be submitted prior to the payment period. Fiscal Services will make no payments until the regional list of three and eighteen-year olds and any supporting documentation are submitted. Policy "Contents of Adoption Assistance Case File" will include the above process. In addition, the CHIPFINS system will be enhanced to automatically stop payments for children twenty-one years of age and for children turning three years old where there is no decrease in the regular and special circumstances rate. This will begin in April 2004. Finally, revisions will be made to the Adoption Assistance Agreement. The current adoption assistance agreement will be revised to emphasize the parents' responsibilities in reporting changes within the family's circumstances that would impact the child's eligibility for adoption assistance. It will also state that failure to comply could result in personal liability and legal action.

Adoption Assistance files still did not contain adequate documentation related to the applications, agreements, and yearly renewal affidavits that must be completed by the adoptive parents, as required by the department's *Adoption Services Procedures Manual*. In addition, documentation supporting payments for children over 18 was missing. Based on a review of 130 Adoption Assistance case files, 17 case files (13%) did not have adequate documentation as mentioned below.

- Six files were for children over 18 and did not have documentation to indicate that the children continued to have physical or mental handicaps that warrant federal Adoption Assistance funding. In addition, one file contained a renewal affidavit that was notarized after the effective date of the agreement. The federal questioned costs for these payments totaled \$30,011 with an additional \$16,521 in state matching funds.
- Five files did not contain documentation that DCS had determined the special needs of the child during the initial adoption application for Title IV-E eligibility. The federal questioned costs for these payments totaled \$20,773 with an additional \$11,435 in state matching funds.
- Three files contained agreements that were signed by the case manager after the intended effective dates. Each agreement was to commence on the first day of the month. Section VII of the agreement states, "Payments will not be made prior to the 'effective date'." The effective date cannot be prior to the last signature date on this contract." The adoptive parents signed the agreements prior to the intended effective date; however, the agreements were not signed by the case managers until 10 to 13 days after the intended effective date. The federal questioned costs for these payments totaled \$309 with an additional \$170 in state matching funds.

The total federal questioned costs for these payments were \$51,093 with an additional \$28,126 in state matching funds. Based on the results of testwork, it is evident that management continued to issue payments even though documentation was not present in the files.

Recommendation

The Commissioner should finalize a formal policy to delineate the required contents of Adoption Assistance case files, similar to the current policy, "Administrative Policies and Procedures 31.5," which governs foster care case files. The Executive Director of the Office of Child Permanency and the Director of Foster Care, Adoptions, & Kinship Care should develop procedures to ensure that Adoption Assistance case files are complete and that renewals and extensions of agreements are current and adequately supported, especially with regard to the conditions justifying agreements which extend past the child's 18th birthday. Any changes in eligibility for Adoption Assistance funding should be documented in the case file, and related adjustments in funding should be made immediately.

Management's Comment

We concur. Adoption policies have been revised to advise staff of required contents of Adoption Assistance case files and any changes in eligibility for Adoption Assistance funding should be documented in the case file, and related adjustments in funding should be made immediately.

In addition, the department's regional staff completed a desk review of all Adoption Assistance Agreements against a list of current payments made through fiscal services. As noted previously, field staff now submits copies of all new agreements and any renewals or revisions with the Form 16 to Fiscal Services for payment and funding verification.

Currently a monthly report is produced and distributed to Central Office and field staff for children turning 18, 21, or 3 years of age. Adoption Services Team Coordinators are required to review the adoption assistance case file to ensure that payment adjustments are appropriate for children turning three years of age and that appropriate documentation is included for continuing eligibility for children turning eighteen years of age.

The department refunded \$19,016 of the federal questioned cost in August 2004, and refunded the other \$32,077 in questioned cost in March 2005.

6. The department did not obtain adequate approval for administrative leave with pay and inappropriately used federal funds

Finding

The Department of Children's Services (DCS) did not obtain adequate approval for administrative pay.

Department of Personnel Policy, Chapter 3 states:

Discretionary leave may be for reasons or situations where an employee is removed from normal duties with approval of the appointing authority or other authorized supervisor for a period of (30) calendar days or less when considered necessary for proper operation of the agency or welfare of the employee. Periods of discretionary leave with pay that exceed thirty (30) calendar days must be approved by the Commissioner of the Department of Personnel. . . .

Testwork revealed that eight employees were on administrative leave from 32 to 111 business days with pay for disciplinary reasons. The department did not have the necessary authorization from the Department of Personnel to pay these individuals administrative pay for more than 30 calendar days.

Four of the employees were paid with Title IV-E federal funds. DCS Policy 4.26, "Administrative Leave With Pay," states, "To ensure salaries are not funded with federal funds

during the period an employee is on administrative leave with pay, the DCS personnel and fiscal services divisions shall be notified immediately of any employee approved to take administrative leave with pay.” Since these employees were not benefiting the program during the period they were on administrative leave, federal funds should not have been used to pay their salaries. The federal questioned costs for these payments totaled \$29,968 with an additional \$16,498 in state matching funds. The remaining four employees were paid a total of \$25,524 with state funding while on administrative leave with pay.

Recommendation

The Deputy Commissioner of Administration and Training should ensure that the department’s Office of Human Resource Development appropriately monitors and obtains approvals from the Department of Personnel for employees who are on administrative leave beyond 30 calendar days. In addition, the Deputy Commissioner should instruct the Office of Program Support to fund all salaries coded as administrative leave with state funds and not federal funds.

Management’s Comment

We concur. The department recently took corrective action. The department corrected DCS Policy 4.6 pertaining to Administrative Leave in February 2005 and developed a standard letter for all field staff to request extensions for over 30 days subject to approval by the Department of Personnel. The policy should be available for distribution to all staff in March 2005.

STATUS OF PRIOR AUDIT FINDINGS

State of Tennessee *Single Audit Report* for the year ended June 30, 2003

Audit findings pertaining to the Department of Children’s Services were included in the *Single Audit Report*. The updated status of these findings as determined by our audit procedures is described below.

Resolved Audit Findings

The current audit disclosed that the Department of Children’s Services has corrected previous audit findings concerning the department committing state and federal TennCare funds before it had a contract with the Bureau of TennCare to provide services, and inappropriately requesting and receiving reimbursement from TennCare for ineligible children.

Repeated Audit Findings

The current audit disclosed that the Department of Children's Services has not corrected the previous audit findings concerning collecting overpayments due from foster care and adoption assistance parents, charging the Title IV-E program for ineligible children and not documenting criminal background checks, documenting case manager compliance with departmental policies in case files, and maintaining adequate documentation in adoption assistance files. These findings will be repeated in the *Single Audit Report* for the year ended June 30, 2004.

Most Recent Financial and Compliance Audit

Audit report number 04/049 for the Department of Children's Services, issued in November 2004, contained certain audit findings that were not included in the State of Tennessee *Single Audit Report*. These findings were not relevant to our current audit and, as a result, we did not pursue their status as a part of this audit.